

**IN THE COURT OF QUEEN'S BENCH FOR SASKATCHEWAN  
JUDICIAL CENTRE OF SASKATOON  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
*R.S.C 1985, C.B-3, AS AMENDED***

**AND IN THE MATTER OF THE PROPOSAL OF  
CANADIAN EXOTIC GRAINS LTD.**

**THIRD REPORT OF DELOITTE RESTRUCTURING INC.  
IN ITS CAPACITY AS PROPOSAL TRUSTEE  
UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL**

**NOVEMBER 5, 2018**

**DELOITTE RESTRUCTURING INC.**

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## INTRODUCTION

1. On July 17, 2018 (the “**NOI Filing Date**”), Canadian Exotic Grains Ltd. (“**CEG**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C 1985, C. B-3, as amended (the “**BIA**”). Deloitte Restructuring Inc. consented to act as the trustee under the proposal proceedings (the “**Proposal Trustee**”).
2. Notice of the NOI filing, as prescribed by the BIA, was sent to all known creditors by the Proposal Trustee on July 18, 2018 (the “**Notice to Creditors**”), along with a copy of the Certificate of Filing a Notice of Intention to Make a Proposal (the “**NOI Certificate**”).
3. On August 8, 2018, the Honourable Madame Justice Rothery granted a sale approval and vesting order (the “**SAVO**”) for the sale transaction contemplated by the agreement of purchase and sale between CEG and Section 12 Foods Inc. (“**Section 12**” or the “**Purchaser**”), and extended the stay of proceedings from August 16, 2018 to September 28, 2018.
4. On September 24, 2018, the Court extended the stay of proceedings from September 28, 2018 to November 12, 2018 to allow the Company additional time to attempt to close a transaction with Section 12 and exhaust all other available options to maximize the realizable value of the capital assets, real property, and certain inventories (the “**Remaining Assets**”) of the Company.
5. The Proposal Trustee has provided the Court with the following reports:
  - a. A First Report of the Proposal Trustee dated August 3, 2018 (the “**First Report**”) and a Confidential Report of the Proposal Trustee dated August 3, 2018 (the “**First Confidential Report**”) in connection with the Company’s motion to extend the stay of proceedings and approve the SAVO; and
  - b. A Second Report of the Proposal Trustee dated September 24, 2018 (the “**Second Report**”) in connection with the Company’s motion to extend the stay of proceedings.

6. The Proposal Trustee has made the NOI Certificate, the Notice to Creditors, the First Report, the Second Report, all motion materials and orders in the proposal proceedings, and certain other documents related to the proposal proceedings available on its website at [www.insolvencies.deloitte.ca/en-ca/canadianexotic](http://www.insolvencies.deloitte.ca/en-ca/canadianexotic) (the “**Proposal Trustee’s Website**”). The Proposal Trustee will continue to post documents pertaining to the proposal proceedings on the Proposal Trustee’s Website.

## **PURPOSE**

7. The purpose of this third report of the Proposal Trustee (the “**Third Report**”) is to provide the Court with further information in respect of the following:
  - a. The business activities of the Company since the filing of the Second Report, including operations and restructuring efforts to date;
  - b. The activities of the Proposal Trustee since the filing of the Second Report; and
  - c. The Proposal Trustee’s recommendations related to the Company’s application to be heard on November 8, 2018, seeking the granting of an Order for, among other things, approval of a new asset purchase agreement (the “**New APA**”) with Section 12 for the Remaining Assets of CEG, and the consequential sale approval and vesting order (the “**New SAVO**”).

## **TERMS OF REFERENCE**

8. In preparing this Third Report, the Proposal Trustee has relied upon unaudited interim financial information, the Company’s books and records, the Affidavit of Jocelyn Hartsook (“**Ms. Hartsook**”) sworn on August 3, 2018 (the “**First Hartsook Affidavit**”), the Affidavit of Ms. Hartsook sworn on September 20, 2018, the Affidavit of Ms. Hartsook sworn on November 5, 2018 (the “**Second Supplemental Hartsook Affidavit**”), and discussions with management (“**Management**”) and other employees of the Company, and their financial and legal advisors.
9. The financial information of the Company has not been audited, reviewed or otherwise verified by the Proposal Trustee as to its accuracy or completeness, nor has it necessarily

