



Court File Nos. B220220 and B220221
Vancouver Registry
Estate Numbers 11-2829780 and 11-2829781

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF MEDIPURE PHARMACEUTICALS INC. AND MEDIPURE HOLDINGS INC.

SECOND REPORT TO COURT OF THE PROPOSAL TRUSTEE

DELOITTE RESTRUCTURING INC.

JUNE 16, 2022

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INTRODUCTION

- 1) This second report ("**Second Report**") has been prepared by Deloitte Restructuring Inc. ("**Deloitte**") in its capacity as proposal trustee (the "**Proposal Trustee**") under the Notices of Intention to File a Proposal ("**NOIs**") filed by Medipure Pharmaceuticals Inc. ("**MPI**") and Medipure Holdings Inc. ("**MHI**", together with MPI, "**Medipure**" or the "**Companies**") on May 11, 2022 (the "**Filing Date**") pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). The proceedings in which the Proposal Trustee was appointed are referred to herein as the "**NOI Proceedings**".
- 2) As a result of filing the NOIs, the Companies were each granted an automatic 30-day stay of proceedings to June 10, 2022 pursuant to Section 69(1) of the BIA (the "**Initial Stay**"). The Companies are required to file a proposal within the Initial Stay or within any further extension of the Initial Stay as granted by the Supreme Court of British Columbia (the "**Court**").
- 3) The Proposal Trustee prepared a material adverse change report dated June 3, 2022 due to the Companies not meeting the funding outlined in their initial cash flow projection. As the projected funding was received on June 6, 2022, the Proposal Trustee issued a cover letter dated June 6, 2022 that was sent to the creditors, along with the Material Adverse Change Report.
- 4) The first report of the Proposal Trustee dated June 8, 2022 ("**First Report**") was filed for the Companies' application on June 9, 2022 (the "**First Stay Extension Application**") to, among other things, extend the Initial Stay to July 2, 2022 and provided information to this Honourable Court on the Companies in respect of certain background information, the rationale for the proposed payment of certain pre-filing obligations, an analysis of the Companies' actual cash receipts and disbursements to June 3, 2022, the Companies' updated cash flow projection from June 4 to August 12, 2022 (the "**Updated Cash Flow Forecast**"), the Companies' efforts to secure debtor in possession ("**DIP**") financing, a preliminary analysis of assets and liabilities, and the rationale for the proposed DIP Lender's Charge, Administration Charge and D&O Charge (as those terms are defined herein).
- 5) As a result of the First Extension Application, along with an application on June 9, 2022 by SHP Capital LLC to bankrupt the Companies (the "**SHP Bankruptcy Application**"), and pursuant to a Court order dated June 9, 2022 (the "**First Stay Extension Order**"), the Companies received an extension of the Initial Stay from June 10 to June 17, 2022 (the "**First Stay Extension Period**"). All other matters, including the SHP Bankruptcy Application, and the Companies' application for approval of DIP financing and the related DIP and other charges, along with a further extension of the First Stay Extension Period, have been deferred to an application by the Companies to be heard on June 17, 2022 (the "**June 17 Application**").

PURPOSE

- 6) The purpose of this Second Report is to provide information to this Honourable Court for the June 17 Application in respect of:
 - a) The activities of the Companies and Proposal Trustee since the First Report;
 - b) An analysis of the Companies' actual cash receipts and disbursements from June 4 to June 10, 2022, compared to the Updated Cash Flow Forecast;

- c) The Companies' revised cash flow projection for the period from June 11 to August 12, 2022 (the "**June 11 Cash Flow Forecast**");
- d) The Companies' continuing efforts to secure funding for its ongoing costs during the NOI Proceedings and the terms of the proposed DIP financing;
- e) The rationale for the proposed DIP Lender's Charge, Administration Charge and D&O Charge (as those terms are hereinafter defined) over the Companies' assets; and
- f) The Companies' request for an extension of the First Stay Extension Order from June 17, 2022 to August 1, 2022 (the "**Second Stay Extension Period**").

