

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the “Applicants”)

APPLICATION RECORD

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The Applicants

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(as of January 5, 2024)

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(the “Applicants”)

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Court File No.:

**ONTARIO
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INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the "Applicants")

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing on

- In person
 By telephone conference
 By video conference

at the following location

<https://ca01web.zoom.us/j/61804264297?pwd=MEpzRUtIUVB0UGc4eStsVGNTYmkxUT09>

Meeting ID: 618 0426 4297

Passcode: 057603

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: January 4, 2024

Issued by _____
Local registrar

Address of court office 330 University Avenue 7th
Floor
Toronto, Ontario
M5G 1R7

TO: **TO THE SERVICE LIST ATTACHED AS SCHEDULE "A"**

APPLICATION

1. Humble & Fume Inc. (“**Humble Parent**”), Humble & Fume Inc. (Manitoba) (“**Humble Manitoba**”), B.O.B. Headquarters Inc. (“**BOBHQ**”), Humble Cannabis Solutions Inc. (“**HCS**”), Fume Labs Inc. (“**Fume Labs**”), PWF Holdco Inc. (“**PWF**”), and Windship Trading LLC (“**Windship**”, and, collectively, the “**Applicants**”) make this application under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the “**CCAA**”) for an order, among other things:
 - (a) abridging the time for and validating service of this notice of application and the application record and dispensing with service on any person other than those served;
 - (b) declaring that the Applicants are companies to which the CCAA applies;
 - (c) granting a stay of proceedings in favour of the Applicants and its directors and officers for an initial period of ten (10) days, up to and including January 15, 2024;
 - (d) appointing Deloitte Restructuring Inc. (“**Deloitte**”) as the court-appointed monitor of the Applicants (in such capacity, the “**Proposed Monitor**”);
 - (e) granting an administration charge in the amount of \$150,000 over the assets, undertakings and property of the Applicants (the “**Property**”) in favour of counsel for the Applicants, the Monitor and the Monitor’s counsel (the “**Administration Charge**”);
 - (f) authorizing the Applicants to continue utilizing their cash management system (the “**Cash Management System**”);
 - (g) authorizing the Applicants to incur no further expenses in relation to the Securities Filings (as defined below) and declare that none of the directors, officers, employees, and other representatives of the Applicants, or the Monitor (and its

directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make Securities Filings; and

(h) scheduling a comeback hearing (“**Comeback Hearing**”) for January 12, 2024.

THE GROUNDS FOR THE APPLICATION ARE:

A. Background

1. Humble Parent is a publicly-traded entity regulated by the Ontario Securities Commission (the “**OSC**”). Its shares are traded on the Canadian Securities Exchange under the trading symbol HMBL and over-the-counter on OCTQX under the trading symbol HUMBF. Humble Parent is the ultimate 100% owner of each of the other Applicants.
2. On December 6, 2023 Humble Parent’s shares were cease traded by the OSC.
3. The Applicants operate cannabis distribution and cannabis accessory wholesale businesses in both Canada and the United States. The Applicants hold cannabis licenses issued by the governments of Alberta and British Columbia, which allow the Applicants to operate in the cannabis industry. The Applicants market cannabis products to retailers on behalf of third party licensed producers and they wholesale cannabis accessories to retailers. This includes pipes, vape pens, lighters, grinders, water pipes and other related accessories. The Applicants sell these products on a B2B basis in both Canada and the United States.
4. The Applicants are headquartered in Toronto, Ontario and operate their wholesale business from warehouses located in Brandon, Manitoba and Kyle, Texas. The Applicants currently have 73 employees.

B. Necessity of CCAA Proceedings

5. The Applicants are insolvent, unable to meet their obligations as they become due and is in need of protection from its creditors.
6. The Applicants have been operating at substantial net losses for each of the past four years. At June 30, 2023, the Applicants had a net loss for the twelve proceeding months of \$24,985,000. The Applicants have struggled with intense competition and over supply in the cannabis industry, rising interest rates, and a historical focus revenue growth over profitability. Regulatory costs associated with being publicly traded have added to the Applicants' burden.
7. The Applicants, with the assistance of Deloitte, have prepared a projected 4-week cash flow forecast (the "**Cash Flow Forecast**") and intend to provide a 13-week cash flow forecast at the Comeback Hearing. The Applicants expect that they will have insufficient cash to sustain operations through the week ending February 29, 2024.
8. The Applicants, in consultation with their advisors, has determined that the best path forward to maximize value for their stakeholders is through a court-supervised sales process under the CCAA.

C. Stay of Proceedings

9. The Applicants seek a stay of proceedings to provide them with the breathing room necessary to effectively develop a strategy and path forward, with a view to maximizing value for all of its stakeholders. The Applicants, with the assistance of the Proposed Monitor, are in the process of preparing a sale and solicitation process ("**SISP**")

backstopped by a stalking horse purchase agreement. The Applicants intend to use the stay of proceedings to finalize this SISP, which they intend to present to the Court for its consideration and approval at the Comeback Hearing.

10. In addition to a stay of proceedings in favour of the Applicants and its assets, the Applicants are also seeking a stay of proceedings in favour of the Applicants' directors and officers to ensure that they are able to focus their efforts on the Applicants' path forward.

D. Proposed Monitor

11. The Applicants seek the appointment of Deloitte as Monitor of the Applicants in these CCAA proceedings. As mentioned, Deloitte has assisted in the preparation of a Cash Flow Forecast for the period ending January 25, 2024. The Applicants and Deloitte intend to prepare a 13-week cash flow forecast and to provide the same to this Court in advance of the Comeback Hearing.
12. Deloitte has also provided the Applicants with guidance and assistance in the commencement of these CCAA proceedings. As a result, Deloitte has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.
13. Deloitte has consented to act as the Monitor, subject to Court approval.

E. Administration Charge

14. The Applicants seek a super-priority Administration Charge over the Property in favour of the Proposed Monitor, counsel to the Proposed Monitor, and counsel to the Applicants

(collectively, the “**Professionals Group**”), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order.

