Deloitte.

No. S-248267
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,*
R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44, AND THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF SAN INDUSTRIES LTD., AND THOSE OTHER ENTITIES LISTED ON SCHEDULE "A"

PETITIONERS

THIRD REPORT OF THE MONITOR

DELOTTE RESTRUCTURING INC.

JANUARY 13, 2025

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INTRODUCTION

(1) On November 29, 2024 (the "**Filing Date**"), San Industries Ltd. ("**San Industries**") and those parties listed in **Appendix "A"** (collectively the "**Petitioners**", or "**San Group**"), were granted an order (the "**Initial Order**") by the Supreme Court of British Columbia (the "**Court**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended, (the "**CCAA**"). The Petitioners' proceedings pursuant to the CCAA are referred to herein as the "**CCAA Proceedings**".

(2) The Initial Order, among other things:

a) Appointed Deloitte Restructuring Inc. ("**Deloitte**") to monitor the business and financial affairs of the Petitioners (in such capacity, the "**Monitor**");

b) Granted a stay of proceedings against the Petitioners up to and including December 9, 2024 (the "**Initial Stay of Proceedings**");

c) Authorized the Petitioners to borrow $600,000 under a debtor-in-possession financing facility (the "**DIP Financing Facility**") made available by the Royal Bank of Canada ("**RBC**" or the "**DIP Lender**"); and

d) Granted the Administration Charge and the DIP Lender's Charge (as both defined in the Initial Order).

(3) On December 7, 2024, the Monitor issued its first report in the CCAA Proceedings (the "**First Report**"). The First Report was filed to, among other things, provide the Court with an update on the activities of the Petitioners and Monitor since the granting of the Initial Order, and the Monitor's observations with respect to the Petitioners' cashflow forecast for the Operating Entities (as defined later herein) dated November 29, 2024 (the "**First Cash Flow Forecast**"). In the First Report the Monitor also provided its views on the relief sought by the Petitioners in connection with the proposed amended and restated Initial Order which included, among other things:

a) Extending the Initial Stay of Proceedings to January 10, 2025 (the "**Initial Stay Request**");

b) Increasing the Administrative Charge from $300,000 to $750,000 (subsequently amended to $500,000) (the "**Increased Administration Charge**"); and

c) Elevating the priority of the Increased Administration Charge, the Interim Lender's Charge (as defined in the Initial Order), and the Directors' Charge (as defined in the Initial Order) in respect of the secured creditors who did not receive notice of the Initial Order hearing.

(4) On December 9, 2024 the Court issued an Amended and Restated Initial Order (the "**ARIO**") which granted, among other things, an extension of the Initial Stay of Proceedings to December 19, 2024 (the "**First Stay Extension**"), the Increased Administration Charge to $500,000, and elevated the priority of the Increased Administration Charge, the Interim Lender's Charge, and the Directors' Charge over all secured creditors. The First Stay Extension granted was shorter than the Initial Stay Request sought by the Petitioners in order to allow the Monitor to, among other things, try and better understand and address the Current Concerns (as defined in the First Report and later herein) identified in the First Report.

(5) On December 18, 2024, the Monitor issued its second report in the CCAA Proceedings (the "**Second Report**"). The Second Report was filed to provide the Court with an update since the date of the First Report on the activities of the Petitioners, activities of the Monitor, and the Current Concerns (as defined later herein). The Second Report also included the Monitor's review of the actual cash flows for the two weeks ended December 13, 2024 compared to the projected amounts in the First Cash Flow Forecast, along with the Monitor's observations with respect to the Petitioners' updated cash flow forecast for the Operating Entities (as defined later herein) for the period December 14, 2024 to January 31, 2025 (the "**Second Cash Flow**

Forecast"). In the Second Report, the Monitor also provided its views on the relief sought by the Petitioners in connection with a second amended ARIO which included, among other things:

a) Granting the Monitor further enhanced powers in the CCAA Proceedings;

b) Increasing the Petitioners' authority to borrow under the DIP Financing Facility, and increase the Interim Lender's Charge by $400,000 (the "**First DIP Financing Facility Increase**") from $600,000 to a maximum of $1.0 million in respect of the Borrowers' Property (as defined in the ARIO); and

c) Granting a further stay extension to January 10, 2025 (subsequently amended to January 17, 2025).

(6) On December 19, 2024 the Court issued a Second Amended and Restated Initial Order (the "**Second ARIO**") which granted, among other things, further enhanced powers for the Monitor in the CCAA Proceedings, the First DIP Financing Facility Increase, and an extension of the Initial Stay of Proceedings to January 17, 2025 (the "**Second Stay Extension**").

(7) This is the Monitor's third report to Court (the "**Third Report**" or "**this Report**").

(8) The Monitor has made its reports along with the various orders and other information related to these CCAA Proceedings available on its website at www.insolvencies.deloitte.ca/sangroup (the "**Monitor's Website**").

(9) All dollar amounts in this Report are in Canadian dollars, unless otherwise indicated.

(10) Unless otherwise provided, all capitalized terms not defined in this Report are as defined in the Second ARIO, the First Report, or the Second Report, as applicable.

Purpose of the Third Report

(11) The purpose of this Third Report is for the Monitor to provide information to the Court, and the Monitor's comments thereon, regarding the following:

a) The activities of the Petitioners since the date of the Second Report and an update on San Group's operations;

b) The activities of the Monitor since the date of the Second Report;

c) An update on the Inventory Writedown, Missing Logs, the STP Claim Denial Letter and insurance matters generally, the related party transactions, and the ability of the Petitioners to achieve their projected cash flows (all terms as defined in the First Report and Second Report and, collectively, the "**Current Concerns**");

d) The Monitor's review of the actual cash flows of the Operating Entities for the four weeks ended January 10, 2025 (the "**Cash Flow Period**") as compared to the projected cash flows in the Second Cash Flow Forecast (the "**Second Variance Analysis**");

e) The Monitor's observations with respect to the Petitioners' updated cash flow projection for the Operating Entities (as defined later herein) for the period from January 11, 2025 to May 30, 2025 (the "**Third Cash Flow Forecast**") attached hereto as **Appendix "B"**; and

f) The relief sought by the Monitor including orders:

   i. Increasing the Petitioners' authority to borrow under the DIP Financing Facility, and increase the Interim Lender's Charge by $4.0 million (the "**Second DIP Financing Facility Increase**") from $1.0 million to a maximum of $5.0 million in respect of the Borrowers' Property (as defined in the ARIO);

ii. Approving the sale and investment solicitation process (the “**SISP**”), which is attached to this Third Report as **Appendix “C”**; and

iii. Granting a further stay extension to May 30, 2025 (the “**Third Stay Extension**”).

