Deloitte Restructuring Inc.
1190, avenue des Canadiens-de-Montréal
Suite 500
Montreal, QC H3B 0M7
Canada

Tel: 514-393-7115
Fax: 514-390-4103
www.deloitte.ca

C A N A D A
PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL
COURT. No.:
OFFICE No.:

S U P E R I O R C O U R T
Commercial Division

IN THE MATTER OF A PLAN OF ARRANGEMENT OR COMPROMISE OF:

TAIGA MOTORS CORPORATION/CORPORATION MOTEURS TAIGA, a legal person having its elected domicile at 2695 av. Dollard, in the city of Montreal, province of Quebec, H8N 2J8

-&-

TAIGA MOTORS INC./MOTEURS TAIGA INC., a legal person having a principal place of business at 2695 av. Dollard, in the city of Montreal, province of Quebec, H8N 2J8

-&-

TAIGA MOTORS AMERICA INC., a legal person having its registered office at 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle, United States

-&-

CGGZ FINANCE CORP., a legal person having its elected domicile at 2695 av. Dollard, in the city of Montreal, province of Quebec, H8N 2J8

Applicants

-&-

DELOITTE RESTRUCTURING INC., a legal person having a place of business at 500-1190 ave des Canadiens-de-Montréal, in the city and district of Montreal, province of Quebec, H3B 0M7.

Proposed Monitor

FIRST REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED MONITOR
(Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended)

INTRODUCTION

1. Taiga Motors Corporation/Corporation Moteurs Taiga, Taiga Motors Inc./Moteurs Taiga Inc., Taiga Motors America Inc., and CGGZ Finance Corp. (collectively "**Taiga**" or the "**Applicants**") have filed an *Application for the Issuance of an Initial Order, an Amended and Restated Initial Order and Ancillary Relief* (the "**Application**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), before the Superior Court of Québec (the "**Court**") seeking the appointment of Deloitte Restructuring Inc. ("**Deloitte**") as the CCAA monitor in these proceedings (the "**Proposed Monitor**") and various other reliefs.

2. This report (the "**First Report**") has been prepared by the Proposed Monitor prior to its appointment as monitor in the contemplated CCAA proceedings (the "**CCAA Proceedings**") to provide information to the Court for its consideration in respect of the Application and addresses only those matters set out in the first day initial order (the "**Proposed First Day Initial Order**") and the order approving the pursuit of the ongoing Sale and Investment Solicitation Process (**"Proposed SISP Order**") sought pursuant thereto.

3. If the Proposed First Day Initial Order is granted, the Applicants intend to return to Court within 10 days to seek the issuance of the amended and restated initial order sought in the Application (the "**Proposed Initial Order**") and the Proposed Monitor will file a supplemental report to provide information and its views to the Court in respect of the Proposed Initial Order being sought by the Applicants.

4. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PURPOSE OF THIS REPORT

5. The purpose of the First Report of the Proposed Monitor is to provide information to the Court with respect to:

   (i) Deloitte's qualification to act as monitor;

   (ii) The business, financial affairs and financial results of Taiga;

   (iii) Taiga's creditors;

   (iv) The Sale and Investment Solicitation Process;

   (v) The Key Employees Retention Program;

   (vi) The Interim Financing Facility;

   (vii) The Charges sought in the Proposed First Day Initial Order and the Proposed Initial Order;

   (viii) An overview of the 4-week cash flow projections; and

   (ix) The Proposed Monitor's conclusions and recommendations.

6. In preparing the First Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, Taiga's books and

records and financial information prepared by Taiga and discussions with management ("**Management**") of Taiga (collectively, the "**Information**"). Except as described in this First Report in respect of the Applicants' Cash Flow Statement (as defined below):

(i) The Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed 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 Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

(ii) Some of the information referred to in this First 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.

7. Future oriented financial information referred to in this First 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.

8. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in the First Report concerning Taiga and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.

DELOITTE'S QUALIFICATION TO ACT AS MONITOR

9. Deloitte is a licensed insolvency trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

10. On April 15, 2024, the Proposed Monitor was retained by Taiga to provide support to the Management on the following matters:

(i) Review and assist Management with the preparation of a weekly cash flow in order to establish Taiga's financing and timing requirements;

(ii) Assist Management by preparing alternative scenarios pertaining to the restructuring process; and

(iii) Advise Management with respect to potential enhancements to the cash flow to enhance their utility and generate liquidity.