TERMS OF REFERENCE

- 7) In preparing this Second Report, the Proposal Trustee has relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of the Companies ("**Management**") and the Companies' legal counsel. Although this information has been reviewed, Deloitte has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Companies in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*. Accordingly, Deloitte expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in, or otherwise used to prepare this Second Report.
- 8) Certain of the information referred to in this Second Report consists of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and procedures as outlined by the *Chartered Professional Accountants of Canada* has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.
- 9) All monetary amounts contained in this Second Report are expressed in Canadian dollars, unless otherwise indicated.
- 10) Terms not defined in this Second Report are defined in the First Report.
- 11) The reports of the Proposal Trustee and other information in respect of the NOI Proceedings are posted on the Proposal Trustee's website at www.insolvencies.deloitte.ca/en-ca/Pages/Medipure (the "**Trustee's Website**").

ACTIVITIES OF THE PROPOSAL TRUSTEE AND THE COMPANIES

- 12) The Proposal Trustee has completed the following activities since the date of the First Report:
 - a) Continued to monitor the financial affairs and cash flow of the Companies and obtained updates from Management on the operations and cash flow;
 - b) Reviewed Management's updated June 11 Cash Flow Forecast, as further detailed later in this Second Report;

- c) Continued to respond to creditor enquiries and added the First Report and other information on the NOI Proceedings to the Trustee’s Website;
 - d) Had discussions with Management and legal counsel around the proposed DIP financing and general restructuring plan; and
 - e) Drafted this Second Report.
- 13) Management has completed the following activities since the date of the First Report:
- a) Continued to provide the Proposal Trustee with updates on the cash flow and the operations;
 - b) Worked with the Proposal Trustee to amend the Updated Cash Flow Forecast, as further described later in this Second Report;
 - c) Continued discussions through their legal counsel with the British Columbia Securities Commission (“**BCSC**”) around obtaining a partial revocation of the cease trade order issued to MHI by the BCSC on November 4, 2015 (“**CTO**”) pursuant to the partial revocation application filed by Medipure on June 1, 2022;
 - d) Provided information to BDO Dunwoody LLP (“**BDO**”) to continue with their forensic audit related to the CTO requirements to restate prior financial statements;
 - e) Continued to manage the operations and secure funding to cover the post-filing obligations;
 - f) Provided information to the Canada Revenue Agency in regards to the pending payroll trust audit;
 - g) Continued discussions with the proposed DIP lender; and
 - h) Continued to explore options to refinance and/or restructure Medipure’s debts.

CURRENT FINANCING

- 14) At present, Medipure’s operations are being financed by way of advances from HFS Management Inc. (“**HFS**”) under an unsecured 6% interest bearing loan pursuant to the terms of a commercial loan agreement entered into between MHI and HFS on April 7, 2022 (the “**HFS Loan Agreement**”), a copy of which was attached to Appendix “B” of the First Report. The Proposal Trustee understands that Mr. Condon is involved with HFS and is the principal party organizing the funding under the HFS Loan Agreement and the potential DIP financing. HFS has advanced a total of approximately US\$770,000 to the Companies since April 2022, including approximately US\$480,000 since the Filing Date, as outlined below.

Date	HFS Advance Amount		
	USD *	Fx Rate	CAD
4/8/2022	\$ 150,000	1.256	\$ 188,400
4/25/2022	100,000	1.270	127,000
5/10/2022	40,000	1.297	51,888
5/16/2022	80,000	1.280	102,434
6/6/2022	150,000	1.252	187,743
6/13/2022	250,000	1.256	313,985
	<u>\$ 770,000</u>		<u>\$ 971,450</u>

* Amount before bank charges

COMPARISON OF CASH FLOW FORECAST TO ACTUAL

- 15) The actual receipts and disbursements of the Companies from June 4, 2022 to June 10, 2022 as compared to the Updated Cash Flow Forecast are summarized in the following table. The Updated Cash Flow Forecast was discussed and included in Appendix "E" of the First Report.

Actual to Forecasted Cash Flow CDN\$'000	June 4 to June 10			
	Updated Forecast	Actual	Var (\$)	Var (%)
Receipts				
HFS Management Inc. loan draws	\$ -	\$ 188	\$ 188	100%
DIP financing	525	-	(525)	-100%
Total receipts	525	188	(337)	-64%
Operating disbursements				
Office and laboratory lease/rent costs	-	20	20	100%
Payroll, source deductions, benefits and WCB	103	96	(7)	-6%
R&D: project study and trials costs	32	-	(32)	-100%
Critical vendors	20	3	(17)	-86%
Insurance / equipment rental / storage costs	-	-	-	-
Other administrative and laboratory costs	36	2	(35)	-96%
Funding of subsidiaries	-	-	-	-
Total operating disbursements	191	121	(70)	-37%
Other disbursements				
Professional fees	90	60	(30)	-33%
DIP financing interest and fees	-	-	-	-
FX changes	-	-	-	-
Total other disbursements	90	60	(30)	-33%
Net cash flow	244	7	(237)	-97%
Opening cash balance	4	0	(3)	-92%
Net cash flow for the period	244	7	(237)	-97%
Closing cash balance	\$ 248	\$ 7	-\$ 241	-97%