Disclaimer and Terms of Reference

(12) In preparing this Report and conducting its analysis, the Monitor has been provided with, and has relied upon, certain unaudited financial information, draft and internal financial information from the books and records of the Petitioners, as applicable. The Monitor has also relied on information gathered from discussions with various parties, including senior management of the Petitioners (“**Management**”), shareholders, and the Petitioners’ legal and financial advisors (collectively, the “**Information**”). The Monitor may refine or alter its observations as further information is obtained or brought to its attention after the date of this Report.

(13) Except as otherwise described in this Report:

a) The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

b) Some of the Information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in Chartered Professional Accountants Canada Handbook, has not been performed.

(14) Future oriented financial information referred to in this Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

(15) Except as otherwise indicated, the Monitor’s understanding of factual matters expressed in this Report concerning the Petitioners and its business is based on the Information, and not independent factual determinations made by the Monitor.

(16) The Monitor 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 this Report. Any use, which any party makes of this Report, or any reliance or decision to be made based on this Report, is the sole responsibility of such party.

BACKGROUND

(17) A background on the business and operations of San Group is described in the First Report and in the First Affidavit of Mr. Sukhjit Singh Sanghera (“**Suki**”) sworn on November 27, 2024 (the “**Sanghera Affidavit**”) and is not repeated in full here.

(18) San Group operates as an integrated forest products business. The Group harvests, mills and re-manufactures wood products from lumber sourced in British Columbia (“**BC**”) and sells its products to end users in local and global markets, ranging from large builders and developers to individual consumers and indigenous groups and nations. The wood products produced and sold by San Group include dimensional lumber, as well as building products like siding, soffits, decking, fencing, and exterior and interior cladding and finishing in both general and custom designs.

(19) San Group is headquartered in Langley, BC and its senior management and finance team all operate from the head office in Langley, BC.

(20) San Group is beneficially owned by Suki, Mr. Kamal Sanghera also known as Mr. Kamaljit Singh Sanghera ("**Kamal**"), and Mr. Iqbal Deol ("**Iqbal**") through their respective family trusts and holding companies. Kamal and Suki are active members of the Management team.

(21) San Industries is the main operating arm of San Group. San Industries owns controlling shares in San Holdings Inc. (the "**San Holdings**") and San Holdings owns 100% of several operating subsidiaries, as more fully described in the Sanghera Affidavit.

(22) San Group's main operating locations and entities are as follows (collectively, the "**Operating Entities**"):

a) San Industries operates a re-manufacturing plant in Langley, BC (the "**Langley Plant**") converting lumber to re-manufactured products;

b) Coulson Manufacturing 2017 Ltd. ("**Coulson**") operates two sawmills (the "**Coulson Mills**") in Port Alberni, BC;

c) San Forest Products Ltd. ("**San Forest**") operates a re-manufacturing plant in Port Alberni, BC (the "**SFP Plant**");

d) Acorn Forest Products Ltd. ("**Acorn**") has a sawmill, re-manufacturing plant, and lay-down facilities in Delta, BC (the "**Acorn Mill**") which, as discussed later herein, is not currently operational following a large fire in April 2024 (the "**Acorn Fire**");

e) Axon Lumber Ltd. ("**Axon**") owns the lands for the Langley Plant and a neighbouring farm property; and

f) Super-Cut Lumber Industries Ltd. ("**Super-Cut**") is the employer for all head office and non-union employees except those employees with work permits who are employed by San Industries. The union employees are paid by Couslon or Acorn.

(23) With the exception of the Acorn Mill, the real property underlying all of San Group's operating locations noted above are owned by San Group. The lands on which the Acorn Mill is situated are subject to a lease agreement dated May 14, 2022 as between the Vancouver Fraser Port Authority (the "**Acorn Landlord**"), Interfor Corporation as the assignor, Acorn as the assignee, and San Industries as the guarantor (the "**Acorn Lease Agreement**").

(24) The Monitor is only aware of one other significant real property lease agreement held by the Petitioners, which is between San Industries and the Port Alberni Port Authority (the "**Alberni Port Authority**") dated June 21, 2021 for an initial term of five years (the "**Alberni Port Lease**"), for certain structures and port lands along Harbour Road in Port Alberni, BC.

(25) The other Petitioners not described above are outlined as follows in the Sanghera Affidavit (collectively, the "**Other Petitioners**"):

a) San Cedar Direct Sales Ltd. ("**San Cedar**") is San Group's retail division and owns 100%of the retail store entities which include 1224676 BC Ltd. and 1260729 BC Ltd.;

b) Mountainside Logging Ltd. ("**Mountainside**") conducts logging operations and marketing of logs. The Monitor understands that Mountainside has various credit facilities provided by the Canadian Western Bank;

c) 1170518 BC Ltd. is the company that operated the original San Group retail location in Surrey, BC;

d) 1175465 BC Ltd. is inactive with no current projects or operations;

e) San Farming Ltd. is San Group's agriculture division;

f) San Forest Specialty Ltd. ("**San Specialty**") owns two adjacent parcels of land in Port Alberni, BC and the lands include a small specialty sawmill facility that is currently inactive and non-operational; and

g) San Terminals Inc. was set up for port activities and is inactive with no current projects or operations.

(26) The two primary lenders for the Operating Entities are RBC and the Business Development Bank of Canada ("**BDC**", and together with RBC, the "**Lenders**") who are owed a combined total of over $150.0 million at the Filing Date. San Group has various credit facilities provided by the Lenders as defined as the RBC Credit Facilities and BDC Credit Facilities in the First Report.

PETITIONERS' ACTIVITIES

(27) Since the date of the Second Report, the Petitioners have undertaken the following actions:

a) Maintained operations of San Group at a reduced capacity;

b) Worked with the Monitor to manage the cash flow and disbursements of the business in accordance with the Second ARIO and the Second Cash Flow Forecast;

c) Worked with the Monitor to prepare the Third Cash Flow Forecast and provided various supporting information;

d) Continued to try and advance the various insurance claims related to the Acorn Fire and the San Forest Fire (as defined later herein) and find replacement insurance coverage;

e) Discussed the development of a SISP with the Monitor and continued the collection of information to populate a virtual data room; and

f) Responded to inquiries and information requests from creditors and other stakeholders.