15. The proposed Administration Charge being sought at the initial CCAA Application is for a maximum amount of \$150,000 in order to secure the payment of fees and expenses incurred in connection with moving for the within relief sought and for the ten (10) day period leading up to the Comeback Hearing. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants’ efforts in these CCAA proceedings, and will ensure that there is no unnecessary duplication of roles among them.

F. Cash Management System

16. In the ordinary course of business, the Applicants utilize a centralized banking and cash management system (“**Cash Management System**”) to, among other things, collect funds and pay expenses associated with its operations. Details on the Cash Management System are set out in the Affidavit of Jakob Ripshtein sworn January 4, 2024, filed in support of this Application.
17. The Applicants intend to continue using the existing Cash Management System during the CCAA Proceedings and are seeking the approval of the Court to do so. Given the scale and nature of the Applicants’ operations and the volume of transactions that are processed daily within the Cash Management System, the Proposed Monitor is of the view that the continued use of the existing Cash Management System is required and appropriate during these CCAA proceedings.

G. Securities Filing

18. The Applicants seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for Humble Parent to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario), RSO 1990 c S. 5 and comparable statutes enacted by other provinces of Canada, the CSE Policies 1-10 and other rules, regulations and policies of the Canadian Securities Exchange.

19. Incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants’ ability to successfully develop a plan that will result in an orderly distribution to its creditors. There is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA proceedings.

GENERAL

20. The provisions of the CCAA;

21. Rules 2.03, 3.02, 14.05, 16.04 and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg 194, as amended; and

22. such further and other grounds as counsel may advise and this Honourable Court may deem just.

**THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING
OF THE APPLICATION:**

1. The Affidavit of Jakob Ripshtein, sworn January 4, 2024 and the exhibits annexed thereto;
2. The consent of Deloitte to act as Monitor; and
3. Such further and other evidence as counsel may advise and as this Honourable Court may admit.

January 4, 2024

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Lawyers for the Applicants

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HUMBLE &
FUME INC. et al (the “Applicants”)

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION
(RETURNABLE JANUARY 5, 2024)

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Lawyers for the Applicants

TAB 2

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**AFFIDAVIT OF JAKOB RIPSCHTEIN
(sworn January 4, 2024)**

January 4, 2024

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Lawyers for the Applicants

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R.S.C. 1985, c.C-36 AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the “**Applicants**”)

**AFFIDAVIT OF JAKOB RIPSZTEIN
(sworn January 4, 2024)**

I, Jakob Ripsztein, of the City of Toronto, in the Province of Ontario, **MAKE OATH**

AND SAY AS FOLLOWS:

I. OVERVIEW

1. I am the chief executive officer (“**CEO**”) and chairman of the board of Humble & Fume Inc. (“**Humble Parent**”), Humble & Fume Inc. (Manitoba) (“**Humble Manitoba**”), B.O.B. Headquarters Inc. (“**BOBHQ**”), Humble Cannabis Solutions Inc. (“**HCS**”), Fume Labs Inc. (“**Fume Labs**”), PWF Holdco Inc. (“**PWF**”), and Windship Trading LLC (“**Windship**”, and, collectively, the “**Applicants**”) and as such, I have knowledge of the matters hereinafter deposed to.
2. As the CEO of the Applicants, my primary responsibilities include managing the Applicants’ overall operations and resources and making strategic business decisions.

3. I became CEO of Humble Parent and the other Applicants on January 13, 2023. I joined the Humble Parent board on June 16, 2021 and became chairman of the board on November 30, 2021. I also sit on the board of each of the other Applicants.
4. Prior to my current role, I acted as president of Aphria Inc, president of Diageo Canada, and chief financial officer of Diageo North America.
5. I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.
6. I swear this affidavit in support of, among other things, an application by the Applicant for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "**CCAA**").
7. More specifically, the Applicants are seeking an order (the "**Initial Order**") approving:
 - (a) a declaration that the Applicants are companies to which the CCAA applies;
 - (b) an administration charge of \$150,000 (the "**Administration Charge**"); and
 - (c) an initial stay of proceedings through to January 15, 2024 (the "**Stay Period**").
8. If the Initial Order is granted the Applicants intend to return to Court on January 12, 2024 (the "**Comeback Hearing**") to request an order (the "**ARIO**") that would:
 - (a) extend the Stay Period;
 - (b) increase the amount of the Administration Charge;

- (c) granting a charge in favour of the current directors and officers of the Applicants in an amount to be determined by the Monitor in advance of the Comeback Hearing (the “**D&O Charge**”);
- (d) authorize and approve certain payments to critical suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with consent of the Monitor, which are necessary to facilitate the Company’s ongoing operations and preserve value during the CCAA proceedings; and
- (e) approve a sale and investment solicitation process, which will include a stalking horse bid component.

9. For the reasons set out herein, I do verily believe that the Applicants are insolvent and are companies to which the CCAA applies.

II. URGENT NEED FOR RELIEF

10. The Applicants distribute cannabis and cannabis accessories in Canada and the United States. The Applicants are insolvent, face a severe liquidity crisis, and are in urgent need of relief under the CCAA.

11. On December 6, 2023 Humble Parent’s shares were cease traded by the Ontario Securities Commission (“**OSC**”) for failure to file interim quarterly financial statements.

12. The Applicants’ ordinary course monthly cash expenditures exceed their cash receipts. Based on the Interim Cash Flow Forecast (as defined below), the Applicants will have insufficient cash to sustain operations through the week ending February 29, 2024.

13. The cannabis industry is nascent and highly regulated and has experienced rapid change. The uncertainty caused by these changes has created an array of challenges for companies

in the industry, including difficulties in obtaining adequate investment and financing for operations and capital expenditures.

14. In past years, the Applicants have suffered losses due to, among other things:
 - (a) prior management's focus on top-line revenue growth rather than on profitability;
 - (b) prior management's decision to excessively build up low-profit or unprofitable inventory;
 - (c) changing capital market investor sentiment driving public investment away from the cannabis sector, forcing the Applicants to seek more expensive forms of financing;
 - (d) higher interest rates leading to investors demanding increased rates of return in excess of returns that the Applicants are able to provide; and
 - (e) intense competition and an over-supply of cannabis products leading to significant price compression and the sale of inventory at a loss.