- 16) Total receipts were approximately \$188,000, or \$377,000 lower than projected, as the Updated Cash Flow Forecast assumed the Proposed DIP Facility (as defined later herein) would be approved at the First Stay Extension Application and that the first DIP draw would be received. As the Proposed DIP Facility was not approved, the Proposal Trustee understands that funds were delayed and HFS subsequently advanced US\$250,000 (CA\$313,000) to the Companies on June 13, 2022.
- 17) Total operating disbursements were \$121,000 and included payments of \$103,000 for the payroll and related benefits for the two week payroll period ended May 13, 2022 (which were due and payable on May 20, 2022) and \$20,000 for office and laboratory costs representing the rent payments that were due on June 1, 2022. The disbursements were \$70,000 lower than projected overall as a result of the lack of projected funding received and relate to temporary timing variances.
- 18) Total other disbursements were \$60,000 and included a payment of a \$50,000 retainer to Boughton Law Corporation (legal counsel to the Companies) along with a \$10,000 retainer to BDO to complete the forensic audit. The variance of \$30,000 relates to a temporary timing variance as the projected funding was not received during the week.

UPDATED CASH FLOW FORECAST

- 19) Management worked with the Proposal Trustee to complete the June 11 Cash Flow Forecast that covers the period from June 11 to August 12, 2022 (the "**June 11 Cash Flow Period**") using the probable and hypothetical assumptions set out in the notes to

the June 11 Cash Flow Forecast. The June 11 Cash Flow Forecast is summarized below and the detailed forecast is attached hereto as Appendix "A".

Projected Cash Flow from June 11 to August 12, 2022 CDN\$'000	Total Forecast
Receipts	
DIP financing	1,750
Other misc. receipts	
Total receipts	1,750
Operating disbursements	
Office and laboratory lease/rent costs	35
Payroll, source deductions, benefits and WCB	551
R&D: project study and trials costs	548
Critical vendors	47
Insurance / equipment rental / storage costs	7
Other administrative and laboratory costs	192
Funding of subsidiaries	22
Total operating disbursements	1,402
Other disbursements	
Professional fees	335
DIP financing interest and fees	9
FX changes	
Total other disbursements	344
Net cash flow	5
Opening cash balance	7
Net cash flow for the period	5
Closing cash balance	12

- 20) The June 11 Cash Flow Forecast includes the following more significant changes compared to the Updated Cash Flow Forecast:
- a) An increase of \$338,000 in DIP financing for the week ending June 17, 2022 to account for the shortfall for the week ended June 10, 2022. A total of \$313,000 was received from HFS on June 13, 2022 and Management expects the remainder of this difference during the same week ending June 17, 2022;
 - b) A net increase of approximately \$80,000 for payroll and source deductions. This adjustment is for the two-week payroll period ended May 27, 2022 which was due and payable on June 3, 2022 (the "**June 3 Payroll**"). The total for the June 3 Payroll is approximately \$81,000 and this was paid during the week ending June 17, 2022, plus approximately \$9,000 for the deferred salaries for Dr. Nihar Pandey (Chief Scientific Officer) and Mr. Rman Walia (VP of Finance). The June 3 Payroll was originally included in the May 20 Cash Flow Forecast, but was not rolled forward inadvertently in the Updated Cash Flow Forecast when it was not paid as scheduled during the week ended May 27, 2022. The remaining difference of \$10,000 is for lower payroll amounts in future weeks;
 - c) An increase of \$70,000 in professional fees due to temporary timing differences and additional BDO and legal fees; and
 - d) A net increase of \$45,000 in other administrative and laboratory costs.
- 21) As a result of the above changes, the June 11 Cash Flow Forecast reflects net cash flow over the June 11 Cash Flow Period that is approximately \$147,000 higher than the

Updated Cash Flow Forecast as a result of the additional DIP financing and offsetting disbursements.