MONITOR'S ACTIVITIES

(28) Since the date of the Second Report, the Monitor has, among other things, undertaken the following activities:

a) Maintained and updated the Monitor's Website and posted copies of the materials in connection with the CCAA Proceedings;

b) Responded to various stakeholder enquiries received through direct email, phone contact, or the Monitor's Website;

c) Conducted meetings and discussions with Management, San Group, and other legal counsel regarding the Petitioners' business, financial affairs, restructuring efforts, the Monitor's Current Concerns, including insurance claims and coverage updates, and other matters relating to the CCAA Proceedings;

d) Participated in discussions with the Lenders and their legal counsel regarding the Petitioners' business, financial affairs, restructuring efforts, the SISP, and other matters relating to the CCAA Proceedings;

e) Reviewed various financial and other information provided by San Group and Management in regards to the Petitioners and other related and unrelated entities and performed various analysis;

f) Reviewed the Operating Entities' cash receipts and disbursements and supporting documents, cash management procedures, procurement procedures, disbursement requests, and implemented various monitoring and approval protocols;

g) Prepared and reviewed the Second Variance Analysis;

h) Worked with Management to prepare the Third Cash Flow Forecast and reviewed the various supporting assumptions, analysis and information provided by Management;

i) Corresponded with the DIP Lender regarding the DIP Financing Facility and the operation of the Petitioners' bank accounts;

j) Held discussions with Management regarding the development of a SISP and continued compiling information regarding the assets of San Group and other documents to populate a teaser document, and data room in due course;

k) Attended at the Langley Plant to meet with Management, tour the premises, and/or review the assets on hand;

l) Engaged a third party security company for the Coulson Mills and SFP Plant;

m) Attended to inquiries from Management, employees, creditors, and other stakeholders in regards to the ongoing operations, sales of assets, cash flow and creditor and customer matters; and

n) Prepared this Report.

OPERATIONS UPDATE

(29) Management has continued to run the Operating Entities at a reduced capacity since the Second Report as follows:

a) Coulson has continued to run sporadically (other than during the Holiday Shutdown) to process third party logs pursuant to the Coulson Custom Cut Contract (as defined in the Second Report) and this work is scheduled to be completed on or around January 31, 2025;

b) The Langley Plant has continued to run on a limited basis and continues to finish lumber pursuant to the Langley Custom Reman Contract (as defined in the Second Report) and this work is scheduled to be completed on or around January 31, 2025;

c) The SFP Plant has run for several weeks to process certain of the remaining inventory on site in order to meet customers' orders and this work is scheduled to be completed, and the orders shipped from the Langley Plan, on or around January 31, 2025;

d) Acorn remains shut down as a result of the Acorn Fire; and

e) Axon and Super-Cut do not have any current operations other than acting as real estate holding and payroll processing companies, respectively.

(30) Management has continued to ship orders out of the Langley Plant and the Monitor understands that the LC Issue (as defined and discussed in the Second Report) has been temporarily resolved with San Group being able to ship products to the United States with no further letter of credit or deposit requirements until September 2025. The current plan is for San Group to continue to ship its available inventory to customers into February 2025.

(31) The Monitor has held ongoing discussions with Management around the current and future operations of the Operating Entities and the various challenges around securing fibre supply, customer sales, financing, and insurance. Management has struggled to provide the strategy

and detailed supporting financial and other analysis to support ongoing operations and has had to rely on the custom cut contracts to support most of its revenue. As a result of these challenges and lack of funding under the DIP Financing Facility to support ongoing operations, the facilities of the Operating Entities will be moving into care and maintenance ("**C&M**") starting in February 2025. The Monitor is working closely with Management to ensure the appropriate resources and procedures are in place so that the assets are properly maintained and safeguarded during the C&M phase.

CURRENT CONCERNS

(32) The Monitor outlined in the First Report that it was working with San Group to assess the current financial position of the Petitioners and the status of its operations but, due to limited resources within San Group, the books and records being out of date, and various system limitations, the Monitor was not able to complete a detailed review of the current financial position of the Petitioners at that time.

(33) While the Petitioners have generally remained cooperative with the Monitor and have provided a material amount of information, as outlined in the Second Report, the Monitor is still having challenges receiving timely or complete information from the Petitioners and has not received complete answers to a number of direct questions around the Current Concerns and various transactions with related parties (the "**Related Party Transactions**").

(34) The Monitor remains of the view that there is a need for more transparent, accurate and timely responses to questions and information by Management and the Petitioners to enhance the visibility of the financial position of San Group and to address the Monitor's Current Concerns and Related Party Transactions. An update on the information the Monitor has been able to obtain with respect to each of the Current Concerns since the date of the Second Report is set out below.

Inventory Writedown

(35) The Monitor continues to have concerns with respect to the Inventory Writedown, the discrepancy between the BFL Inventory Values and the September 2024 BBC (terms as all defined in the Second Report), and the lack of details of the log and lumber inventory currently on hand, where it is located, and how it rolls forward from September 30, 2024. Management has provided limited information to date and it is not certain if the Operating Entities' have any remaining log inventory, with the possible exception of the Missing Log Inventory (as discussed below).

(36) The Monitor will continue to follow up on these items.

Missing Log Inventory

(37) As outlined in the First Report, on or around November 23, 2024, Management reported that approximately $6.0 million in log inventory being stored in booms in the water outside the Coulson Mills was swept away in the storm that hit the BC South Coast and Port Alberni on or around November 18, 2024 (the "**Missing Log Inventory**"). The Monitor understood that Management was working to recover as much of the Missing Log Inventory as possible through the use of third parties.

(38) The Monitor has been in contact with several parties in regards to the Missing Log Inventory who have knowledge of log activity and log deliveries in the area and with San Group. These parties have seen no evidence of the Missing Logs, were not advised of such losses, did not believe Coulson would have had this quantum of logs at the time of the storm, and/or have commented that a loss of this size would be known to all in the area and recovery efforts would normally been commenced as soon as possible.

(39) Based on the above discussions and information received to date, the Monitor is of the view that no further time or resources should be spent on the Missing Log Inventory, particularly in

light of the fact that no recovery is currently available through insurance as a result of the STP Claim Denial Letter taking the position that the inventory insurance policy is void "*ab initio*".

Insurance Matters and Claims

(40) On January 8, 2025, the Monitor and its counsel met with the Lenders, the Lenders' counsel, KGS Consulting Ltd. ("**KGS**") (the principal of which was previously employed by the Petitioners and who the Monitor is retaining to provide consulting services with respect to insurance and other CCAA matters), and the Petitioners' insurance counsel handling the insurance claims and potential recoveries related to the fire at San Forest in April 2020 (the "**San Forest Fire**") and the Acorn Fire. The purpose of the meeting was to provide comprehensive updates on the outstanding insurance claims and related matters concerning the San Forest Fire (the "**San Forest Claims**") and the Acorn Fire (the "**Acorn Fire Claims**", collectively with the San Forest Claims, the "**Outstanding Insurance Matters**") and to determine a path forward to fund and administer the Outstanding Insurance Matters.