15. The Applicants have determined that the best path towards an optimal outcome for all stakeholders is a court-supervised sale and investment process ("SISP") backstopped by a stalking-horse purchase agreement (defined below as the "**Purchase Agreement**"). In the absence of a SISP the Applicants will be unable to meet their obligations as they come due and the Applicants will likely enter either a receivership or bankruptcy. As the Applicants are reliant upon Cannabis Licenses and a warehouse lease to conduct their business, it is a condition of the proposed Stalking Horse Purchase Agreement that the transaction proceed by way of a reverse-vesting order.

III. OVERVIEW OF THE APPLICANTS

A. Background

16. The Applicants operate cannabis distribution and cannabis accessory wholesale businesses in both Canada and the United States.
17. The Applicants hold cannabis licenses issued by the governments of Alberta and British Columbia which allow the Applicants to operate in the cannabis industry (the “**Cannabis Licenses**”). The Applicants market cannabis products on behalf of third party licensed producers (“**LPs**”) who then pay the Applicants a percentage of all sales revenue within a designated sales territory.
18. The Applicants also wholesale cannabis accessories. This can include pipes, vape pens, lighters, grinders, water pipes and other related accessories. The Applicants sell these products on a B2B basis in both Canada and the United States.

B. Corporate Structure

19. A copy of the Applicants’ organizational chart is attached hereto as **Exhibit “A”**.
 - i. Humble Parent*
20. Humble Parent is the top-level holding company. Humble Parent is an Ontario corporation. Humble Parent’s board is comprised of Shawn Dym, Mark Hubler, Robert Ritchot, Matthew Shalhoub, and myself.
21. Humble Parent is a publicly traded entity regulated by the Ontario Securities Commission. Humble Parent is a reporting issuer in Alberta, British Columbia, and Ontario.
22. Humble Parent was incorporated via amalgamation as Canada Iron Inc. on March 7, 2012. The company was renamed Humble & Fume Inc in June 2021.

23. On June 14, 2021 Humble Parent, Humble Manitoba and Canada Iron Inc. (“**Canada Iron**”) completed a reverse-takeover transaction, which resulted in Humble Parent becoming a reporting issuer. On June 16, 2021 Humble Parent was listed on the Canadian Securities Exchange under the trading symbol HMBL. Since August 31, 2023 Humble Parent has traded on the OTC Pink Sheets under the trading symbol HUMBF. A corporate profile for Humble Parent is attached hereto as **Exhibit “B”**.
24. As mentioned above, on December 6, 2023 Humble Parent’s shares were cease traded by the OSC for failure to file interim financial statements.
25. Humble Parent provides shared services to the other Applicants, including finance, human resources and accounting services. Currently there are approximately eleven employees at Humble Parent who provide these services to the other Applicants. Humble Parent invoices the other Applicants for these services, which are recorded as Intercompany Transfers (as defined below).
26. As disclosed in the organizational chart attached at **Exhibit “A”**, Humble Parent holds 100% of the issued and outstanding shares of Humble Manitoba, through which Humble Parent controls the other Applicants.

ii. Humble Manitoba

27. Humble Manitoba was created by amalgamation on June 14, 2021 as a component of the reverse takeover. Prior to the June 2021 public listing, Humble Manitoba’s predecessor company, 10096753 Manitoba Ltd. was the top corporation in the Applicants’ then organizational structure. Humble Manitoba’s board is comprised of Robert Ritchot, Matthew MacKay and myself. A copy of Humble Manitoba’s File Summary from the Manitoba Companies Office is attached hereto as **Exhibit “C”**.

28. Humble Manitoba continues to hold all of the issued and outstanding shares of the Applicants' various operating businesses (with the exception of HC Solutions Holdings, Inc., which is not an Applicant, as discussed below).

iii. BOBHQ

29. B.O.B. Headquarters Inc. ("**BOBHQ**") is a corporation incorporated pursuant to the laws of Manitoba. BOBHQ was incorporated on March 4, 1996 and is a wholly-owned subsidiary of Humble Manitoba. A corporate profile for BOBHQ is attached hereto as **Exhibit "D"**. BOBHQ's board is comprised of Matthew MacKay and myself.

30. BOBHQ is a wholesale distributor of cannabis consumption devices to headshops, smoke shops, and licensed cannabis stores across Canada. BOBHQ operates from a facility located in Brandon, Manitoba (defined below as the Brandon Facility).

31. All Canadian sales of cannabis accessories are attributed to BOBHQ. BOBHQ has five employees who conduct "inside sales" to larger cannabis retail chains. As discussed below, HCS salespersons also direct retailers to purchase cannabis accessories from the BOBHQ website, with revenue attributed to BOBHQ.

iv. Windship

32. Windship was incorporated pursuant to the laws of Texas on October 3, 2013. A corporate profile for Windship is attached hereto as **Exhibit "E"**. Windship's board is comprised of Matthew MacKay and myself.

33. Windship is a wholesale distributor of cannabis consumption devices to headshops, smoke shops, and licensed cannabis stores across the United States. Windship operates from a facility located in Kyle, Texas (defined below as the Kyle Facility).

34. Windship and BOBHQ operate similar businesses in the United States and in Canada, respectively.

v. PWF Holdco

35. PWF Holdco was incorporated on August 8, 2017 and acts as a holding company for Windship. PWF Holdco does not carry on any business itself. PWF Holdco's board is comprised of Matthew MacKay and myself. The shares of Windship are PWF Holdco's only material asset.

vi. Fume Labs

36. Fume Labs Inc. ("**Fume Labs**") was incorporated on March 13, 2019 pursuant to the laws of Ontario. I am Fume Labs' sole director. A copy of Fume Labs' corporate profile report is attached hereto as **Exhibit "F"**. Fume Labs was intended to be a new business vertical that would distribute vape pens and cartridges.

37. Fume Labs initially began operations at a facility in Brantford, Ontario. Unfortunately, a dispute arose with Fume Labs' manufacturing partner, which eventually resulted in Fume Labs exiting the manufacturing and distribution space.