- 22) The advances under the HFS Loan Agreement have been required in order to try and maintain the Companies' operations in the normal course during the NOI Proceedings while Medipure explores alternatives to either refinance and/or restructure its affairs. The June 11 Cash Flow Forecast assumes that the receipt of any additional funds from HFS will be contingent on the approval of the Proposed DIP Facility and a DIP Lender's Charge (as defined and discussed later in this Second Report) and that the payments will be received from HFS as projected.
- 23) The Proposal Trustee understands that Management has attempted to be as conservative as possible in estimating the disbursements. The more significant disbursements in the June 11 Cash Flow Forecast include the following:
 - a) \$551,000 for salaries and related payroll source deductions for the current employees;
 - b) \$548,000 for R&D costs in order to advance the development of the products;
 - c) \$47,000 for critical vendors;
 - d) \$192,000 for essential administrative and laboratory costs; and
 - e) \$335,000 in professional fees.
- 24) Based on the Proposal Trustee's review of the June 11 Cash Flow Forecast and discussions with Management, there were no material assumptions which seemed unreasonable. The Proposal Trustee expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of the June 11 Cash Flow Forecast and readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

DIP FINANCING

Proposed DIP Facility

- 25) The funding to finance the Companies' cash needs is proposed to be provided by its incumbent lender, HFS, pursuant to the terms of a DIP facility commitment letter in the total amount of up to \$2.4 million (the "**Proposed DIP Facility**"). A copy of the Proposed DIP Facility was attached to the First Report as Appendix "F".
- 26) In order to provide the required near-term liquidity needed to fund the operations of Medipure during the NOI Proceedings, Medipure is seeking approval of the terms of the Proposed DIP Facility pursuant to which HFS is prepared to provide funding through the NOI Proceedings.
- 27) The material terms of the Proposed DIP Facility have been set out in the various application materials and accompanying affidavit materials filed by Medipure along with the First Report and are not repeated here.
- 28) The Proposal Trustee has been summarily involved in the discussions surrounding the terms of the Proposed DIP Facility and is of the view that the Proposed DIP Facility is necessary to ensure continuity of operations and financing during the NOI Proceedings.

- 29) Alternatives to the terms of the Proposed DIP Facility were briefly considered by Management and its advisors but appear less feasible given the potential costs, time and risk of seeking out an alternate lender and the potential for disruption to the underlying business of Medipure should current cash management and banking processes require extensive transformation in order to conform to the requirements of a new lender.
- 30) The Proposal Trustee has reviewed the Proposed DIP Facility and its terms and conditions. The Proposal Trustee is of the opinion that the terms and conditions are reasonable and consistent with interim financing facilities approved in other similar BIA or *Companies' Creditors Arrangement Act* proceedings.
- 31) As outlined previously in the First Report, the Proposal Trustee understands that counsel to the Companies has been in extensive discussions with the BCSC who has indicated that a partial revocation order is not required to allow DIP financing to proceed.
- 32) As detailed in the First Report, the Proposal Trustee makes the following observations with respect to the factors outlined in subsection 50.6(5) of the BIA when the Court is deciding to make an order to provide security or a charge:
 - a) The period during which the Companies will be subject to the NOI Proceedings is somewhat uncertain, and will depend on the timing associated with obtaining revocations of the CTOs and raising additional funds for the continued development of Medipure's products and a proposal to its creditors. The Proposal Trustee understands from the BCSC and BDO that the information required and steps to be taken to obtain a revocation of the CTOs can be lengthy and is currently unknown. The Proposed DIP Facility is estimated by Management to provide sufficient working capital to allow Medipure to continue operations for approximately two months to see what progress can be made in dealing with the CTOs;
 - b) The Company will continue to be operated and managed by the existing Management during the NOI Proceedings and the June 11 Cash Flow Forecast has been prepared with a view to preserving liquidity and minimizing overheads while alternative financing sources are sought;
 - c) the Proposed DIP Facility and the corresponding DIP Lender's Charge enhance the prospect that the Companies may be able to successfully file a proposal in these NOI Proceedings;
 - d) The Proposal Trustee has had some dialogue with Mr. Anderson, the current secured lender. Mr. Anderson reiterated a number of concerns regarding the actions of certain former directors and shareholders of Medipure as alluded to in the Bankruptcy Applications as well as his concerns about the DIP financing being obtained through HFS. Mr. Anderson has not confirmed whether he is supportive of providing separate DIP financing on similar terms;
 - e) Medipure's primary asset consists of its intellectual property associated with its suite of early stage development drugs, which are very difficult to value, as detailed in the First Report. The Companies do need to be properly capitalized in order to ensure the retention of key staff and to try and preserve the value of the Companies' intellectual property;
 - f) The Proposal Trustee considered the terms of the DIP Facility and the costs of it to Medipure. The DIP Facility contemplates an interest rate of 6% per annum along