11. In the context of the foregoing, the Proposed Monitor's representatives working on this matter have acquired material knowledge of Taiga and its business. The Proposed Monitor has spent time with Management understanding the operations and financial structure as more fully described in this First Report, in order to provide assistance to the Court, and the Monitor is in a unique position to assume its role immediately without the duplication and significant costs that would be required for another insolvency professional firm to familiarize itself with the business and financial situation of the Company in order to act as monitor.

12. The Proposed Monitor is, therefore, in a position to act as court-appointed monitor without delay, in an efficient and diligent manner in the CCAA proceedings for the benefit of all of its stakeholders.

13. The Proposed Monitor has retained Fasken Martineau Dumoulin LLP ("**Fasken**") to act as its independent counsel in the CCAA Proceedings.

THE BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL RESULTS OF TAIGA

Historical overview

14. Taiga's business is focused on the production, research and development (R&D), design, marketing, and distribution of the world's first mass-production ready, all electric powersports vehicles.

15. To date, Taiga has developed and introduced to market one model of all electric snowmobile (Nomad™), as well as two models of all electric personal watercrafts (Orca™ and Orca Carbon).

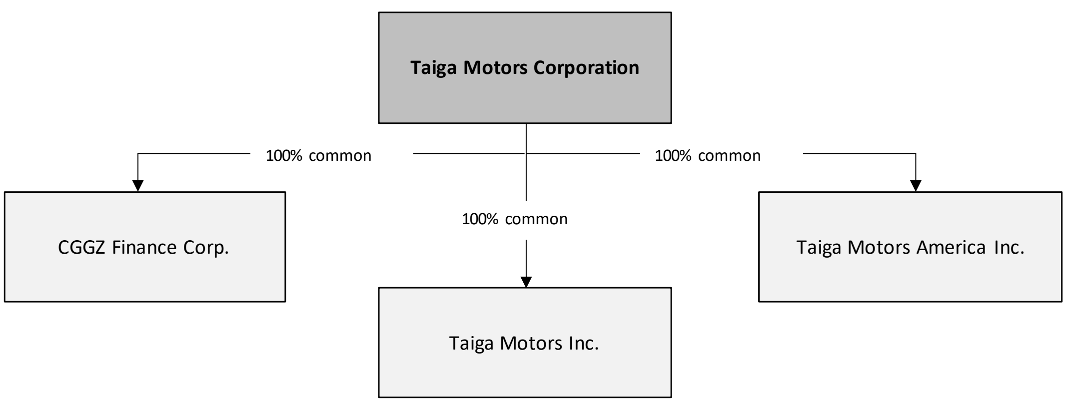
16. Taiga's Montreal headquarters are comprised of two leased production and R&D facilities totalling more than 184,452 square feet:

    (i) the first facility consists of 51,044 square feet of dedicated space for research, developing, testing and other engineering activities; and

    (ii) the second facility is composed of 133,408 square feet of space that serves as offices as well as a production plant.

Corporate structure

17. Taiga, which is operated on a consolidated basis, has the following corporate structure:



Financial analysis

18. The following table sets out selected financial information for the periods indicated. The selected financial information below has been derived from the corresponding financial statements of Taiga:

Taiga Income Statement For the period ended on In '000 CAD	Audited 31-Dec-22 12 months	Audited 31-Dec-23 12 months	Unaudited 31-Mar-24 3 months
Revenue	3,212	16,127	5,077
Cost of sales	29,152	43,038	8,749
Gross profit (loss)	**(25,939)**	**(26,911)**	**(3,672)**
Research and development (net of tax credits)	9,386	15,421	3,018
General and administration	19,770	20,949	4,382
Sales and marketing	4,325	5,076	1,079
Income (loss) from operations	**(59,421)**	**(68,357)**	**(12,151)**
Government grants	(66)	-	-
Net financing cost	161	5,675	2,231
Net income (loss) before taxes	**(59,516)**	**(74,032)**	**(14,382)**
Deferred income tax recovery	-	1,534	-
Net income (loss)	**(59,516)**	**(72,498)**	**(14,382)**

19. As described in the table above, Taiga has sustained losses since 2022 and in fact has never been profitable since its inception in 2015. According to Management, these losses are largely attributable to intensive capital investments required to manufacture the watercraft and the snowmobiles and the difficulties to generate revenue due to the lack of sales distribution channels.