been prepared in accordance with generally accepted accounting principles and the reader is cautioned that this Third Report may not disclose all significant matters about the Company. Additionally, none of the Proposal Trustee's procedures were intended to detect defalcations or other irregularities. If the Proposal Trustee were to perform additional procedures or to undertake an audit examination of the financial statements in accordance with generally accepted auditing standards, additional matters may have come to the Proposal Trustee's attention. Accordingly, the Proposal Trustee does not express an opinion nor does it provide any other form of assurance on the financial or other information presented herein. The Proposal Trustee may refine or alter its observations as further information is obtained or brought to its attention after the date of this Third Report.

10. The Proposal Trustee assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of this Third Report. Any use which any party makes of this Third Report, or any reliance or decision to be made based on this Third Report, is the sole responsibility of such party.
11. Unless otherwise stated, all monetary amounts contained in this Third Report are expressed in Canadian dollars.
12. Capitalized terms used in this Third Report but not defined herein are as defined in the First Report and the Second Report.

## **BACKGROUND**

13. As detailed in the First Report, CEG began operations on January 1, 2011, subsequent to its acquisition of the assets of G.H. Schweitzer Enterprises Ltd., a company that was engaged in growing and marketing specialty grains, spices, and pulse crops in and around Eston, Saskatchewan. In July of 2013, CEG's General Manager, who held primary responsibility for managing the farming (i.e. growing) operations, left the Company. With limited support to retrain an individual to run the farming aspect of the operations, Management decided to focus exclusively on the marketing side of CEG's business, and accordingly, the farmland was sold.

14. CEG operates out of owned premises located at Blk/Par A Plan No 101077208 Extension 7 in the Rural Municipality of Snipe Lake, Saskatchewan and employed approximately six (6) staff, inclusive of Management, as at the NOI Filing Date.
15. Details of the background to the Company's current financial situation are included in the First Hartsook Affidavit and the First Report. As described therein, the Company's financial difficulties primarily resulted from poor crop years experienced by their contracted suppliers in 2016 and 2017, which forced CEG to source alternate crops at record high commodity prices to fulfill its sales contracts. Although the Company's suppliers were covered by "Act of God" clauses detailed in the agreements with CEG, the Company's contracts with its end customers had no such flow through protections.
16. In addition to the poor crop years experienced in 2016 and 2017 which resulted in shrinking margins, the Company was also saddled with significant debt as a result of an approximate \$1.2 million seed cleaning plant expansion completed in July 2017.

#### **ACTIVITIES OF THE COMPANY SINCE THE FILING OF THE SECOND REPORT**

17. Since the filing of the Second Report, the Company has:
  - a. Continued to collect its outstanding customer accounts;
  - b. Continued to liquidate certain of its inventories;
  - c. Continued to work with Section 12 to negotiate a revised transaction that has resulted in the New APA;
  - d. Held various discussions and meetings with the Company's legal counsel, McDougall Gauley LLP ("**McDougall Gauley**"), the Proposal Trustee, and Farm Credit Canada's ("**FCC**") legal counsel, Miller Thomson LLP;
  - e. Entered into a short term lease agreement for the Remaining Assets with Section 12 (the "**Lease of Land and Shop**") in order to preserve asset value and satisfy certain of the Company's residual contracts; and
  - f. Entered into a short term employee secondment agreement with Section 12 (the

“**Secondment Agreement**”) whereby Section 12 provided temporary employment for the remaining two (2) employees of CEG while the New APA was being negotiated.

18. As at the date of this Third Report, Management has advised that the Remaining Assets, and the estimated book value of same, are as follows:
  - a. Cash on hand - \$105,000;
  - b. Accounts receivable – \$20,000;
  - c. Inventory - \$26,000; and
  - d. Capital Assets - \$1,177,000.
  
19. Management further advised that since the NOI Filing Date, the Company has not incurred any additional liabilities that remain unpaid, and that all statutory remittances (i.e. employee source deductions, GST, and PST) have been made in the ordinary course.