with reimbursement to HFS for all reasonable and customary legal, professional and other due diligence costs associated with the Proposed DIP Facility. Given the potential and preliminary realizable value of Medipure's assets is currently uncertain owing to the unique nature of the collateral, and in considering interim financings that have been approved in recent proceedings, the Proposal Trustee considers the costs of the Proposed DIP Facility to be reasonable and it is unlikely that alternative financing could be arranged with a third party at this cost. In the Proposal Trustee's view, the commercial terms of the Proposed DIP Facility are reasonable and the 6% rate of interest is consistent with the costs of DIP financing facilities approved by Canadian courts in formal insolvency proceedings as reflected in a DIP loan summary schedule prepared by the Insolvency Insider Database as of June 14, 2021, a copy of which was attached to the First Report as Appendix "G";

- g) The Proposal Trustee believes the Proposed DIP Facility is in the best interests of all of the Companies' stakeholders, including subordinate secured creditors, as the Proposed DIP Facility is integral to fund the costs of Medipure while it seeks revocation orders, to preserve value, and source alternative financing sources. There appears to be no material prejudice to any creditors;
 - h) Absent the Proposed DIP Facility being approved, the Companies would have no ability to continue their operations and would likely be subject to a liquidation sale of its assets, potentially resulting in substantially lower values for creditors;
 - i) The Proposal Trustee understands that the Companies intend to use the NOI Proceedings to seek alternative financing, with a view to potentially repaying SHP's secured indebtedness in full, and presenting a plan to the unsecured creditors. While there can be no guarantee that the Companies will be successful in this endeavour, the potential value of Medipure's intellectual property suggests that this may be possible and that the Proposed DIP Facility should not represent a material prejudice to any creditor as the DIP loan would allow the Companies to preserve their assets and seek a refinancing or sale and thereby enhance the value for the stakeholders; and
 - j) The Proposal Trustee reviewed with Management the assumptions underlying the June 11 Cash Flow Forecast and there were no material assumptions which seemed unreasonable.
- 33) The Proposal Trustee is of the opinion that there are specific circumstances to warrant the Companies seeking approval of the Proposed DIP Facility and the granting of a priority DIP Lender's Charge.

PROPOSED COURT-ORDERED CHARGES

- 34) The Companies are seeking three Court-ordered charges, as summarized below.

Administration Charge

- 35) The proposed order provides for a charge on the assets, property and undertakings of the Companies in an amount of \$200,000 in respect of the fees and expenses of the Proposal Trustee, legal counsel to the Proposal Trustee, legal counsel to the Companies (the "**Administration Charge**"), and any other professionals whose services may be retained by the Proposal Trustee in these proceedings. The Administration Charge is to be granted in priority to all other Court ordered charges and the potential secured claims of any Personal Property Security Act registrants, and provides security to these

professionals in the event that the NOI Proceedings are terminated and such professionals have not been paid in full at the date of termination.

- 36) The Proposal Trustee has considered the factors set out in subsection 64.2(1) of the BIA with respect to the granting of an Administration charge. It is the view of the Proposal Trustee that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of Medipure and the NOI Proceedings, and the size of the charges approved in similar proceedings.
- 37) An administration charge is a common feature in restructuring proceedings. Given the value that may result from an orderly restructuring process and the lack of liquidity in the Companies, the Proposal Trustee is of the view that an Administrative Charge appears to be appropriate to ensure the continued support of the professionals in this process.