38. Fume Labs is effectively dormant as Fume Labs is not currently conducting any business. Fume Labs does not have any revenue, employees, or assets.

vii. HCS

39. HCS was incorporated on May 8, 2020 pursuant to the laws of Ontario. A copy of HCS's corporate profile report is attached hereto as **Exhibit "G"**. HCS's directors are myself and Shawn Dym. HCS is an integrated cannabis sales solution company. HCS, on behalf of LPs, distributes cannabis and cannabis accessories across all ten Canadian provinces to over 3,000 retail locations.

40. HCS is not licensed to distribute cannabis by Health Canada and does not take title to any cannabis products. Instead, HCS's salesforce markets LP cannabis products to retailers. Retailers then purchase cannabis products directly from provincial cannabis boards. The LPs then pay HCS a percentage of their gross revenue in each HCS sales territory to HCS.
41. The HCS sales force markets both cannabis products and cannabis accessories to retailers. HCS's salesforce operates in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. The same HCS salesforce market both cannabis products and cannabis accessories, which result in the HCS salesforce marketing both revenue streams during sales pitches. As discussed, revenue derived from cannabis accessories is attributed to BOBHQ.

viii. HC Solutions Holdings, Inc.

42. Humble Manitoba is the 25% owner of a Delaware corporation, HC Solutions Holdings, Inc. ("**HCHI**"), that was created on April 25, 2022 as a joint venture between Humble Manitoba and Green Acre Capital Distribution Corp. HCHI is the sole shareholder of HC Solutions of California, LLC ("**HCSC**"), which is itself the sole shareholder of Cabo Connection ("**Cabo**"). Cabo is a California corporation that is licensed to manufacture and distribute cannabis products in California. HCSC provides cannabis marketing and distribution solutions to other LPs in California.
43. Cabo is operationally separate from the Applicants and has a separate management team with oversight from head office leadership and shared services. Cabo is not currently profitable. HCHI, HCSC and Cabo are not applicants in these CCAA proceedings and there is no intention for them to seek any creditor relief in the United States. I do not expect that these CCAA proceedings will have a material impact on HCSC's or on Cabo's operations.

44. HCHI is 75% owned by Green Acre Capital Distribution Corp and 25% owned by Humble Manitoba.

45. On August 22, 2023 Humble Parent entered into an option agreement (the “**Option**”) with Green Acre Capital Distribution Corp. (the “**Optionor**”) to purchase up to 93.8447 shares of HCHI from the Optionor at the price of \$21,311.80 per share. The Option is exercisable, in whole or in part, at Humble Parent’s election. The Option terminates on February 22, 2024.

C. Places of Business and Facilities

46. The Applicants operate out of three leased facilities located in Canada and the US.

i. Corporate Office Lease

47. Head office functions are largely conducted out of office space located at 1 Eva Road, Toronto, Ontario (the “**Corporate Office**”). The Corporate Office functions primarily as a workspace for the Company’s accounting and legal professionals and executives, including myself, the Chief Financial Officer and other members of the finance and management team. The Corporate Office is subleased from WCDT Holdings Inc. Humble Parent does not have a written lease for the Corporate Office. Humble Parent pays approximately \$6,000 per month for the Corporate Office and the lease term ends on April 30, 2024.

ii. Brandon Facility

48. The BOBHQ wholesale business is conducted out of a warehouse located at 915 Douglas Street, Brandon, Manitoba, (the “**Brandon Facility**”). The Brandon Facility is a 32,000 square-foot warehouse and office facility.

49. BOBHQ and RKCB Holdings entered into a lease agreement dated April 1, 2019 in respect of the Brandon Facility (the “**Brandon Facility Lease**”). There is no security deposit associated with the Brandon Facility Lease. The Brandon Facility Lease expires on March 31, 2029. Rent under the Brandon Facility Lease is \$19,333.33 plus GST per month.
50. On March 1, 2022 RKCB Holdings sold the Brandon Facility to Tengchong Investment Inc. (the “**Brandon Facility Landlord**”). BOBHQ is current on lease payments to the Brandon Facility Landlord.
51. The Brandon Facility Lease can only be assigned with the consent of the Brandon Facility Landlord, which shall not be unreasonably withheld.

iii. Windship Facility

52. Windship previously operated out of a leased facility located in Kyle, Texas (the “**Kyle Facility**”). Prior to June 2022 Windship operated warehouses in Florida, Nevada and Texas. Windship management determined that operating multiple warehouses resulted in cost duplication and inefficiency. As a result, prior management determined to exit the existing leased facilities and to consolidate Windship operations in one facility.
53. On February 28, 2022 Windship executed a lease agreement with Hays Commerce Center 3 & 4, LLC (the “**Kyle Landlord**”) for the Kyle Facility. The Kyle Facility is a 20,106 square foot warehouse with a small office component. The Kyle Facility is located midway between San Antonio and Austin, Texas.
54. Windship took possession of the Kyle Facility in September 2022. Unfortunately, Windship’s operations did not become profitable following the consolidation into the Kyle Facility. Prior to my appointment as CEO, Windship, in my view, improperly focused on achieving scale over achieving profitability. As a result, Windship was purchasing cannabis

accessories that were be sold to retailers at very low gross margins and often at negative net margins. Windship, like the other Applicants also suffered from poor cost and cash management practices.

55. From approximately February 2023 it was determined that all steps needed to be taken to reduce cash expenditures in Windship. In approximately July 2023 Windship management decided that the prudent course of action would be to sublease the entire Kyle Facility and to sell off all or substantially all of Windship's inventory in the process.

56. As a result, Windship engaged a realtor and identified a sublessee for the Kyle Facility. On January 4, 2024 Windship executed a sublease with the sublessee which involves the potential sublessee assuming 100% of the expenses, including all rent and associated payments, associated with the Kyle Facility. Windship remains liable in the event that the sublessee fails to make payment.