(41) The Monitor, with input from the various parties involved, including adjusters, counsel, and KGS, prepared a preliminary budget for the costs to move the Outstanding Insurance Matters forward, which has been included in the Third Cash Flow Forecast.

(42) Since the delivery of the STP Claim Denial Letter, the Petitioners have been working with their current insurance broker, BFL Canada Risk and Insurance Services Ltd. ("**BFL**"), to try to secure interim stock loss throughput insurance. BFL has reported that it has approached multiple insurers in domestic and international markets and most who offer inventory coverage have declined due to the industry, CCAA Proceedings, and/or the San Group loss experience. The Monitor understands that two parties have expressed interest but require further information and have quoted premiums that are significantly higher than the previous amount, will likely have additional requirements and exclusions, and are a significant portion of the inventory balance being insured. The Monitor will continue to work with San Group and BFL to determine if reasonable inventory replacement coverage can be secured.

(43) San Group was informed on December 30, 2024 that BFL was terminating its mandate as San Group's insurance broker effective March 31, 2025. As a result, San Group needs to secure an alternative insurance broker prior to its property, general liability, marine liability, and pollution insurance coverage expiring on April 1, 2025. The Monitor understands that it will be very challenging for a new broker to be hired and gain an understanding of the San Group's business and bind coverage by April 1, 2025. The Monitor will work with San Group to assist with sourcing another insurance broker.

(44) San Group had a stand alone insurance policy covering logging and contractor's equipment which expired on January 12, 2025. BFL is assisting with binding this coverage but is also having challenges securing a new policy. Coverage has been temporarily extended to January 14, 2025 while the search continues. The Monitor will continue to work with Management and BFL to try and secure this coverage.

(45) As a result of the above insurance challenges and the status of the various policies, the Monitor is arranging for third party security on a 24 hour basis at each of the Operating Entities' premises starting during the week of January 13, 2025 (the current third party security services will be terminated). San Group personnel will remain at each of the premises on a 24 hour basis.

BNS Account and Related Party Transactions

(46) As detailed in the Second Report, San Group opened the BNS Accounts and total receipts and disbursement through each of the accounts totalled approximately $13.4 million until the accounts were closed and the remaining $166,000 in funds were transferred to San Group on December 6, 2024.

(47) The Monitor has performed a preliminary review of the receipts and disbursements recorded in the BNS Accounts and notes that significant payments appear to have been made to certain related companies and/or companies in which Suki and Kamal are directors. The Monitor also notes that a significant amount of other payments appear to have been made to related parties through the RBC accounts in the months leading up to the CCAA Proceedings. Management has provided the Monitor with some additional but limited information with respect to these Related Party Transactions as of the date of this Report, but the Monitor has not yet been able to verify this information or form a view with respect to these transactions.

SFP Break-In

(48) As outlined in the Second Report, the SFP Break-In has been resolved and the Petitioners' employees are providing 24-hour security at the Coulson and San Forest locations. As outlined previously, a third party security company is currently providing additional security services.

(49) As a result of the Current Concerns outlined above, the Monitor and its counsel have been required to spend significant additional time to try and understand and address the various challenges and issues related to the concerns.

CASH FLOW

Second Variance Analysis

(50) The Monitor has worked closely with the Petitioners and the DIP Lender in respect of managing and monitoring cash receipts and cash disbursements in accordance with the Second Cash Flow Forecast as prepared by Management. A summary of the actual cash flows as compared to the projected amounts in the Second Cash Flow Forecast for the Cash Flow Period is set out below.

San Group
Cash Flow Variance Analysis - For the four week period ended January 10, 2025

In C$; unaudited	Forecast	Actual	Variance ($)	Variance (%)
Receipts				
Accounts receivable	426,944	333,461	(93,483)	-22%
Sales	1,126,487	587,029	(539,458)	-48%
Tax refund	300,072	436,270	136,198	45%
Total receipts	**1,853,503**	**1,357,360**	**(496,143)**	**-27%**
Operating Disbursements				
Vendors	(644,779)	(437,167)	127,423	20%
Payroll	(889,996)	(546,800)	343,195	39%
General and administrative expenses	(625,827)	(577,276)	48,551	8%
Rent	(13,200)	-	13,200	100%
Professional fees	(610,000)	(286,960)	323,040	53%
Contingency	(200,000)	-	200,000	100%
Total operating disbursements	**(2,903,613)**	**(1,768,322)**	**1,135,291**	**-39%**
Net operating cash flow	**(1,050,110)**	**(410,962)**	**639,148**	**-61%**
Financing Disbursements				
Leases	(79,760)	(32,970)	46,790	59%
DIP Interest payments	-	-	-	0%
Total financing disbursements	**(79,760)**	**(32,970)**	**46,790**	**59%**
Net cash flow	**(1,129,870)**	**(443,932)**	**685,938**	**-61%**
Opening Bank Balance	**855,090**	**855,090**	-	0%
Net cash flow	(1,129,870)	(443,932)	685,938	61%
Interim financing	300,000	300,000	-	0%
Ending bank balance	**25,220**	**711,158**	**685,938**	**2720%**

(51) The net cash flow for the Operating Entities during the Cash Flow Period amounted to approximately negative $444,000, which was approximately $500,000 better than projected mainly as a result of positive timing differences in respect of disbursements which were

partially offset by negative timing differences for projected customer receipts. The more significant variances in the Cash Flow Period are as follows:

a) Accounts receivable ("**AR**") collections were approximately $93,000, or 22%, lower than projected due to slower than projected collections and some permanent differences for amounts that will not be collectable due to disputes and offsets.

b) Collections from new sales were approximately $539,000, or 48%, lower than projected due to San Group not being able to secure spot sales of existing finished product inventory or fibre to generate revenues from new orders as expected, other than the limited custom cut revenue of approximately $130,000 billed (before taxes) and collected to date. This represents a permanent negative variance.

c) Vendor payments were approximately $127,000, or 20%, lower than projected as a result of reduced operations. This represents a permanent positive variance.

d) Payroll was approximately $343,000, or 39%, lower than projected due primarily to significantly lower hourly wage obligations incurred at the mills due to reduced operations. A portion of the variance (approximately $125,000) is due to timing of payroll related payments clearing the bank.

e) Professional fees were approximately $323,000, or 53%, lower than forecast due to the timing of the professional services firms rendering their invoices and most of this variance is expected to reverse in future periods.

f) The contingency was not required resulting in a permanent positive variance of $200,000.

Third Cash Flow Forecast

(52) The First and Second Reports of the Monitor outline the challenges with the First and Second Cash Flow Forecasts and the uncertainty of achieving the projected results. As a result of these ongoing challenges, the Monitor has continued to work closely with Management to update the Second Cash Flow Forecast and the related assumptions to May 30, 2025.