20. The table below demonstrates Taiga's historical balance sheet:

Taiga Balance Sheet As at In '000 CAD	Audited 31-Dec-22	Audited 31-Dec-23	Unaudited 31-Mar-24
Cash and cash equivalents	22,838	5,302	2,508
Other current assets	30,429	41,089	36,323
Non-current assets	41,048	40,838	39,349
Total assets	**94,315**	**87,228**	**78,179**
Current liabilities	16,123	21,425	26,251
Long-term liabilities	11,943	66,616	66,936
Equity (deficit)	66,249	(812)	(15,008)
Total liabilities & equity	**94,315**	**87,228**	**78,179**

21. Based on the publicly filed unaudited interim condensed consolidated financial statements, Taiga's principal assets were, as of March 31, 2024 (*all values hereinafter are stated for indication purposes only*):

    (i) Inventories of approximately $32.4M;

    (ii) Property, plant and equipment totaling $20.2M;

    (iii) Intangible assets totaling $10.4M;

    (iv) Right-of-use assets of $8.6M; and

    (v) Other assets totaling $6.4M composed of cash and cash equivalents, financial assets, prepaid expenses and receivables.

22. The Proposed Monitor would like to highlight that apart from the cash position, which has significantly deteriorated, Taiga's assets composition remains similar to its March 31, 2024, balances.

Overall situation

23. As of the date of this First Report, and as explained in further detail below, Management estimates that Taiga's working capital is not sufficient to allow it to meet its financial obligations, commitments, and necessary budgeted expenditures for the foreseeable future.

24. Consequently, the Proposed Monitor is of the view that Taiga is insolvent.

TAIGA'S CREDITORS

Secured creditors

25. The Company has advised the Proposed Monitor that its principal secured creditors are:
    (i) Export Development Canada (**"EDC"**) pursuant to a term loan;
    (ii) Economic Development Agency of Canada (**"EDAC"**) pursuant to a repayable contribution agreement;
    (iii) Northern Private Capital (together with its affiliates and funds managed by it, **"NPC"**) and Investissement Québec (**"IQ"**) pursuant to the secured convertible debentures.

26. The terms of the secured indebtedness are more fully described in the Application.

Unsecured creditors

27. Taiga has advised the Proposed Monitor that its principal unsecured liabilities consist of:

    (i) Trade payables and accruals;

    (ii) Lease obligations;

    (iii) Customer deposits; and

    (iv) Accrued salaries and vacation payable.

28. According to Management, as of June 2024, there were approximately 1,150 customers who made a deposit, totaling approximately $1M. On average, each deposit amounts to $870.

29. According to Management, payroll obligations are current and the Applicants intend to continue to fulfill their payroll obligations as a going concern with respect to the current employees. Payments are made on a biweekly basis. Payroll management is outsourced to a third party, EmployerD. As per Management, all source deductions are current. According to Taiga's books and records, the following table summarizes the obligations of Taiga to secured and unsecured creditors as of March 31, 2024:

Taiga Summary of debts as at March 31, 2024 (Unaudited) In '000 CAD	Secured	Unsecured	Total
Convertible debentures holders (Note 1)	42,723	-	42,723
Export Development Canada	18,733	-	18,733
Economic Development Agency of Canada	2,202	-	2,202
Trade payables and accruals	-	15,019	15,019
Lease obligations	-	9,525	9,525
Accrued salaries and vacation payable	-	1,237	1,237
Customer deposits	-	1,138	1,138
Deferred revenue	-	397	397
Other liabilities	-	2,214	2,214
Total debts	**63,657**	**29,530**	**93,187**

Note 1 Northern Private Capital and Investissement Québec

THE SALE AND INVESTMENT SOLICITATION PROCESS

30. As previously mentioned, on April 15, 2024, Deloitte was mandated by the Company to provide it with financial restructuring advisory services.

31. Following a review of Taiga's activities and business, and in consultation with EDC, it was determined in May 2024 that, without a restructuring, investment, sale or refinancing, Taiga would be unable to successfully continue its operations.

32. A sale or investment solicitation process (the "**SISP**") in respect of its shares, property, assets and/or business (collectively, the "**Business**") the whole with a view to maximizing the value of the Business for the benefit of all of its stakeholders was therefore developed by the Applicants in consultation with the Proposed Monitor and Deloitte Corporate Finance ("**Deloitte CF**").