D. Cannabis Licenses

57. HCS holds two licenses (collectively, the "**Cannabis Licenses**"), issued by the governments of Alberta and of British Columbia, respectively. The Cannabis Licenses are key assets and are critical to both HCS's and the Applicants' overall operations. The Applicants cannot operate without the Cannabis Licenses. The Cannabis Licenses are either non-transferrable or else only transferrable by, in effect, making a new application for a license.

i. The Alberta Cannabis License

58. On March 29, 2023 HCS was issued a Cannabis Registration License (the "**Alberta Cannabis License**") under the Liquor and Cannabis Regulation, Alta Reg. 143/1996 (the "**Alberta Regulation**"), pursuant to the *Gaming, Liquor and Cannabis Act* (Alberta), RSA

2000, c G-1, by the Alberta Gaming, Liquor and Cannabis Commission (“AGLC”). A copy of the Alberta Cannabis License is attached hereto as **Exhibit “H”**.

59. The Alberta Cannabis License is necessary for HCS to conduct its business in Alberta. Pursuant to the Alberta Regulation, any company seeking to market cannabis products in Alberta must hold the Alberta Cannabis License. The Alberta Cannabis License is non-transferrable and becomes void upon the sale, assignment, or transfer of control of the licensed entity (i.e. HCS). As such, the Alberta Cannabis License can only be conveyed by way of a reverse-vesting order, on terms as may be approved by this Honourable Court.

60. The application process for the Alberta Cannabis License is expensive and time consuming. Applicants must submit an exhaustive application package to AGLC. A security screening is conducted. Applicants are unable to market any cannabis products in Alberta while waiting for AGLC to approve their application. As a result, any delay or period in which HCS is deprived of the Alberta Cannabis License will be severely detrimental to all of HCS’s stakeholders. The Alberta Cannabis License expires on March 28, 2025, meaning that a purchaser who is able to acquire the Alberta Cannabis License will avoid a significant burden.

ii. The BC Cannabis License

61. HCS also holds a cannabis marketing license (the “**BC Cannabis License**”) issued by the General Manager under the *Cannabis Control and Licensing Act* (BC), SBC 2018, c 29 (the “**BC Cannabis Act**”). A copy of the BC Cannabis License is attached hereto as **Exhibit “I”**. The BC Cannabis License expires December 31, 2024.

62. The BC Cannabis License is required to market cannabis products in British Columbia. HCS cannot operate its business in B.C. without the BC Cannabis License.

63. The application process for the BC Cannabis License is expensive and time consuming. Applicants must submit an exhaustive application package to the General Manager and must submit to a security screening. Applicants may not market any cannabis products in BC while waiting for their application to be approved.
64. While the BC Cannabis Act does allow a license to be transferred, the process of doing so is onerous and is akin to an application for a new license, meaning that any purchaser of the Applicants would not be able to operate in BC while waiting for the transfer to be completed. In effect, the approval by the Court of a sale of HCS' business along with the BC Cannabis License via a reverse-vesting order would be far more efficient and would likely result in a greater recovery for stakeholders as it would provide more certainty to a purchaser of the business that it could operate the business immediately following closing than requiring HCS's purchaser to apply either for a new license or to transfer the BC Cannabis License.

E. Employees

65. The Applicants currently employ 73 individuals.
- (a) Twenty-nine employees work for BOBHQ, including the five salespersons referenced above;
 - (b) twenty employees work for HCS;
 - (c) eleven employees work for Humble Parent; and
 - (d) thirteen employees work for Windship.
66. All of the Applicants' United States-based employees are employed by Windship.
67. Employees are paid biweekly in arrears. The Applicants are current on all payments to employees.

68. None of the employees are unionized or otherwise subject to a collective bargaining agreement in connection with their employment with any Applicant.
69. The Applicants do not sponsor, administer or otherwise have any registered or unregistered pension plans for any Canadian employees. Windship does offer a 401k plan administration to its American employees. The Applicants do not offer any Canadian employees any RRSP contribution matching. The Company provides a standard group benefit plan to its employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.
70. The Applicants remain focused on right-sizing their workforce. Previous management was focused on building a workforce that would be ready for increased revenue and growth. Unfortunately, when this increased revenue and growth failed to materialize the Applicants were left with human resources that were in excess of their actual needs.
71. In November 2022, while I was chairman but prior to becoming CEO, the Applicants laid off 15 employees organization-wide in an attempt to right-size the organization's workforce .

F. Key Customers

72. The Applicants have a diverse set of customers for both cannabis products and accessories. The Applicants mainly sell and market cannabis products and accessories to brick and mortar retailers.
73. In an attempt to obtain a more reliable line of revenue, in June 2023 Humble Parent entered into a consignment agreement (the "**Consignment Agreement**") with a major Canadian cannabis retailer (the "**Consignee**"). Pursuant to the Consignment Agreement, the Consignee agreed to exclusively sell cannabis accessories provided by Humble Parent on

consignment within its stores. As a result, Humble Parent became the sole source of cannabis accessories at a major Canadian cannabis retailer.

74. The Consignment Agreement's term ends at the end of 2024. The Consignment Agreement may only be assigned with the consent of the non-assigning party. The Consignment Agreement continues to have significant value and I believe that the Consignment Agreement may have value in a sale of the Applicants' business.

G. Key Suppliers

75. The Applicants are somewhat reliant upon key suppliers in the cannabis accessories line. The Applicants' top ten brand suppliers provide approximately 40-60% of the Applicants' accessories revenue, depending on the period. The Applicants' management has been, for the last year, focused on increasing revenue and purchases from these brands and moving away from less profitable brands.
76. BOBHQ has entered into an exclusive supply agreement with a major foreign supplier of cannabis accessories. Pursuant to this agreement, BOBHQ is the foreign supplier's sole Canadian customer. This agreement is significant as it ensures that BOBHQ is able to be the sole provider of this foreign supplier's products in Canada. I believe that this agreement may have value in a sale of the Applicants' business.

H. Cash Management System

77. In the ordinary course of business, the Applicants use a centralized banking and cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with their operations. The Applicants' funds are managed by the Applicants' finance team, which is based in Canada. The Cash

Management System is administered by the Applicants' finance department, headed by the CFO.