(53) The Third Cash Flow Forecast for the period from January 11, 2025 to May 30, 2025, as summarized in the table below and attached hereto as **Appendix "B"**, with the related assumptions, contemplates transitioning the Operating Entities into C&M in February 2025.

San Group
Third Cash Flow Forecast for the Operating Entities for the Period from January 11, 2025 to May 30, 2025

In C$; unaudited						
Week Nos.	**1 - 4**	**5 - 8**	**9 - 12**	**13 - 16**	**17 - 20**	**Weeks 1 to 20**
Period Ended	**07-Feb-25**	**07-Mar-25**	**04-Apr-25**	**02-May-25**	**30-May-25**	**TOTAL FORECAST**
Receipts	2,316,129	615,096	600	-	-	2,931,825
Operating disbursements	(3,464,348)	(1,197,337)	(934,789)	(853,643)	(836,018)	(7,286,134)
Net operating cash flow	**(1,148,219)**	**(582,241)**	**(934,189)**	**(853,643)**	**(836,018)**	**(4,354,309)**
Financing disbursements	(137,062)	(10,219)	(17,649)	(25,287)	(38,840)	(229,057)
Net cash flow	**(1,285,281)**	**(592,460)**	**(951,838)**	**(878,930)**	**(874,858)**	**(4,583,366)**
Opening Bank Balance	**711,158**	**175,877**	**333,417**	**1,131,579**	**1,002,649**	**711,158**
Net cash flow	(1,285,281)	(592,460)	(951,838)	(878,930)	(874,858)	(4,583,366)
Interim financing	750,000	750,000	1,750,000	750,000	-	4,000,000
Ending bank balance	**175,877**	**333,417**	**1,131,579**	**1,002,649**	**127,792**	**127,792**

(54) The more significant assumptions included in the Third Cash Flow Forecast are as follows:

a) The opening cash of approximately $711,000 is largely consumed within the first three weeks and funding of $750,000 is required in Week 3, of which $400,000 is the remaining amount available under the current DIP Financing Facility.

b) AR collections are projected to total approximately $854,000 based on the remaining AR last reported by Management as of January 3, 2025. The AR does not include approximately USD$113,000 for certain customer orders that were reversed out of AR as these shipments are being held by two trucking companies due to outstanding pre and post filing arrears owing to them. The Monitor is working with these companies and their counsel to try and resolve these matters.

c) Sales receipts are projected to total approximately $2.1 million and are comprised of approximately $515,000 of projected remaining revenue from the Custom Cut Contracts. The remaining $1.6 million in sales receipts are projected from pending customer orders projected to be fulfilled through February 2025 with inventory on hand as of January 31, 2025 and, in some cases, through inventory supplemented with third party purchases.

d) Vendor payments of approximately $748,000 that will be paid to cover the existing commitments made since the Initial Filing Date along with amounts to be incurred to cover payments to vendors for care and maintenance costs.

e) Payroll costs of approximately $1.1 million are required to sustain the current operations to January 31, 2025 and transition to C&M for the duration of the SISP. Payroll costs include employee and employer payroll source deductions and all ongoing pension amounts.

f) General and administrative costs of approximately $1.9 million are estimated to cover mainly insurance, utilities and contractor fees.

g) Rent of approximately $630,000 is for the Acorn premises and reflects the post CCAA filing costs incurred to date and ongoing to February 28, 2025.

h) Insurance claim costs of $725,000 reflect the estimated fees and costs required for counsel, adjusters, experts and consultants to advance the Outstanding Insurance Matters.

i) Professional fees of approximately $1.8 million are estimated for the professionals covered by the Administration Charge.

j) A contingency of $200,000 to provide for any unknown additional costs or receipt shortfalls.

k) Cash flows in respect of Mountainside have not been considered or included in the projection as the Monitor understands the cash flow of Mountainside is not material and Mountainside is being excluded from the SISP (as further discussed in this Report).

(55) The Monitor's comments on the more significant assumptions included in the Third Cash Flow Forecast are as follows:

a) The Custom Revenues are contingent on the customers providing the logs and lumber as projected.

b) The pending customer orders will need be shipped as soon as possible and any delays will impact the timing of the expected cash receipts. Management has not yet confirmed that the customers orders projected to be collected in Week 1 through Week 7 have in fact been shipped.

c) The operating disbursements need to be incurred and paid as projected with no unknown significant costs or variances.

d) Management has not been able to provide the Monitor with supporting documentation for required vendor costs during C&M. Consequently, the Monitor has been unable to assess the reasonableness of the amounts projected.

e) The remaining financing of $400,000 under the DIP Financing Facility is required to be paid in Week 3 and the Second DIP Financing Facility Increase from $1.0 million to $5.0 million needs to be approved and funded as projected.

f) The limitations in the availability and timeliness of information from San Group's financial system continues to constrain the Monitor's ability to review the reasonableness of the underlying assumptions and quantum of future cash flows. Accordingly, there is a material risk that the required funding may be higher than projected.

(56) As at the date of this Third Report, a total of $600,000 has been drawn under the DIP Financing Facility as approved by the Monitor and funded by RBC. The Third Cash Flow Forecast shows that further DIP Financing of $4.0 million is required for the period from January 11 to May 30, 2025 (total of $4.6 million). The Monitor has requested an increase in the DIP Financing Facility to $5.0 million to support the projected funding requirement and to provide an additional funding buffer of $400,000.

(57) Based on the Monitor's preliminary analysis of the Third Cash Flow Forecast, there are many risks and uncertainties around the assumptions, and the Monitor believes it is prudent to request the Second DIP Financing Facility Increase to account for any potential additional unforeseen costs up to the date of the contemplated stay extension to help ensure that the Petitioners can meet all post filing obligations through to that time and allow the SISP to run as further discussed in this Report. As at the time this Report was finalized, the Monitor has not received confirmation from the DIP Lender that it is agreeable to the Second DIP Financing Facility Increase.

(58) Since the cash flows are based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, at this time, the Monitor cannot provide any assurance as to whether the Third Cash Flow Forecast will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information referenced in this Report or relied upon by the Monitor in preparing this Report.

DIP FINANCING FACILITY

(59) The Second ARIO authorized the Petitioners to obtain and borrow under the DIP Financing Facility to a maximum of approximately $1,000,000 to fund San Groups' day-to-day operations to January 31, 2025, including legal and professional costs, during the CCAA Proceedings and the advancement of a SISP.

(60) As at the date of this Third Report, a total of $600,000 has been drawn under the DIP Financing Facility as approved by the Monitor and funded by RBC.