D&O Charge

- 38) The proposed order provides for a charge on the assets, property and undertakings of the Companies in an amount not to exceed \$65,000 in favour of the directors and officers of the Petitioners (the "**D&O Charge**"). The D&O Charge sought by the Companies is a second-priority charge to rank in priority to all charges other than the Administration Charge.
- 39) The Proposal Trustee understands that Medipure's directors and officers do not have the benefit of an existing directors and officers liability insurance coverage.
- 40) The amount of the D&O Charge was based on the estimated maximum liability of the directors and officers arising from potential statutory-based obligations for employee-related liabilities that may arise and be payable during the NOI proceedings, calculated in accordance to the provisions of the relevant legislation in the jurisdictions in which the employees work.
- 41) The Proposal Trustee has reviewed the underlying assumptions upon which the Companies have based the estimate of the potential liability in respect of the officers and directors statutory obligations and is of the view that the amount of the D&O Charge is reasonable in the circumstances.

DIP Lender's Charge

- 42) The Proposal Trustee understands that the Companies will be seeking a DIP Lender's Charge as part of the order and will be requesting to roll up the total of US\$770,000 in advances to date under the HFS Loan Agreement. This total includes US\$290,000 of pre-filing advances.
- 43) Section 50.6(1) of the BIA deals with interim financing orders and states that "the security or charge may not secure an obligation that exists before the order is made." HFS has advanced funds both before and after the Filing Date and it's the Proposal Trustee's understanding that the Companies are applying to secure all advances under the DIP Lender's Charge. Based on the June 11 Cash Flow Forecast and HFS advances received during the week ending June 17, 2022, and assuming the Proposed DIP Facility is approved, the total DIP financing, excluding any HFS advances to date, would be approximately \$1.44 million, as outlined in the below table.

Date	HFS Advance Amount			DIP Charge with Post-Filing (CAD)	DIP Charge with Pre-Filing (CAD)
	USD *	Fx Rate	CAD		
4/8/2022	\$ 150,000	1.256	\$ 188,400	\$ -	\$ 188,400
4/25/2022	100,000	1.270	127,000		127,000
5/10/2022	40,000	1.297	51,888		51,888
5/16/2022	80,000	1.280	102,434	102,434	102,434
6/6/2022	150,000	1.252	187,743	187,743	187,743
6/13/2022	250,000	1.256	313,985	313,985	313,985
	<u>\$ 770,000</u>		<u>\$ 971,450</u>	<u>\$ 604,162</u>	<u>\$ 971,450</u>
Funding required per Cash Flow					
June 11 to Aug 12, 2022			1,750,000		
Less: June 13 pmt included above			- 313,985		
Net funding			1,436,015	1,436,015	1,436,015
Total				<u>\$ 2,040,177</u>	<u>\$ 2,407,465</u>

* Amount before bank charges

- 44) If the post-filing advances were included in the Proposed DIP Facility, the DIP Lender's Charge would equate to approximately \$2.04 million as outlined above.
- 45) The DIP Lender's Charge would rank only subordinate to the Administration Charge according to the Proposed DIP Facility.
- 46) The Proposal Trustee is of the view that the DIP Lender's Charge represents a necessary and timely financing solution which affords the Companies the opportunity to assess potential restructuring options and it is not unreasonable to expect that obtaining a DIP Lender's Charge would be a condition of the Proposed DIP Facility. In the circumstances, the proposed priority of the DIP Lender's Charge appears to be necessary as no commercially reasonable lender can be expected to provide the financing required by the Companies in the necessary urgent timelines, subordinate to the Companies' existing obligations.

COMPANIES' REQUEST FOR AN EXTENSION

- 47) The Companies are seeking an extension of the stay of proceedings from June 17 to August 1, 2022 to provide for additional time to:
- Take further steps to obtain a partial or full revocation of the CTO with the BCSC;
 - Source additional DIP financing with HFS or other parties to continue to fund post-filing obligations and continue the development of its products; and
 - Pursue a viable proposal with its creditors.
- 48) The Proposal Trustee is of the opinion that the Companies' request for an extension of the First Stay Extension Order is warranted for the following reasons:
- The Companies appear to be acting in good faith and with due diligence;
 - A DIP loan, if approved by the Court, will be in place to fund the post-filing costs associated with the NOI Proceedings as projected in the June 11 Cash Flow Forecast; and
 - Subject to further evaluation, there may be value for the unsecured creditors and a potential viable plan.

All of which is respectfully submitted to this Honourable Court this 16th day of June, 2022.

DELOITTE RESTRUCTURING INC.

