

CANADA
Province of Alberta

District of Alberta
Division of 02 - Calgary
Court No. 25-2913225
Estate No. 25-2913225

TRUSTEE'S PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF
Boaz Pharmaceuticals Inc.

Trustee: Deloitte Restructuring Inc. ("**Deloitte**")

Section A - Background

Boaz Pharmaceuticals Inc. (the "**Company**" or "**Boaz**") is a private corporation which was incorporated in the province of Alberta on February 19, 2016 and is owned by 2012721 Alberta Ltd. (26.32%), Boaz Holdings Inc. (21.05%), Geodetic Consulting Ltd. (26.32%), and Goerz Project Ltd. (26.32%). Boaz is a cannabis producer which operated out of a leased premises at 4435 90 Avenue SE Calgary, Alberta (the "**Leased Premises**"). Based on an Alberta Corporate Registry search dated January 30, 2023, the directors of Boaz are as follows: (i) David Dupuis, (ii) Brent Goerz, (iii) David Isaak, and (iv) Joel Jones. The Trustee is advised that all but one (1) director, Brent Goerz, resigned prior to the Date of Bankruptcy (defined below).

The Company's financial difficulties have arisen from increased liabilities and working capital requirements due to a second phase of an expansion project, coupled with significant adverse impacts of COVID-19, including procurement and shipping delays, and most recently a general downturn in the cannabis industry.

The Company entered into an asset purchase agreement ("**APA**") with Freedom Cannabis Inc. ("**Freedom**") on August 23, 2022 for the sale of all assets of Boaz including cash and cash equivalents, accounts receivable, inventory, biological assets, tangible assets, trademarks, and all other intellectual property for a purchase price equal to the value of the assumed liabilities (approximately \$5.9 million representing the debts owed by Boaz at that time) as set out in the APA. On September 9, 2022, pursuant to the APA, Freedom executed a 160-day term secured promissory note ("**Promissory Note**") payable to Boaz in an amount equal to the assumed liabilities prior to closing; however, the Promissory Note has not been paid. On or shortly after the sale transaction between Boaz and Freedom, operations of Boaz ceased, and Freedom took possession of certain assets. There are additional assets remaining in the leased premises (the

“**Remaining Assets**”) which are claimed by Freedom to be part of the sales transaction and that Freedom indicates it has not abandoned.

Boaz made an assignment in bankruptcy on February 17, 2023 (“**Date of Bankruptcy**”) and Deloitte Restructuring Inc was appointed as the Licensed Insolvency Trustee (“**Trustee**”) of the estate (“**Estate**”). The Trustee has not obtained an independent legal opinion confirming the Secured Creditor’s security, listed later in this report, is valid and enforceable as against the Trustee. Further, the Trustee has not taken possession of the Remaining Assets or the Leased Premises.

All documents related to the bankruptcy of the Company can be found on the Trustee’s website at www.insolvencies.deloitte.ca/en-ca/Pages/Boaz-Pharmaceuticals-Inc.aspx

In preparing this report, the Trustee has relied on unaudited financial information, and the books and records of the Company. Deloitte has not performed an independent review or audit of the information obtained and does not express an opinion or any other form of assurance on the information presented herein. The Trustee may refine or alter its observations as further information is obtained or is brought to its attention after the date of this report.

The Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction, or use of the Trustee’s preliminary report (the “**Report**”). Any use that any party makes of this Report, or any reliance on or decisions to be made based on this Report, is the responsibility of such party.

Section B – Assets and Books and Records

The reported book values of the Company’s potential realizable asset as at February 17, 2023 is as follows:

Description	Book Value (\$)
Promissory Note	5,937,307
Total	5,937,307

The Trustee has taken possession of the books and records of the Company and is using them to complete its statutory duties.

As noted above, the Remaining Assets are claimed by Freedom to be part of the sale transaction and consequently the Trustee has not taken possession of the Remaining Assets.

Section C – Current State of Operations

1. Conservatory and Protective Measures

The Trustee took possession of the Company's sole asset noted above on February 17, 2023.

2. Carrying on Business

The Company's operations ceased prior to the Date of Bankruptcy.

Section D – Legal Proceedings

The trustee has not commenced any legal proceedings and is not aware of any proceedings commenced against the estate since the Date of Bankruptcy.

The Bankruptcy Trustee has retained Fasken Martineau DuMoulin LLP as its legal counsel ("**Counsel**").

Section E – Provable Claims

Below is a summary of claims submitted to the Bankruptcy Trustee as at 5:00 pm MTN on March 8, 2023:

Nature of Debt	Amount(\$)
Deemed Trust	2,330
Secured Claim	59,770
Preferred Claims	334,222
Unsecured Claims	295,570
Total	691,892

Section F – Creditors

The following is a summary of Boaz's known creditors at the Date of Bankruptcy:

	Amount(\$)
Deemed Trust/Contingent Claims	16,219,946
Secured	1,274,629
Preferred Unsecured	55,672
Unsecured	4,542,888
Total	22,093,135

**Estimated amounts are based on the books and records of Boaz as at the Date of Bankruptcy*

1. Deemed Trust/Contingent Claims

As at February 17, 2023, shareholder loans totalling approximately \$15.9 million were recorded on the Company's financial statements. The shareholder claims are contingent on the recovery of

assets in the bankruptcy estate and will only be addressed in the event all other creditors are paid in full.

The books and records of the Company indicate that there are arrears owing to Canada Revenue Agency ("CRA") for payroll source deductions of approximately \$309,000. CRA has not yet commenced its trust audit of the Company's books and records in order to verify the amount of the deemed trust claim owing to CRA.

As at the Date of Bankruptcy, there were three (3) employee claims for outstanding wages, vacation pay, severance and termination pay totaling approximately \$28,000. The Trustee is administering the claims process under the Wage Earners Protection Program for the eligible employees and anticipates a priority claim from Service Canada of up to a total of approximately \$2,400.

2. Secured Claims

Old Kent Road Financial Loan Adminco Ltd. is a secured creditor of the Company, with an outstanding term loan of approximately \$300,000 at the Date of Bankruptcy and holds a general security agreement against the Company's assets.

Other secured creditors with claims totalling approximately \$975,000, have registered security against specific assets pursuant to lease agreements between the Company and the creditors. The Trustee released its interest in the assets to the respective lessors following confirmation of no equity in the leased assets. The list of secured creditors is included in the Company's Statement of Affairs.

3. Preferred Unsecured Claims

The estimated amount of any preferred unsecured claims is still to be confirmed but may include certain claims of employees and the landlord of the Leased Premises.

4. Unsecured Claims

The unsecured claims listed above total approximately \$4.5 million, which generally consist of debts owing to trade creditors.

Section G – Transactions at Under Value

The Trustee is not aware of any transactions at undervalue, although it has not conducted an investigation into the sale of substantially all of the Company's assets to Freedom in August of 2022.

Section H – Other Matters

The Trustee received a \$100,000 retainer from the directors of the Company prior to the filing of the bankruptcy documents. The retainer is to be repaid if sufficient funds are realized within the Estate to cover the costs of the Trustee.

There are no other reportable matters at this time.

Dated at Calgary, Alberta on the 9th day of March 2023.

DELOITTE RESTRUCTURING INC.

In its capacity as Trustee in Bankruptcy
of Boaz Pharmaceuticals Inc.
and not in its personal or corporate capacity.

A handwritten signature in black ink, appearing to read 'R Adlington', written over a horizontal line.

Ryan Adlington, CA, CPA, CIRP, LIT
Senior Vice-President