78. The Cash Management System has several functions, comprised of: (a) collection of accounts receivable from third parties (b) disbursements to fund payroll and benefits, capital expenditures, maintenance costs, payments to inventory vendors and other service providers; and (c) intercompany cash transfers amongst various Applicant entities (the “**Intercompany Transfers**”).
79. Intercompany Transfers are payments made between Humble Manitoba, HCS, BOBHQ, and Windship. Intercompany Transfers are made on an “as needed” basis to ensure that each Applicant has sufficient working capital and liquidity to meet its needs. HCS in particular does not have significant working capital or revenue and is therefore reliant upon Intercompany Transfers to fund its operations. Intercompany Transfers are only recorded in the Applicants' financial statements and are not recorded via promissory notes or other debt instruments.
80. The Applicants utilize six operating bank accounts. Humble Parent banks with the Royal Bank of Canada (“**RBC**”). Humble Manitoba, HCS and BOBHQ each have an account with Westoba Credit Union. Windship banks with Wells Fargo (collectively, the “**Bank Accounts**”). An overview of the Bank Accounts is as follows:
 - (a) RBC Canadian dollar account owned by Humble Parent (the “**RBC CAD Account**”). The RBC CAD Account is used to fund payroll and head office vendor payments;
 - (b) RBC American dollar account owned by Humble Parent (the “**RBC USD Account**”). The RBC USD Account collects cash from the American Applicants and uses the funds to fund the RBC CAD Account;

- (c) Westoba Credit Union CAD Account owned by BOBHQ (the “**BOBHQ Account**”). The BOBHQ Account is used to fund BOBHQ supplier payments and BOBHQ payroll;
- (d) Westoba Credit Union CAD Account owned by HCS (the “**HCS Account**”). The HCS Account is used to fund HCS payroll; and
- (e) Wells Fargo USD Account owned by Windship (the “**Windship Account**”). The Windship Account is used to fund Windship payroll.

IV. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST

81. The Applicants’ fiscal year end is June 30. Attached hereto as **Exhibit “J”** are the Applicants’ consolidated audited financial statements for the years ended June 30, 2023 and June 30, 2022 (the “**2023 Financial Statements**”). The Applicants have operated at a net loss since 2020.

A. Assets

82. As at June 30, 2023, the Applicants, on a consolidated basis (inclusive of the non-Applicants HCSC and its subsidiaries), had total assets of approximately \$28,152,000, consisting of approximately \$22,486,000 of current assets (cash and cash equivalents, accounts receivable, prepaid expenses and deposits, inventories, amounts due from related parties, and taxes recoverable) and approximately \$5,666,000 of non-current assets (long-term deposits, right of use assets, property, plant and equipment and intangible assets). This includes \$10,317,000 of current assets and \$3,346,000 of non-current assets attributed to HCSC and its subsidiaries.

83. The following shows a breakdown of the Applicants’ (inclusive of the non-Applicants HCSC and its subsidiaries) assets as at June 30, 2023:

		June 30 2023	June 30 2022
ASSETS	<i>Note</i>		
Current assets			
Cash and cash equivalents		\$ 2,837	\$ 6,305
Accounts receivable	7	4,672	6,185
Prepaid expenses and deposits	8	4,842	3,784
Inventories	9	9,802	15,382
Due from related parties	18	333	-
Taxes recoverable		-	291
		<u>22,486</u>	<u>31,947</u>
Non-current assets			
Due from related parties	18	-	328
Long term Deposit		258	-
Right-of-use assets	11	2,565	1,687
Property, plant and equipment	11	1,438	1,198
Intangible assets	12	1,405	1,296
		<u>5,666</u>	<u>4,509</u>
TOTAL ASSETS		<u>\$ 28,152</u>	<u>\$ 36,456</u>

B. Liabilities

84. As at June 30, 2023 the Applicants, on a consolidated basis (inclusive of the non-Applicants HCSC and its subsidiaries), had liabilities totalling approximately \$12,850,000, consisting of approximately \$8,034,000 of current liabilities (accounts payable, lease liabilities, and current loan payables) and approximately \$4,546,000 of non-current liabilities (lease liabilities and long-term loan payables). This is inclusive of \$1,996,000 of current liabilities and \$852,000 of non-current liabilities attributed to HCSC and its subsidiaries.

85. The following shows a breakdown of the Applicants' liabilities (inclusive of the non-Applicants HCSC and its subsidiaries) as of June 30, 2023:

**LIABILITIES AND
SHAREHOLDERS' EQUITY**

Current liabilities

Accounts payable and accrued liabilities		\$	7,061	\$	8,031
Lease liabilities	13		345		179
Convertible debenture - debt	15		698		-
Loan payable	14		200		-
			<u>8,304</u>		<u>8,210</u>

Non-current liabilities

Lease liabilities	13		2,655		1,745
Loan payable	14		1,891		-
			<u>4,546</u>		<u>1,745</u>
Total liabilities			<u>12,850</u>		<u>9,955</u>

C. Interim Cash Flow Forecast

86. The Applicants, with the assistance of the Monitor, have prepared a projected 4-week cash flow forecast (the “**Interim Cash Flow Forecast**”) for the period ending January 28, 2024 that is premised on, among other things, the assumption that the Applicants will be granted CCAA protection. I believe that the Interim Cash Flow Forecast is a reasonable forecast of the Applicants’ cash flow over the next month. A copy of the Interim Cash Flow Forecast is attached hereto as **Exhibit “K”**.

V. THE APPLICANT’S CREDITORS

A. Secured Creditors

i. DGC Investments Inc.

87. DGC Investments Inc. (“**DGC**”) is the Applicants’ senior secured creditor.

88. Humble Parent, as borrower, and Humble Manitoba, PWF Holdco, Windship, BOBHQ, Fume Labs, and HCS, as guarantors, entered into a loan agreement (the “**DGC Loan Agreement**”) with DGC dated September 1, 2022. A copy of the DGC Loan Agreement is attached hereto as **Exhibit “L”**.

89. Pursuant to the DGC Loan Agreement, DGC agreed to lend up to a maximum principal amount of \$2,000,000 to Humble Parent, bearing an annual interest rate of 10% for general

working capital purposes (the “**DGC Loan**”). Of that amount, \$1,000,000 was advanced to DGC by way of promissory note dated August 10, 2022, which was then incorporated into the DGC Loan. A further \$1,000,000 was advanced by DGC to Humble Parent on September 1, 2022.