33. The purpose of SISP, which was launched on May 23, 2024, is to solicit interest in:

    (i) One or more sales or partial sales of all, substantially all, or certain portions of the Business and/or;

    (ii) For an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Applicants and the Business, as a going concern or otherwise.

34. The SISP, initially conducted by Deloitte CF, targeted a wide range of industry players and financial players that could be potentially interested in the business as a going concern. Deloitte CF had distributed the solicitation letter and non-disclosure agreements (NDA) to 57 potential bidders.

35. Although the SISP has generated some interest from a handful of parties, it was determined that given the current financial situation of the Company, no successful bid could be retained outside of a formal insolvency proceeding.

36. In such context, the Applicants are seeking the issuance of the SISP Order that would authorize the Proposed Monitor to continue the SISP within the CCAA Proceedings. The pursuit of the SISP will be laser focused on targeting parties that have already demonstrated serious interest in the SISP. The SISP will also target parties that could be interested in acquiring some of the assets on a piecemeal basis, including liquidation of some of the Company's assets.

37. In order to allow the Proposed Monitor to fully canvass the market in the context of the CCAA Proceedings, the SISP timeline has been reviewed as follows (subject to any

extensions and modifications that may be made by the Proposed Monitor and with the prior written approval of EDC):

Event	**Date**
Phase 1	
1. Distribution of solicitation letter to a reviewed list of interested parties	By no later than July 15, 2024
2. Establishment of a virtual data room (**VDR**)	**Completed**
3. Phase 1 Bid Deadline (submission of nonbinding letters of intent (LOI))	August 9, 2024, at 5:00 p.m. (prevailing Eastern Time)
4. Identification of Qualified Phase 1 LOIs	August 16, 2024, at 5:00 p.m. (prevailing Eastern Time)
Phase 2	
5. Phase 2 Bid Deadline (submission of definite offers)	September 16, 2024, at 5:00 p.m. (prevailing Eastern Time)
6. Selection of Successful Bid(s)	By no later than September 23, 2024, at 5:00 p.m. (prevailing Eastern Time)
7. Approval Application in respect of Successful Bid(s)	By no later than October 3, 2024, at 5:00 p.m. (prevailing Eastern Time)
8. Closing Date in respect of Successful Bid(s)	By no later than October 8, 2024, at 5:00 p.m. (prevailing Eastern Time)

38. The SISP will be pursued in consultation with EDC, which, in accordance with the DIP Term Sheet (as defined below), shall be entitled to receive any relevant information and documentation in relation to the SISP (including copies of any non-binding or binding offers submitted), and any decision to be taken in the context of the SISP, including, without limitation: (i) the pursuit of the SISP onto Phase 2, (ii) the holding of an auction as part of Phase 2 of the SISP and (iii) the selection of one or more successful bid(s) shall be subject to EDC's prior approval.

39. As part of the DIP Term Sheet (as defined below), the Debtors have confirmed to EDC their agreement that upon the occurrence of an "Event of Default" under the DIP Term Sheet which is continuing, including the failure by the Debtors to receive a Qualified Phase 1 LOI that is satisfactory to EDC, EDC shall have the right to suspend any further advance under the DIP Term Sheet and declare all amounts owing thereunder to be immediately due and payable, and exercise any and all of its rights as secured creditor of the Debtors.

40. As such, the Applicants, with the assistance of the Proposed Monitor, continue to diligently advance the process with the objective of receiving LOIs by August 9, 2024.

41. The Proposed Monitor is of the view that the SISP is reasonable and appropriate in the circumstances.

INTERIM FINANCING

42. As it appears from the 4-week cash flow projections, interim financing is required immediately to commence the proposed restructuring process contemplated by these CCAA Proceedings and to continue and complete the ongoing SISP.

43. In order to implement the contemplated restructuring, EDC, as the principal secured creditor, has advised the Applicants that it is prepared to provide interim financing available to the Company in accordance with the terms and conditions of the term sheet communicated in support of the Application (the **"DIP Term Sheet"**).

44. Pursuant to the DIP Term Sheet, the Applicants will be authorized to borrow from EDC, from time to time, an initial sum not exceeding $1,000,000 (collectively the **"Interim Advances"**), to be advanced by EDC, in accordance with the terms of the DIP Term Sheet, which Interim Advances are subject to, *inter alia*, the issuance of the First Day Initial Order establishing in favour of EDC an Interim Lender Charge (as defined below).