In its capacity as Proposal Trustee of
Medipure Holdings Inc. and Medipure Pharmaceuticals Inc.
and not in its personal or corporate capacity



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

Appendix A

June 11 Cash Flow Forecast for the Period of June 11 to August 12, 2022

Medipure Holdings Inc. and Medipure Pharmaceuticals Inc.
 Projected Cash Flow Statement
 For the Period Ending August 12, 2022
 CDN\$'000
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Court File No. B220220 and B220221
 Vancouver Registry
 Estate No. (MPI) 11-2829780
 Estate No. (MHI) 11-2829781

Projected Cash Flow from June 11 to August 12, 2022 CDN\$'000	Week # Week Ending	1 17-Jun	2 24-Jun	3 01-Jul	4 08-Jul	5 15-Jul	6 22-Jul	7 29-Jul	8 05-Aug	9 12-Aug	Total Forecast
Receipts											
DIP financing		463	125	125	125	125	250	163	125	250	1,750
Other misc. receipts		-	-	-	-	-	-	-	-	-	-
Total receipts		463	125	125	125	125	250	163	125	250	1,750
Operating disbursements											
Office and laboratory lease/rent costs		-	-	18	-	-	-	-	18	-	35
Payroll, source deductions, benefits and WCB		171	36	89	-	81	4	81	8	81	551
R&D: project study and trials costs		-	29	6	78	5	53	126	6	245	548
Critical vendors		10	10	7	8	7	5	-	-	-	47
Insurance / equipment rental / storage costs		-	1	2	-	-	1	1	2	-	7
Other administrative and laboratory costs		9	8	33	16	27	33	47	15	4	192
Funding of subsidiaries		5	0	11	-	4	-	-	-	1	22
Total operating disbursements		195	84	166	102	124	96	255	49	331	1,402
Other disbursements											
Professional fees		65	70	15	10	75	-	15	35	50	335
DIP financing interest and fees		-	-	2	-	-	-	-	7	-	9
FX changes		-	-	-	-	-	-	-	-	-	-
Total other disbursements		65	70	17	10	75	-	15	42	50	344
Net cash flow		203	(29)	(58)	13	(74)	154	(107)	34	(131)	5
Opening cash balance		7	210	180	123	136	62	216	108	143	7
Net cash flow for the period		203	(29)	(58)	13	(74)	154	(107)	34	(131)	5
Closing cash balance		210	180	123	136	62	216	108	143	12	12

Medipure Holdings Inc. and Medipure Pharmaceuticals Inc.

Projected Cash Flow Statement

For the Period Ending August 12, 2022

CDN\$'000

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Court File No. B220220 and B220221

Vancouver Registry

Estate No. (MPI) 11-2829780

Estate No. (MHI) 11-2829781

Key Assumptions

- 1) This cash flow has been prepared on a consolidated basis as Medipure Holdings Inc. ("MHI") owns 100% of Medipure Pharmaceuticals Inc. ("MPI", collectively with MHI, "Medipure") and provides funding for MPI to operate and pay most of the operating costs which are in the name of MPI.
- 2) Medipure intends to apply for Court for approval of a DIP Loan Facility which is still being finalized. Required draws on the DIP Loan Facility have been estimated and would be subject to approval of the DIP Loan Facility by the Court.
- 3) Medipure expects to receive ~\$458k in SRED refunds (net of consulting fees) in June. For prudence, this amount has not been included in the forecast as CRA may have a right of offset.
- 4) All obligations incurred after the date of the NOI will be paid in the regular course.
- 5) Rent costs are in respect of Medipure's corporate office in North Vancouver, and its laboratory at BCIT in Burnaby.
- 6) Medipure intends to apply to Court for the approval to pay outstanding wages and source deductions in the amount of ~\$172k. Wages will then be paid in the regular course through the stay period.
- 7) R&D costs are deferred to the extent possible to manage liquidity during the stay period.
- 8) Medipure intends to apply to Court for the approval to pay certain pre-appointment arrears related to critical suppliers for the laboratory.
- 9) Cash flow includes minimal funding of MHI's subsidiary in Croatia. It is assumed that MHI's subsidiary in India will not require funding as it has sufficient funds on hand during the stay period.
- 10) Professional fees include the costs of the Proposal Trustee and its counsel, restructuring and securities counsel to the Company and the costs of audits required to remove the Cease Trade Orders.
- 11) Amounts included in the cash flow are shown in CAD. USD transactions are assumed to be at an exchange rate of 1.29.