(61) The Second DIP Financing Facility Increase is necessary is necessary to provide the Monitor sufficiently liquidity to, among other things: administer the SISP as further described later in this Report; continue the Petitioners' operations at the current reduced capacity and transition the Petitioners' operations to C&M; maintain the value of the Petitioners' assets while in C&M; and continue to pursue the Outstanding Insurance Matters and address other insurance related issues.

(62) The Monitor is of the view that the Second DIP Financing Facility Increase is prudent and that additional funding is required to help ensure that all post-filing obligations can be met up until the end of the contemplated stay extension as outlined in the Third Cash Flow Forecast.

(63) As at the time this Report was finalized, the Monitor has not received confirmation from the DIP Lender that it is agreeable to the Second DIP Financing Facility Increase.

THE SISP

(64) The Monitor is currently seeking the Court's approval to implement and administer the SISP. A copy of the SISP is attached hereto as **Appendix "C"** and undefined terms in this section of the Third Report shall have the meaning ascribed to them in the SISP.

(65) The SISP contemplates the sale of all of the Petitioners' present and after-acquired assets, undertakings, and properties of every nature and kind whatsoever, and wherever situated (collectively, the "**Property**"), except for the assets and undertakings of Acorn, Mountainside and San Forest Speciality, which are not subject to the SISP.

(66) The Acorn assets have been excluded from the SISP as a result of the complications related to the outstanding Acorn Fire Claims, the ongoing investigations being completed in relation to the claims, the various condition of the assets and premises, and matters related to the Acorn lease obligations.

(67) Further, the Monitor is currently working with Canadian Western Bank ("**CWB**"), which the Monitor understands has first ranking security over land owned by San Forest Specialty and certain assets owned by other of the Petitioners, to come to an agreement with CWB, in consultation the Lenders to exclude the CWB collateral from the SISP. The Monitor anticipates that the agreement with CWB will provide for a lifting of the stay of proceedings to allow CWB to realize on these assets and for any proceeds therefrom to be held in trust until the priority to these funds is determined at a later date.

(68) The Target Dates for Phases I and II of the SISP include the following:

Item	Details
Commencement Date	• January 17, 2025
Phase I LOI Deadline	• February 28, 2025
Phase II Final Bid Deadline	• April 30, 2025
Definitive Agreement Deadline	• May 30, 2025
Court Approval Application	• June 16, 2025 (subject to Court availability)
Outside Closing Date	• June 30, 2025

(69) Further material elements of the SISP are set out below:

a) The SISP will be administered by the Monitor pursuant to its enhanced powers. The Monitor will develop a list of potential bidders, which shall include any party that has expressed an interest in participating in the SISP.

b) The Monitor is dividing the Property into distinct Offering Parcels, as included in Schedule "B" to the SISP, in an effort to provide an appropriate structure for the sales process, maximize value, and increase the size of the buyer pool (which Offering Parcels the Monitor will retain the discretion to revise as it deems necessary). Bids may be submitted either *en bloc* or for any one or more of the Offering Parcels with the Purchase Price being allocated in a commercially reasonable manner amongst all Offering Parcels and major asset classes covered by the Bid.

c) The Monitor will prepare a teaser to be disseminated to Potential Bidders and, at its discretion, may also prepare a confidential information memorandum in order to solicit interest in a sale of the Property.

d) The sale of any of the Property and/or any Offering Parcels will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, San Group, or any of their agents or estates, except to the extent set forth in the definitive sale agreement with a Successful Bidder.

e) In the event of a sale, all of the rights, title and interests of San Group in and to the Property to be acquired will be sold free and clear of all Claims and Interests, except surviving and permitted Claims and Interests, pursuant to approval and vesting orders made by the Court. The extinguished Claims and Interests will attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), subject to any Claims and Interests that survive pursuant to applicable law.

f) In order to participate in the SISP, each Potential Bidder must deliver to the Monitor, prior to the distribution of any confidential information by the Monitor, an executed confidentiality agreement in form and substance satisfactory to the Monitor, which shall inure to the benefit of any purchaser of the Property. In addition, on or prior to the LOI Deadline, a specific indication of the anticipated sources of capital for the Potential Bidder and preliminary evidence of the availability of such capital, or such other form of financial disclosure and credit-quality support or enhancement that will allow the Monitor and its legal advisors to make, in their reasonable business or professional judgment, a determination as to the Potential Bidder's financial and other capabilities to consummate the Transaction.

g) A Potential Bidder that has executed a confidentiality agreement, as described above, and delivers the documents described above, whose financial information and credit quality support or enhancement demonstrate to the satisfaction of the Monitor, in its reasonable business judgment, is likely (based on availability of financing, experience and other considerations) to be able to consummate a Transaction will be deemed a "Qualified Bidder".

h) The Monitor shall provide a Qualified Bidder access to the virtual data room ("**VDR**") maintained by the Monitor.

i) Qualified Bidders that wish to participate in Phase I shall submit a Qualified Non-Binding LOI that complies with all of the requirements as outlined in the SISP.

j) Following the LOI Deadline, the Monitor shall provide copies of all Qualified Non-Binding LOIs received to the Interim Lender. All Qualified Non-Binding LOIs will also be provided to the Lenders to the extent that the Qualified Non-Binding LOIs contemplate purchase of assets over which that Lender holds security.

k) The Monitor, in consultation with the Interim Lender and the Lenders may terminate the SISP at the end of Phase I if no Qualified Non-Binding LOIs are received, or it is determined that there is no reasonable prospect that any Qualified Non-Binding LOIs received will result in a Qualified Bid, and the Monitor shall promptly notify each Qualified Bidder that submitted a Qualified Non-Binding LOI that the SISP has been terminated.

l) During Phase II, each Qualified Bidder that was not eliminated from the SISP in accordance with these SISP Procedures shall have such due diligence access to materials and information relating to the Property and San Group as the Monitor in its reasonable business judgment deems appropriate, having regard to the advancement of Phase II and the requirements of a Qualified Bid.

m) The Phase II Bid Deadline is April 30, 2025 when Qualified Bidders are required to submit binding offers that conform with the requirements set out in the SISP, including a deposit of not less than 10%.

n) Following the Final Bid Deadline, the Monitor will assess the bids received. The Monitor shall, exercising its reasonable business judgment, select the Successful Bid(s) and commence negotiations of the terms and conditions of a definitive agreement with the Successful Bidder by the Definitive Agreement Deadline, all of which shall be conditional upon Court approval and also conditional on the Successful Bid closing on or before June 30, 2025, or such date as shall be agreed to by the Monitor.