45. The initial Interim Advances are essential to finance the ongoing operations of the Applicants and the pursuit of the SISP during the initial 10-day period.

46. If the Proposed Initial Order is granted, the Applicants shall be authorized to borrow from EDC, from time to time, an amount up to $4,400,000, the whole in accordance with the terms and conditions of the DIP Term Sheet. As discussed below, it is currently forecasted that the Interim Advances will total $1,600,000 in the first 4-weeks of the CCAA Proceedings (a first tranche of $1,000,000 in week 1 and a second tranche of $600,000 in week 3).

47. The key terms provided for under the DIP Term Sheet can be summarized as follows:

Key Terms	DIP Term Sheet
Availability following the issuance of the Initial Order	Up to $1,000,000
Availability following the issuance of the Amended and Restated Initial Order	Up to $4,400,000 (including the initial $1,000,000)
Fees	First commitment fee equal to 2.4% of the Pre-Phase 1 Milestone Facility Amount ($2,100,000) payable on the date of the initial DIP Advance and deducted from the initial DIP Advance.
	Second commitment fee equal to 2.4% of the Post-Phase 1 Milestone Facility Amount ($2,300,000) payable on the date of the first DIP Advance that takes place after August 16, 2024, and deducted from such DIP Advance.
Interest rate	Prime plus 7%
Standby fee	None
Priority Charge	All property

48. The Proposed Monitor is of the view that the interim financing, on the terms and conditions set forth in the DIP Term Sheet, is required, reasonable and market in the circumstances.

KEY EMPLOYEES' RETENTION PROGRAM

49. Certain Taiga employees are highly specialized and difficult to replace, particularly in the industry in which it operates.

50. Management has developed a key employee retention plan (the "**KERP**") to encourage key employees to remain employed by Taiga. Management and the Proposed Monitor believe that retaining certain key employees is essential to the successful restructuring of Taiga and that in the absence of the KERP, such employees are likely to seek other employment opportunities.

51. The KERP will provide participants with additional payments to encourage them to remain employed by Taiga during the CCAA Proceedings. The KERP is paid on a biweekly basis and reflected in the payroll disbursement in the 4-week cash flow projections.

52. The KERP targets a limited number of employees and has a bi-weekly cost of approximately $12,000. A detailed list of employees with supporting calculations is provided in Appendix B (under seal).

53. The Proposed Monitor has reviewed the KERP and believes that it is necessary in the circumstances noted above and that the milestones of the KERP are aligned with those of the proposed restructuring process, namely the contemplated implementation of the SISP.

CHARGES SOUGHT IN THE PROPOSED FIRST DAY INITIAL ORDER AND THE PROPOSED INITIAL ORDER

Administration Charges sought in the Proposed First Day Initial Order

54. The Proposed First Day Initial Order provides that the Monitor, the Monitor's legal counsel (Fasken), the legal counsel for the Debtors (Norton Rose Fulbright Canada LLP) and legal counsel (Stikeman Elliott LLP) and the financial advisor (Ernst & Young Inc.) for EDC. as security for the professional fees and disbursements incurred both before and after the issuance of the First Day Initial Order and directly related to the CCAA Proceedings, the Plan and the Restructuring, are entitled to the benefit of a charge, hypothec and security in the Property, to the extent of the aggregate amount of $475,000 (the "**Administration Charge**"). The Administration Charge has been established based on the respective professionals' previous experience with restructurings of similar magnitude and complexity.

55. The Proposed Monitor believes that the Administration Charge is required and reasonable under the circumstances.

Directors' and Officers' Charge sought in the Proposed First Day Initial Order

56. The Proposed Monitor understands that the Applicants hold insurance which provides for coverage with respect to directors' and officers' liability ("**D&O Insurance**"). The D&O Insurance has not been reviewed by the Proposed Monitor as of the date hereof.

57. Based on information provided by Management, the Proposed Monitor understands that there may be insufficient D&O Insurance in respect of certain potential directors' and officers' liabilities, notably in respect of unpaid wages, including accrued and accruing vacation pay and other employee-related obligations. Moreover, the D&O Insurance is set to expire on July 21, 2024.

58. It is expected that the directors of the Applicants will remain in their functions if the Proposed First Day Initial Order is granted by the Court, and their committed and continued support is key to complete the restructuring process. In exchange for their continued service, the directors and officers are requiring indemnification against any obligations and liabilities that they may incur in such capacity.