#### **ACTIVITIES OF THE PROPOSAL TRUSTEE SINCE THE FILING OF THE SECOND REPORT**

20. Since filing of the Second Report, the Proposal Trustee’s activities have included the following:
  - a. Held various discussions with Management and participated in discussions with the Company, McDougall Gauley, FCC, and Miller Thomson LLP with respect to the New APA;
  - b. Monitored the Company’s business and financial affairs, including monitoring of the actual cash flows versus the Revised Forecast (as defined in the Second Report) for the period of September 24, 2018 to November 4, 2018, in accordance with subsection 50.4(7) of the BIA;

- c. Posted documents pertaining to the proposal proceedings on the Proposal Trustee's Website;
- d. Responded to creditor inquiries; and
- e. Prepared this Third Report and the second confidential report of the Proposal Trustee dated November 5, 2018 (the "**Second Confidential Report**").

## **CASH FLOW FORECAST AND LIQUIDITY**

21. The Company's cash receipts and disbursements for the period September 24, 2018 to November 4, 2018 are attached as Exhibit A with a comparison to the Revised Forecast. The Proposal Trustee has conducted a review of the Company's actual cash flows compared to the Revised Forecast and provides the following comments:
- a. Compared with the Revised Forecast, the Company experienced an unfavorable variance of approximately \$13,000 in respect of the net cash outflows, primarily attributable to the following:
    - i. \$9,000 unfavorable cash receipt variance compared to the forecast due to the timing of collection of receipts from grain sales (\$11,000), offset by GST refunds (\$2,000) in excess of the forecast;
    - ii. \$10,000 unfavorable payroll cost variance due to the quantum and timing of wage payments and payroll source deduction remittances;
    - iii. \$29,000 favorable operating cost variance primarily due to reductions in forecast grain transportation charges (\$10,000), timing of GST remittances (\$5,000), reduced utility costs (\$4,000), not having to draw on the contingency reserve (\$9,000) or incur certain repair costs (\$1,000); and
    - iv. \$23,000 unfavorable restructuring cost variance due to the quantum and timing of professional fee payments.

## SECURITY REVIEW

22. The Proposal Trustee retained Robertson Stromberg Law (“**RSLAW**”) to conduct an independent review of the validity and priority of the secured and priority claims that have been identified with respect to CEG, and the Proposal Trustee advises as follows:
- a. RSLAW has conducted an independent review of the validity and enforceability of the FCC security (the “**FCC Security Opinion**”) and has opined that the FCC security:
    - i. is valid and enforceable;
    - ii. ranks in priority to the unsecured creditors of CEG and any subsequently appointed trustee in bankruptcy; and
    - iii. subject to one exception noted below, ranks in priority to the other secured creditors of CEG.
23. As between FCC and the one other registration in the Saskatchewan Personal Property Registry, there is a prior ranking purchase money security interest registration in favor of AGCO Finance Canada Ltd. (“**Agco**”) with respect to three pieces of equipment: a 2014 Massey Ferguson tractor and loader, a 2014 Farm King Allied tiller, and a 2014 Farm King Allied mower.
24. As at the date of this Third Report, the Proposal Trustee has completed its review of the amounts being claimed by FCC (the “**FCC Claim**”) totaling approximately \$1,449,000, and the amounts being claimed by Agco (the “**Agco Claim**”) totaling approximately \$17,000, and has concluded that the quantum of the FCC Claim and the Agco Claim are reasonable.
25. The Company’s records indicate that there are no amounts owing to Canada Revenue Agency (“**CRA**”) on account of payroll source deduction remittances, or to the Minister of Finance on account of provincial sales tax (“**PST**”), although no formal trust audits have been conducted as at the date of this Third Report. Based on a notice of assessment from CRA dated October 2, 2018, CEG’s June 2018 goods and services tax

(“GST”) filing has been reassessed and there appears to be a balance owing of approximately \$44,412. CEG is disputing this amount and believes that the obligation is approximately \$5,183. As at the date of this Third Report, the Company continues to correspond with CRA.