The Monitor's observations regarding the SISP

(70) The Monitor makes the following observations regarding the proposed SISP:

a) Pursuant to the terms of the SISP, the Monitor shall administer and be responsible for all material elements of the SISP;

b) The SISP is designed to facilitate a going-concern sale, if possible, to preserve the business operations and maximize realization for the benefit of stakeholders;

c) The SISP offers enough flexibility to address issues that may arise;

d) The consultation rights afforded to the Lenders are appropriate in the circumstances;

e) The SISP is consistent with other sales processes approved in comparable Canadian insolvency proceedings; and

f) The length of the SISP and the Target Dates provided for under the SISP are reasonable given the nature of the Property and the Petitioners' current financial constraints.

(71) The Monitor is of the view that the SISP is a fair, transparent and commercially effective process that will allow the Monitor to maximize value for the Petitioners' assets subject to the SISP.

(72) The Monitor is utilizing the experience and expertise of its corporate finance groups who also have significant experience in marketing and selling assets and the SISP has been designed and crafted with their input as well as input from RBC and BDC.

(73) The Monitor respectfully recommends that the Court approve the Monitor's requested relief with respect to the SISP.

REQUESTED STAY EXTENSION

(74) The current stay expires on January 17, 2025. The Monitor seeks an extension of the stay period to May 30, 2025 in order to allow sufficient time to significantly advance and administer the SISP.

(75) While the Petitioners have been generally cooperating with the Monitor, the Monitor has ongoing concerns related to the Current Concerns, including the ability of the Petitioners to achieve the Third Cash Flow Forecast.

(76) The Monitor believes that the creditors of the Petitioners will not be prejudiced by an extension of the stay of proceedings into May 2025 as this will allow the execution of the SISP, as well as to otherwise advance the Petitioners' CCAA contemplated restructurings as discussed in this Report, and should permit the Monitor and the Petitioners to advance various analysis to better understand and address the Current Concerns.

(77) In the Monitor's view, extending the stay of proceedings until May 30, 2025 is reasonable and appropriate in the circumstances provided the Second DIP Financing Facility Increase is approved and is in place to provide the Petitioners with sufficient liquidity through the end of the proposed stay period. The Lenders and DIP Lender were consulted on the stay extension period and are supportive.

CONCLUSIONS AND RECOMMENDATIONS

(78) Based on the foregoing, the Monitor respectfully recommends that this Court grant an order:

a) Extending the stay of proceedings to May 30, 2025;

b) Approving the proposed SISP; and

c) Approving an increase in the DIP Financing Facility from $1.0 million to $5.0 million.

This Report is respectfully submitted this 13th day of January, 2025.

DELOITTE RESTRUCTURING INC.,
In its capacity as Court-appointed
Companies' Creditors Arrangement Act Monitor of
San Group (as defined herein)
and not in its personal capacity

Per: Jeff Keeble, CPA, CA, CIRP, LIT, CBV
Senior Vice-President

APPENDIX "A"

LIST OF PETITIONERS

1. Acorn Forest Products Ltd.
2. Axon Lumber Ltd.
3. Coulson Manufacturing 2017 Ltd.
4. San Cedar Direct Sales Ltd.
5. San Forest Products Ltd.
6. San Holdings Inc.
7. Super-Cut Lumber Industries Ltd.
8. 1224676 B.C. Ltd.
9. 1260729 B.C. Ltd.
10. Mountainside Logging Ltd.
11. 1170518 B.C. Ltd.
12. 1175465 B.C. Ltd.
13. San Farming Ltd.
14. San Forest Specialty Ltd.
15. San Terminals Inc.

APPENDIX “B”

THIRD CASH FLOW FORECAST FOR THE OPERATING ENTITIES FOR PERIOD FROM JANUARY 11, 2025 TO MAY 30, 2025

San Group

Third Cash Flow Forecast for the Operating Entities for the Period from January 11, 2025 to May 30, 2025 (1)

In C$; unaudited	Note	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Week No.		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
Week Ended		**17-Jan-25**	**24-Jan-25**	**31-Jan-25**	**07-Feb-25**	**14-Feb-25**	**21-Feb-25**	**28-Feb-25**	**07-Mar-25**	**14-Mar-25**	**21-Mar-25**	**28-Mar-25**
Receipts												
Accounts receivable	**2**	372,671	342,652	-	138,802	-	-	-	-	-	-	-
Sales	**3**	443,959	478,261	160,125	379,057	282,429	208,044	124,023	-	-	-	-
Tax refund	**4**	-	-	-	-	-	-	-	-	-	-	-
Total receipts		**816,631**	**820,913**	**160,125**	**518,459**	**282,429**	**208,044**	**124,023**	**600**	**-**	**-**	**-**
Operating Disbursements												
Vendors	**5**	(133,826)	(100,000)	(100,000)	(45,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(20,000)	-
Payroll	**6**	(101,281)	(351,599)	-	(110,337)	(86,412)	(16,074)	(50,595)	(16,074)	(49,992)	(16,074)	(43,846)
General and administrative expenses	**7**	(336,590)	(31,885)	(125,200)	(36,739)	(255,742)	(40,325)	(46,826)	(36,739)	(255,742)	(7,700)	(46,826)
Rent		-	-	(630,000)	-	-	-	-	-	-	-	-
Insurance claim costs		-	(300,000)	(300,000)	-	-	-	(75,000)	-	-	-	(25,000)
Security		(2,310)	-	(3,500)	(41,797)	-	-	-	(41,797)	-	-	-
Professional fees	**8**	(89,284)	(275,000)	(50,000)	(260,000)	-	(170,000)	-	(150,000)	-	(125,000)	(15,000)
Contingency		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Total operating disbursements		**(673,291)**	**(1,068,484)**	**(1,218,700)**	**(503,873)**	**(402,154)**	**(286,399)**	**(232,421)**	**(304,610)**	**(365,734)**	**(178,774)**	**(140,672)**
Net operating cash flow		**143,340**	**(247,570)**	**(1,058,575)**	**14,586**	**(119,725)**	**(78,355)**	**(108,399)**	**(304,010)**	**(365,734)**	**(178,774)**	**(140,672)**
Financing Disbursements												
Leases	**9**	(88,219)	-	(40,775)	(3,037)	-	-	-	-	-	-	-
DIP Interest payments		-	-	(5,031)	-	-	-	(10,219)	-	-	-	-
Total financing disbursements		**(88,219)**	**-**	**(45,806)**	**(3,037)**	**-**	**-**	**(10,219)**	**-**	**-**	**-**	**-**
Net cash flow		**55,121**	**(247,570)**	**(1,104,381)**	**11,549**	**(119,725)**	**(78,355)**	**(118,618)**	**(304,010)**	**(365,734)**	**(178,774)**	**(140,672)**
Opening Bank Balance	**10**	**711,158**	**766,279**	**518,709**	**164,328**	**175,878**	**56,153**	**727,799**	**609,181**	**305,171**	**939,438**	**760,664**
Net cash flow		55,121	(247,570)	(1,104,381)	11,549	(119,725)	(78,355)	(118,618)	(304,010)	(365,734)	(178,774)	(140,672)
Interim financing		-	-	750,000	-	-	750,000	-	-	1,000,000	-	-
Ending bank balance	**11**	**766,279**	**518,709**	**164,328**	**175,878**	**56,153**	**727,799**	**609,181**	**305,171**	**939,438**	**760,664**	**619,992**