59. The Proposed First Day Initial Order provides for a priority charge in the amount of up to $510,000 in favor of the directors and officers of Taiga in respect of liabilities incurred in such capacity after the issuance of the First Day Initial Order, except to the extent that such obligation or liability was incurred as a result of the directors' and officers' gross negligence, willful misconduct or gross or intentional fault ("**D&O Charge**").

60. As per the Application, the D&O Charge becomes effective only if the existing D&O Insurance is not responsive or sufficient, such that the added D&O Insurance coverage reduces the risk that the D&O Charge would be triggered.

61. The amount of the D&O Charge has been calculated by the Proposed Monitor, taking into consideration the periodic payroll costs of existing employees, the accruing and accrued vacation and average sales tax payments, having considered the analysis prepared by Taiga in that regard. A detailed calculation of the potential exposure of the directors and officers that will benefit from the D&O Charge is provided in Appendix C.

62. As appears from the Proposed First Day Initial Order, EDC has agreed to allow the D&O Charge to rank senior to the Interim Lender Charge, but only and strictly insofar as to indemnify the directors and officers of the Debtors for employee claims relating to the payment of unpaid employee salaries and vacations accruing as and from the date of the issuance of the Proposed First Day Initial Order, as applicable. Any other claim as against the directors and officers of the Debtors, in such capacity, and secured by the D&O Charge, shall be subordinated to the Interim Lender Charge.

63. The Proposed Monitor believes that the D&O Charge is required and is reasonable under the circumstances.

Interim Lender's Charge

64. The Company does not have sufficient liquidity to operate and conduct the SISP. Consequently, the Company must obtain additional financing through the Interim Financing Facility.

65. As appears from the DIP Term Sheet, all amounts advance thereunder are to be secured by a Court-ordered super-priority charge priming all rights, claims and security interests against the Debtors and their property (save exception), in order to secure the repayment of the Interim Advances (the **"Interim Lender Charge"**). The Interim Lender Charge shall rank in priority to all other charges except for the Administration Charge and the D&O Charge.

66. As further discussed below, an Interim Advance of $1,000,000 is contemplated in week 1 of the 4-week cash flow forecast. Therefore, the Proposed First Day Initial Order contemplates an Interim Lender Charge in an initial amount of $1,200,000.

67. The Proposed Monitor supports the Company's request for interim financing for the following reasons:

    (i) No creditor will be materially prejudiced as a result of the Interim Lender's Charge, as the funding is expected to allow the Company to continue its restructuring efforts, which will enhance the chance of recovery for the Company's secured creditors, suppliers and employees as, to the extent possible, it will avoid a piecemeal liquidation of the Company, which would necessarily occur in the absence of funding; and

(ii) The Proposed Monitor considered the terms of the DIP Term Sheet and its costs to the Company as reasonable in the circumstances.

KERP Charge

68. The Proposed First Day Initial Order provides for a priority charge for the KERP in the amount of $40,000 in favor of the employees cover by the KERP, as described earlier in this First Report (the "**KERP Charge**" and together with the Administration Charge, the D&O Charge and the KERP Charge, the "**CCAA Charges**").

69. The Proposed Monitor believes that the KERP Charge is required and is reasonable considering that the KERP is paid on a biweekly basis.

Adjustments to the CCAA Charges sought in the Proposed Initial Order

70. If the Proposed First Day Initial Order is granted, the Applicants will seek the issuance of the Proposed Initial Order, which will propose the following adjustments to the CCAA Charges:

(i) An increase in the Administration Charge to the total amount of $900,000;

(ii) A reduction in the D&O Charge to a total amount of $250,000. The reduced amount will be the result of the restructuring measures to be implemented, namely the temporary lay off of approximately 115 employees; and

(iii) An increase to the Interim Lender Charge to a total amount of $5,280,000 to reflect the increased borrowing capacity under the DIP Term Sheet up to a total amount of $4,400,000.

71. The Proposed Monitor's views on the reasonableness of the proposed modifications to the CCAA Charges to be sought pursuant to the Proposed Initial Order will be set out in its supplemental report to the Court.

72. The priorities of the CCAA Charges as between them are set out in the Proposed First Day Initial Order and the Proposed Initial Order.