## **SECTION 12 TRANSACTION**

26. The July 13, 2018 Asset Purchase Agreement executed by CEG and Section 12 (the “**July 13, 2018 APA**”) was approved by the Court on August 8, 2018 and was to close fifteen (15) days thereafter. On August 23, 2018, Section 12 and CEG entered into an Asset Purchase Agreement Amending Agreement (the “**August 23, 2018 Amending Agreement**”) that extended the closing date to September 6, 2018 (the “**Closing Date**”). The August 23, 2018 Amending Agreement is attached hereto as Exhibit B.
27. Prior to the Closing Date, the Company was advised by Section 12 that it could not obtain the necessary financing, and therefore, could not satisfy or waive the Purchaser’s Condition detailed in section 5.1(1)(a) of the July 13, 2018 APA. Accordingly, the transaction was not able to close.
28. Subsequent to the Closing Date, discussions continued between Section 12 and CEG to determine whether a transaction in some altered form could be agreed upon and closed. On September 26, 2018, a proposed term sheet (the “**Term Sheet**”) was presented to CEG by Section 12 advising that Section 12 remained interested in completing a similar transaction, with a similar agreement as the July 13, 2018 APA, but with an amended purchase price and terms of payment. On October 2, 2018, the Term Sheet was accepted by CEG and FCC, and is attached as Exhibit A to the Second Confidential Report.
29. On October 3, 2018, CEG and Section 12 entered into the Lease of Land and Shop which provided Section 12 with access to CEG’s Remaining Assets in order to fulfill and deliver on certain of the CEG contracts while the New APA was being negotiated. The Lease of Land and Shop expires on November 30, 2018.
30. On October 4, 2018, CEG and Section 12 entered into the Secondment Agreement for the two (2) remaining employees of CEG. The Secondment Agreement offered full time

employment with Section 12 on similar terms and conditions as being provided by CEG, with the term of the agreement ending on November 30, 2018.

31. On November 2, 2018, Section 12 and CEG executed the New APA, attached as Exhibit B to the Second Confidential Report.
32. As detailed in the First Report and the First Confidential Report, despite the reduced purchase price (the “**New Purchase Price**”) being offered by Section 12, Management continues to be of the belief that the value to be obtained for the Remaining Assets of the Company will be maximized by accepting the New Purchase Price based on, among other things, the following factors:
  - a. The New APA represents the culmination of extensive negotiations between Section 12 and CEG;
  - b. Management is intimately familiar with the specialty crop market and does not believe that an alternate purchaser offering superior terms could be identified through additional marketing of the Company’s Remaining Assets;
  - c. The Company has consulted with FCC in connection with the New APA and FCC has not identified any concern with the quantum of the New Purchase Price;
  - d. The three (3) pieces of equipment secured by Agco, the Company’s only other secured creditor, are not part of the New APA. As such, Agco will be free to deal with its security as it deems appropriate and will not be impacted by the terms of the New APA;
  - e. Management believes the consideration to be received under the New APA is reasonable and fair based on the following:
    - i. As further detailed in the Second Confidential Report, the New Purchase Price exceeds the estimated realizable value of the capital assets and real property in a liquidation scenario (as compared with independent opinions of value obtained by the Company);

- ii. Based on Management's knowledge of similar businesses in the area listed for sale or investment, the New Purchase Price appears reasonable; and
  - iii. Based upon CEG's knowledge of the industry and the negotiations with Section 12 to date, Management advised that they do not believe that a formal sales process would likely identify any additional pool of prospective purchasers given the unique nature of the CEG assets and configuration of the real property and business operations.
33. As detailed in the First Report, the New APA still involves Section 12 retaining the existing employees of CEG and continuing to operate the business from the current location in Eston, thereby benefiting the town and surrounding area.

## **RECOMMENDATIONS**

34. As a result of the foregoing, and as further detailed in Second Confidential Report, the Proposal Trustee remains of the view that completing a going concern sale with Section 12 will likely result in an amount that exceeds the estimated realizations that could be expected in a bankruptcy scenario.
35. CEG is not applying for a further extension of the NOI of proceedings, and accordingly, a deemed bankruptcy is expected to occur on November 13, 2018.
36. The Proposal Trustee is of the opinion that to date, the Company has acted, and is acting, in good faith and with due diligence during these proceedings, and is therefore respectfully recommending that this Honourable Court approve the New APA and the New SAVO.

All of which is respectfully submitted at Saskatoon, Saskatchewan, this 5th day of November, 2018.