San Group

Third Cash Flow Forecast for the Operating Entities for the Period from January 11, 2025 to May 30, 2025 [1]

In C$; unaudited	Note	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Week No.		12	13	14	15	16	17	18	19	20	Weeks 1 to 20
Week Ended		04-Apr-25	11-Apr-25	18-Apr-25	25-Apr-25	02-May-25	09-May-25	16-May-25	23-May-25	30-May-25	TOTAL FORECAST
Receipts											
Accounts receivable	2	-	-	-	-	-	-	-	-	-	854,126
Sales	3	-	-	-	-	-	-	-	-	-	2,075,899
Tax refund	4	-	-	-	-	-	-	-	-	-	-
Total receipts		**600**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,931,825**
Operating Disbursements											
Vendors	5	(20,000)	-	(20,000)	-	(20,000)	-	(20,000)	-	(20,000)	(748,826)
Payroll	6	(16,074)	(43,846)	(16,074)	(43,846)	(16,074)	(43,846)	(16,074)	(43,846)	(16,074)	(1,098,035)
General and administrative expenses	7	(36,739)	(2,348)	(261,094)	(36,826)	(36,739)	(2,348)	(261,094)	(6,826)	(34,114)	(1,898,441)
Rent		-	-	-	-	-	-	-	-	-	(630,000)
Insurance claim costs		-	-	-	(25,000)	-	-	-	-	-	(725,000)
Security		(41,797)	-	-	-	(41,797)	-	-	-	(41,797)	(214,794)
Professional fees	8	(125,000)	-	(125,000)	-	(125,000)	-	(125,000)	-	(165,000)	(1,799,284)
Contingency		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(200,000)
Total operating disbursements		**(249,610)**	**(56,193)**	**(432,168)**	**(115,672)**	**(249,610)**	**(56,193)**	**(432,168)**	**(60,672)**	**(286,985)**	**(7,314,380)**
Net operating cash flow		**(249,010)**	**(56,193)**	**(432,168)**	**(115,672)**	**(249,610)**	**(56,193)**	**(432,168)**	**(60,672)**	**(286,985)**	**(4,382,556)**
Financing Disbursements											
Leases	9	-	-	-	-	-	-	-	-	-	(132,031)
DIP Interest payments		(17,649)	-	-	-	(25,287)	-	-	-	(38,840)	(97,027)
Total financing disbursements		**(17,649)**	**-**	**-**	**-**	**(25,287)**	**-**	**-**	**-**	**(38,840)**	**(229,057)**
Net cash flow		**(266,659)**	**(56,193)**	**(432,168)**	**(115,672)**	**(274,896)**	**(56,193)**	**(432,168)**	**(60,672)**	**(325,825)**	**(4,611,613)**
Opening Bank Balance	10	**619,992**	**1,103,333**	**1,047,140**	**614,972**	**1,249,300**	**974,404**	**918,210**	**486,042**	**425,371**	**711,158**
Net cash flow		(266,659)	(56,193)	(432,168)	(115,672)	(274,896)	(56,193)	(432,168)	(60,672)	(325,825)	(4,611,613)
Interim financing		750,000	-	-	750,000	-	-	-	-	-	4,000,000
Ending bank balance	11	**1,103,333**	**1,047,140**	**614,972**	**1,249,300**	**974,404**	**918,210**	**486,042**	**425,371**	**99,546**	**99,546**

San Group

Third Cash Flow Forecast for the Operating Entities for the Period from January 11, 2025 to May 30, 2025 (the "Third Cash Flow Forecast")
Notes and Summary of Assumptions

Disclaimer

Since the Third Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast Period (defined below) will vary from the Third Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized.

The Third Cash Flow Forecast is presented in Canadian dollars and includes the following Petitioners (collectively the "**Operating Entities**"):

- San Industries Ltd.
- San Forest Products Ltd.
- Coulson Manufacturing 2017 Ltd.
- Acorn Forest Products Ltd.
- Axon Lumber Ltd.
- Super-Cut Lumber Industries Ltd.

All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the Monitor's first and second reports dated December 7, 2024 and December 18, 2024, respectively.

Note 1 Purpose of the Cash Flow Forecast

The purpose of the Third Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Operating Entities for the period from January 11, 2025 to May 30, 2025 (the "**Forecast Period**"). The Third Cash Flow Forecast has been prepared by the Petitioners, in consultation with the Monitor. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Accounts receivable collections

Outstanding accounts receivable are forecast to be collected based on collection terms, and Management's best estimate of when these customers pay in the ordinary course.

Note 3 Sales collections

Cash receipts from sales are forecast based on projected sales based on the Petitioners' contracts with customers for custom cutting operations and Management's latest sales forecast for ongoing customer orders, and collections terms with customers.

Note 4 Tax refunds

Tax refunds reflect anticipated cash inflows from income tax and sales tax refunds in the Forecast Period.

Note 5 Vendors

Vendor disbursements include, but are not limited to, payments for purchases of lumber inventory, customs fees for US-bound orders, and freight and repairs and maintenance expenses, the majority of which are assumed on a cash on demand basis.

Note 6 Payroll

Disbursements for payroll costs include salaries and wages, payroll taxes and remittances, employee benefits, and pension costs related to the Petitioners' operational and administrative employees. Payroll expenses are forecast based on anticipated headcount, and hours worked (for hourly employees) and are paid bi-weekly and semi-monthly, depending on the payroll group.

Note 7 General and administrative expenses

General and administrative expenses include expenses required to operate the plants, and limited administrative costs. These expenses include, but are not limited to utilities, insurance, IT and other overhead costs.

Note 8 Professional fees

Professional fees and disbursements include those of the Monitor, counsel to the Monitor, counsel to the secured lenders, and corporate and insurance counsel to the Petitioners, incurred or projected during the CCAA Proceedings.

Note 9 Leases

Includes monthly lease payments for equipment required to operate the plants.

Note 10 Opening bank balance

Opening cash is based on the balances in the bank accounts held with RBC by the Operating Entities as at the end of day on January 10, 2025. There may be additional bank accounts held outside of RBC by some of the Other Petitioners, and the balances of those accounts are not available to fund operations and therefore are excluded from the above calculation.

Note 11 Interim financing

The Third Cash Flow Forecast reflects further advances under the DIP Financing Facility of $4.0 million.