90. Interest is payable semi-annually, every six months following the date of the DGC Loan Agreement, and increases to 14% per annum if any amount payable is not paid when due.
91. The DGC Loan is governed by and is to be construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada, as applicable. The parties submit to the non-exclusive jurisdiction of the courts of Ontario and agree that all claims in respect of any suit, action or proceeding may be heard and determined in such court.
92. As security for the obligations under the DGC Loan:
 - (a) Fume Labs, HCS, BOBHQ, Humble Manitoba, Windship and PWF Holdco guaranteed all of Humble Parent’s obligations under the DGC Loan Agreement;
 - (b) Humble Parent, Fume Labs, HCS, BOBHQ, Humble Manitoba, Windship and PWF Holdco each granted DGC a first-ranking charge on all of their present and after-acquired property (subject, in the case of Humble Parent, to the RBC Registration, defined below);
 - (c) Humble Parent pledged 100% of the issued and outstanding shares of Humble Manitoba to DGC; and
 - (d) Humble Manitoba pledged 100% of the issued and outstanding shares of Fume Labs, HCS, BOBHQ, and PWF Holdco to DGC (collectively, the “**DGC Security**”).

93. The DGC Loan matures on September 2, 2024. As of September 30, 2023 there is approximately \$2,061,153 outstanding under the DGC Loan.

ii. Secured Debentures

94. On June 13, 2023 Humble Parent issued convertible debentures (the “**Debentures**”) in the aggregate amount of \$1,540,000 to a group of investors (the “**Debenture Holders**”) and together with DGC, the “**Secured Lenders**”). The Debenture Holders appointed Green Acre Capital Fund II (Canada) Sidecar LP, itself a Debenture Holder, as Collateral Agent for all of the Debenture Holders. Attached hereto as **Exhibit “M”** is a copy of the Debenture Certificate issued in favour of the Collateral Agent.

95. The Debentures mature on June 13, 2026 and bear interest at 10% per annum, payable on the earlier of conversion, repayment, or maturity. The Debentures can be converted into common shares of Humble Parent at a conversion price of \$0.06 of principal per share and can be repaid in advance at Humble Parent’s election.

96. As security for the Debentures, Humble Parent granted each of the Debenture Holders a *pari passu* charge against all of Humble Parent’s present and after-acquired property (the “**Debenture Security**”).

97. The Secured Lenders, the Collateral Agent and Humble Parent entered into a subordination agreement wherein the parties thereto confirmed that the Debenture Security is subordinate to the DGC Security.

98. As of December 31, 2023 there is approximately \$1,622,987 outstanding under the Debentures.

B. Other PPSA and UCC Creditors

99. In addition to the secured creditors described above, a number of parties have registered security interests against various Applicants under the Ontario *Personal Property Security Act* (“PPSA”) and the Uniform Commercial Code (“UCC”):

- (a) Toyota Industries Commercial Finance, Inc. has two UCC registrations against Windship, dated March 13, 2019 and May 9, 2019 with respect to two forklifts;
- (b) Geneva Capital, LLC has one UCC registration against Windship, dated January 29, 2021, with respect to an engraving laser, camera system and air compressor;
- (c) The Kyle Landlord has one UCC registration against Windship, dated October 17, 2023, for all of Windship’s goods, inventory, equipment, fixtures, furniture, improvements, chattel paper, accounts, intangibles, all other personal property, and all proceeds thereof that are located at the Kyle Facility;
- (d) Royal Bank of Canada (“RBC”) has an Ontario PPSA registration against Humble Parent, dated November 8, 2021 (the “RBC Registration”), in respect of two credit cards, one denominated in Canadian dollars and one in American dollars, issued by RBC to Humble Parent (the “RBC Cards”). As of January 3, 2024, the balances on the RBC Cards are \$25,301.85 and \$51,119.09 USD.. RBC’s collateral is as follows:
 - (I) A \$50,000 USD Term Deposit held on a 60-day term that renews automatically at maturity; and
 - (II) a \$70,000 CAD Guaranteed Investment Certificate on a 1-year term that automatically renews at maturity.

C. Crown Obligations and Priority Claimants

100. Humble Parent is current on HST payments through to October 2023. Humble Parent is normally in a net HST refund position. BOBHQ owes \$120.40 in HST for November 2023 and is waiting for its November HST return to be processed. HCS is current on HST payments. HCS’s account with the Canada Revenue Agency indicates that \$40,000 is

owing. HCS is currently in the process of investigating this amount and intends to process payment for it if HCS agrees with the amounts owed.

101. Going forward, HST remittances will be reflected in the projected cash flows. As the Applicants do not hold any Health Canada licenses they do not pay any excise taxes.

102. The Applicants are also current on all source deductions and they are funded to the Applicants' payroll providers as part of the normal payroll cycle.

D. Unsecured Creditors

103. The Applicants have unpaid trade and other unsecured debt accrued in the normal course of business. As of January 2, 2024 the Applicants' accounts payable balances totalled approximately CAD \$4,871,416.11.

104. Certain of the Applicants' critical suppliers have recently imposed more stringent payment terms as a result of the Applicants' inability to promptly meet trade terms. Other suppliers have refused to fulfil orders due to non-payment. The Applicants are currently delinquent in their payments to about 75% of their suppliers, with a number of accounts placed on credit hold and/or being escalated to collections.

VI. CHALLENGES FACED BY THE APPLICANTS AND PRIOR RESTRUCTURING EFFORTS

A. Overview of Challenges

105. The Applicant's previous management focused excessively on accessories revenue growth over profitability. Previous management believed that if revenue grew quickly enough then profitability would follow.