**DELOITTE RESTRUCTURING INC.**

In its capacity as Proposal Trustee under the  
Notice of Intention to Make a Proposal by Canadian Exotic Grains Ltd.  
and not in its personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT  
Senior Vice-President

**Exhibit A – Forecast to Actual Results for the Period September 24, 2018 to November 4, 2018**

Canadian Exotic Grains Ltd. (the "Company")

6-Week Forecast to Actual Results

	Notes	Forecast Week 1 24-Sep-18 30-Sep-18	Actual Week 1 24-Sep-18 30-Sep-18	Forecast Week 2 1-Oct-18 7-Oct-18	Actual Week 2 1-Oct-18 7-Oct-18	Forecast Week 3 8-Oct-18 14-Oct-18	Actual Week 3 8-Oct-18 14-Oct-18	Forecast Week 4 15-Oct-18 21-Oct-18	Actual Week 4 15-Oct-18 21-Oct-18	Forecast Week 5 22-Oct-18 28-Oct-18	Actual Week 5 22-Oct-18 28-Oct-18	Forecast Week 6 29-Oct-18 4-Nov-18	Actual Week 6 29-Oct-18 4-Nov-18	Forecast Weeks 1-6 Cumulative Total	Actual Weeks 1-6 Cumulative Total	Variance
<b>Receipts</b>																
Cash receipts from grain sales	1	\$ 22,900	\$ 23,257	\$ -	\$ -	\$ -	\$ -	\$ 21,659	\$ 8,449	\$ 22,900	\$ 17,085	\$ 12,330	\$ 19,745	\$ 79,789	\$ 68,536	\$ (11,253)
Foreign exchange gain (loss)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GST Refund		5,000	-	-	-	-	-	-	7,046	-	-	-	-	5,000	7,046	2,046
Other		-	-	-	198	-	-	-	-	-	-	-	-	-	198	198
<b>Total Receipts</b>		<b>27,900</b>	<b>23,257</b>	<b>-</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>21,659</b>	<b>15,495</b>	<b>22,900</b>	<b>17,085</b>	<b>12,330</b>	<b>19,745</b>	<b>84,789</b>	<b>75,780</b>	<b>(9,009)</b>
<b>Disbursements</b>																
<b>Payroll</b>																
Wages	2	-	-	5,000	6,802	-	-	5,000	4,351	-	-	-	5,774	10,000	16,927	6,927
Source deduction remittances		-	-	2,000	2,550	-	-	2,000	-	-	-	-	3,966	4,000	6,517	2,517
		-	-	7,000	9,353	-	-	7,000	4,351	-	-	-	9,740	14,000	23,444	9,444
<b>Operating Costs</b>																
Freight	3	4,500	4,500	650	-	-	-	650	-	4,650	-	4,600	998	15,050	5,498	(9,553)
Grain purchases	4	9,397	9,397	-	-	-	-	-	-	-	-	-	-	9,397	9,397	-
GST Remittance	5	5,000	-	-	-	-	-	-	-	-	-	-	-	5,000	-	(5,000)
Insurance	6	250	-	-	-	-	-	-	-	-	-	250	-	500	-	(500)
Machinery fuel and repairs	7	347	-	100	-	100	-	100	-	100	487	100	72	847	560	(288)
Office and miscellaneous	7	400	150	250	88	250	144	250	94	250	2,173	1,620	219	3,020	2,868	(152)
Rent	7	-	-	1,050	1,050	-	-	-	-	-	-	-	-	1,050	1,050	-
Small tools and hardware	7	-	-	-	-	500	-	-	174	-	-	500	-	1,000	174	(826)
Utilities	7	2,700	297	-	-	-	-	-	-	2,700	1,361	-	-	5,400	1,658	(3,742)
Contingency	8	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-	1,500	-	9,000	-	(9,000)
		24,094	14,344	3,550	1,138	2,350	144	2,500	268	9,200	4,021	8,570	1,289	50,264	21,204	(29,060)
<b>Restructuring costs</b>																
Professional fees	9	-	-	25,000	-	-	21,459	-	-	15,000	12,632	-	29,173	40,000	63,263	23,263
		-	-	25,000	-	-	21,459	-	-	15,000	12,632	-	29,173	40,000	63,263	23,263
<b>Total Disbursements</b>		<b>24,094</b>	<b>14,344</b>	<b>35,550</b>	<b>10,491</b>	<b>2,350</b>	<b>21,604</b>	<b>9,500</b>	<b>4,619</b>	<b>24,200</b>	<b>16,653</b>	<b>8,570</b>	<b>40,202</b>	<b>104,264</b>	<b>107,912</b>	<b>3,647</b>
<b>Net cash flow</b>		<b>\$ 3,806</b>	<b>\$ 8,913</b>	<b>\$ (35,550)</b>	<b>\$ (10,292)</b>	<b>\$ (2,350)</b>	<b>\$ (21,604)</b>	<b>\$ 12,159</b>	<b>\$ 10,876</b>	<b>\$ (1,300)</b>	<b>\$ 432</b>	<b>\$ 3,760</b>	<b>\$ (20,457)</b>	<b>\$ (19,475)</b>	<b>\$ (32,132)</b>	<b>\$ (12,656)</b>
Opening cash balance (indebtedness)	10	\$ 106,899	\$ 106,899	\$ 110,705	\$ 115,813	\$ 75,155	\$ 105,520	\$ 72,805	\$ 83,917	\$ 84,964	\$ 94,792	\$ 83,664	\$ 95,224	\$ 106,899	106,899	
Net cash flow		3,806	8,913	(35,550)	(10,292)	(2,350)	(21,604)	12,159	10,876	(1,300)	432	3,760	(20,457)	(19,475)	(32,132)	
<b>Closing cash balance (indebtedness)</b>		<b>\$ 110,705</b>	<b>\$ 115,813</b>	<b>\$ 75,155</b>	<b>\$ 105,520</b>	<b>\$ 72,805</b>	<b>\$ 83,917</b>	<b>\$ 84,964</b>	<b>\$ 94,792</b>	<b>\$ 83,664</b>	<b>\$ 95,224</b>	<b>\$ 87,424</b>	<b>\$ 74,768</b>	<b>\$ 87,424</b>	<b>\$ 74,768</b>	