OVERVIEW OF THE 4-WEEK CASH FLOW PROJECTIONS

73. Taiga, with the assistance of the Proposed Monitor, has prepared the statement of projected cash flow (the "**Cash Flow Statement**") for the 4-week period from July 8, 2024, to August 4, 2024 (the "**Cash Flow Period**") for the purpose of forecasting Taiga's estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Statement is provided in Appendix A (under seal) of this First Report.

74. The Cash Flow Statement has been prepared by Taiga using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement.

75. The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to Information supplied to it by Management. Since the hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement.

76. Based on the Proposed Monitor’s review and the foregoing qualifications and limitations, nothing has come to its attention that causes it to believe that, in all material respects:

    (i) The hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

    (ii) As at the date of this First Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of Taiga or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

    (iii) The Cash Flow Statement does not reflect the probable and hypothetical assumptions.

77. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no opinion as to whether the projections in the Cash Flow Statement will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report. Neither does the Proposed Monitor express any opinion as to the performance of Taiga’s statutory obligations with regard to projected payments to be made in accordance with the Cash Flow Statement, *inter alia* the payment of wages, the government remittances and the payroll deductions to be made by Taiga.

78. The Cash Flow Statement has been prepared solely for the purpose described in the Notes to the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

79. The key assumptions used in the Cash Flow Statement are based on the Company’s most recent sales and costs trends prior to the First Day Initial Order. Taiga’s consolidated cash balance as of July 7, 2024, is estimated to be approximately $628K.

80. The Cash Flow Statement demonstrates that the liquidity level will not be sufficient to fund the current level of operations during the initial 4-week period without access to interim financing.

81. EDC has agreed to provide the Company with interim financing during the CCAA proceedings. The financing for the first 4-week period cannot exceed $1,600,000 and will be disbursed in two tranches: $1,000,000 in Week 1 and $600,000 in Week 3.

82. Management anticipates more restrictive payment terms for purchases from suppliers following the announcement of the CCAA proceedings. As such, Management has anticipated certain “cash on delivery” purchases.

83. As appears from the Cash Flow Statement and the Application, in order to preserve the value of its operations with the view to completing the CCAA SISP, Taiga intends to continue to pay its trade creditors for services rendered and goods supplied in the normal course of business during these CCAA proceedings.

84. Management has advised the Proposed Monitor that it believes that the forecast reflected in the Cash Flow Statement is reasonable.

THE PROPOSED MONITOR’S CONCLUSIONS AND RECOMMENDATIONS

85. The Proposed Monitor believes that the Applicants qualify for and should be granted the benefit of protection under the CCAA, in accordance with the Proposed First Day Initial Order (including granting of the charges provided therein for the initial amounts set out

above) as it will allow the Applicants the opportunity to proceed with the contemplated restructuring and to continue the SISP in the CCAA Proceedings without delay, in accordance with the Proposed SISP Order, the whole for the benefit of their stakeholders.

86. The Proposed Monitor respectfully recommends that the Applicants' request for the Proposed First Day Initial Order and the SISP Order, including the ancillary relief described in this First Report be granted by this Court.

87. The Proposed Monitor respectfully submits to the Court this, its First Report.

DATED AT MONTREAL, this 10th day of July 2024.

DELOITTE RESTRUCTURING INC.
In its capacity as Proposed Court-Appointed Monitor of the Petitioners

Benoit Clouâtre, CPA, CIRP, LIT
Senior Vice President

Jean-François Nadon, CPA, CIRP, LIT
President

APPENDIX A

CASH FLOW STATEMENT

(UNDER SEAL)

APPENDIX B

KEY EMPLOYEES RETENTION PROGRAM
(“KERP”)

(UNDER SEAL)

APPENDIX C

Directors and Officers Charge
(“D&O Charge)

Initial Order:

Taiga	**Estimated D&O Charge Calculation**		
In '000 CAD	**Week 2**	**Week 4**	**Total**
Salaries	$ 351	$ 111	$ 462
Vacations	$ 35	$ 11	$ 46
Total	**$ 386**	**$ 122**	**$ 509**

Amended and Restated Initial Order:

Taiga	**Estimated D&O Charge Calculation**			
In '000 CAD	**Week 6**	**Week 8**	**Note 1**	**Total**
Salaries	$ 111	$ 111	$ -	$ 222
Vacations	$ 11	$ 11	$ 90	$ 22
Total	**$ 122**	**$ 122**	**$ 90**	**$ 244**

Note 1: Estimated total vacation exposure until the end of the 13-week period