Notes and Assumptions

- Estimated collection of accounts receivable based on current and future sales.
- Estimated wage expense and payroll source deduction remittances with a reduction in staff subsequent to October 21, 2018.
- Estimated transportation costs based on forecast sales and shipping schedules, inclusive of transportation costs for disposing of certain residual inventories.
- Estimated grain purchases in accordance with long-term contracts.
- Estimated GST remittance resulting from a CRA trust audit.
- Estimated monthly insurance premiums for coverage on all assets.
- Estimated expenses based on prior period operating costs.
- Contingency reserve for unbudgeted costs.
- Estimated professional fees in connection with ongoing monitoring and the costs to prepare and file a proposal to the Company's creditors.
- Bank balance as at September 24, 2018.

**Exhibit B – August 23, 2018 Asset Purchase Agreement Amending Agreement**

**ASSET PURCHASE AGREEMENT AMENDING AGREEMENT**

**THIS AGREEMENT** dated the 23<sup>rd</sup> day of August, 2018.

**BETWEEN:**

**CANADIAN EXOTIC GRAINS LTD.**, a body corporate incorporated under the laws of the Province of Saskatchewan  
(the "Vendor")

**AND:**

**SECTION 12 FOODS INC.**, a body corporate incorporated under the laws of the Province of Saskatchewan  
(the "Purchaser")

**WHEREAS** an asset purchase agreement dated July 13, 2018 was entered into by the Vendor and the Purchaser (the "Asset Purchase Agreement");

**AND WHEREAS** the parties desire to amend the Asset Purchase Agreement.

**NOW THEREFORE**, in consideration of the premises and the mutual covenants hereinafter contained and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by the parties, the parties hereto agree as follows:

1. The Asset Purchase Agreement shall be amended by replacing section 1.1(k) with the following:  

"Closing Date" means September 6, 2018, or such other date as the parties may mutually agree in writing;
2. Except as amended hereby, the Asset Purchase Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF** the parties have executed this Agreement as of the date first written above.

**CANADIAN EXOTIC GRAINS LTD.**

Per: 

**SECTION 12 FOODS INC.**

Per: 