106. As a result, previous management focused on procuring a large volume of inventory for wholesale to retailers, regardless of whether the sale of such supplies was actually profitable. This resulted in excessive inventory building up, which had the effect of eroding working capital and increasing storage costs. Much of this inventory was for slow turnaround and unpopular accessories, which could only be sold to customers at very low margins or at a loss.
107. Notwithstanding a change in purchasing philosophy that started with my becoming CEO of the Applicants in January 2023, the Applicants are still in possession of much of this low-margin inventory as it can only be sold at very low margins or, more commonly, a loss.
108. Prior management's focus on revenue growth also led to prior management building a workforce and corporate infrastructure that exceeded the Applicants' actual needs. As a result, the Applicants have been forced to spend the last eighteen months right-sizing workforce and footprint, which has necessitated both layoffs and the Windship Facility sublease.
109. As discussed, Humble Parent was publicly listed on June 16, 2021 (the "**Listing**"). At the time, management expected that the Listing would provide Humble Parent with a greater ability to access and raise capital via public investors.
110. Since June 2021 investors have, for various reasons, been exiting the cannabis industry. As a result, Humble Parent's shares, along with most Canadian cannabis companies, have been in a steep decline. This has caused further difficulty in raising funds via the capital markets.
111. The general increase in interest rates since mid-2022 has created further difficulties for the Applicants. As a result of the increase in interest rates investors have been seeking rates of

return that are in excess of returns that the Applicants have been able to provide. As a result, investors have become less and less interested in investing in the Applicants.

112. Unfortunately, while the Applicants have been largely unable to access and obtain the benefits of the public listing, the Applicants are still required to bear the financial costs of being publicly listed. These include additional accounting, legal, and regulatory costs that are only being borne because they are necessary to maintain Humble Parent's listing. I estimate that these costs are approximately \$1.2 to \$1.5 million per year.
113. Under the Purchase Agreement, discussed below, the Applicants would return to being privately-held entities. This would result in an immediate \$1.2 to \$1.5 million annual saving.

VII. CCAA PROCEEDINGS AND RELIEF SOUGHT

A. Need for CCAA Proceedings and Eligibility

114. As a result of their continuing financial difficulty, the Applicants are insolvent and will be unable to operate in the ordinary course and payroll obligations will not be met, to the detriment of their stakeholders.
115. In consultation with their advisors, the Applicants have determined that the CCAA process is the most beneficial plan of action to maximize value for the Applicants' stakeholders.
116. The Applicants have, on a consolidated basis, liabilities in excess of \$5,000,000.

B. Appointment of Monitor

117. The Applicants seek the appointment of Deloitte Restructuring Inc. ("**Deloitte**") as Monitor of the Applicants in these CCAA proceedings. Deloitte has reviewed, and assisted in the

preparation of, the Interim Cash Flow Forecast and has provided guidance and assistance in the commencement of these CCAA proceedings.

118. As a result, Deloitte is in the process of developing critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

119. Deloitte has consented to act as the Monitor, subject to Court approval. Attached as **Exhibit “N”** hereto is a copy of Deloitte’s consent to act as Monitor.

C. Administration Charge

120. The Applicants seek a super-priority charge over the Applicants’ Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Professionals Group**”), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order.

121. The proposed Administration Charge being sought is for a maximum amount of \$150,000 and is meant to secure the Professionals Group’s fees through to the Comeback Hearing.

122. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants’ restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

123. In preparation of the Interim Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the Comeback Hearing, it is forecasted that the Applicants will incur significant professional fees in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees

and stakeholders following the initial filing and if granted, the issuance of the requested Initial Order in these proceedings, and complying with statutory notices, mailings and communications.

124. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees and the services of the Professionals Group for the period through to the Comeback Hearing.

D. Stay of Proceedings

125. Given the challenges faced by the Applicants described herein, the Applicants require a stay of proceedings to maintain the status quo and to provide the Applicants the breathing space they require to address the issues described in this affidavit and to develop a restructuring plan in consultation with their advisors and the Monitor.

E. Authorization to Incur no Further Costs in Connection with Securities Filings

126. The Applicants seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for Humble Parent to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act*, RSO 1990 c S. 5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the CSE.

127. Humble Parent is currently subject to a cease-trade order (the “**CTO**”) made by the Ontario Securities Commission (the “**OSC**”) on December 6, 2023. The OSC issued the CTO

because Humble Parent was unable to file interim financial statements, management's discussion and analysis, and CEO and CFO certifications of the same for the three months ending on September 30, 2023.

128. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants limited resources. It is expected that the Applicants will continue as a private company following completion of a sale transaction, if approved by this Honourable Court. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA proceedings and as may be required under the CCAA.

F. Relief to be Sought at Comeback Hearing

129. If the Initial Order is granted, then the Applicants propose to return to this Court for a comeback hearing on January 12, 2024.
130. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable in the circumstances.

i. Extension of Stay of Proceedings

131. The Applicants intend to seek an extension of the Stay Period for a sufficient length of time to allow the Applicants to conduct a sales and investment solicitation process ("SISP").

ii. Directors and Officer's Charge

132. To ensure the ongoing stability of the Applicants during this CCAA proceeding they require the continued participation of their officers and directors. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful path forward. As a result, the Applicants anticipate seeking a charge in favour of the directors and officers (the “**D&O Charge**”) at the Comeback Hearing. The D&O Charge will be in a quantum proposed in the Monitor’s first report, to be filed in advance of the Comeback Hearing.

133. The Applicants’ directors are the beneficiaries of an insurance policy which I understand provides them with coverage for certain claims and liabilities that may arise against them. However the policy contains exclusions and exceptions to such coverage as provided. The Applicants’ ordinary course operations give rise to potential director or officer liabilities, including payroll and sales tax remittances. To address legitimate concerns with respect to their potential exposure, the directors and officers have requested reasonable protection against personal liability that might arise against them during the post-filing period.

134. The D&O Charge will rank below the Administration Charge in priority.

iii. Sale and Investment Solicitation Process and Stalking Horse Approval

135. Following discussions with the Applicants’ stakeholders, its counsel, and the proposed Monitor, I believe that the Applicants’ stakeholders will receive the best possible recovery from a court-supervised SISP. The Applicants, with the assistance of the Monitor, are currently in the process of drafting the terms of a SISP. I currently anticipate that the proposed SISP will be overseen by the Monitor and will be conducted over a 30-40 day period or as may be directed by the Court. The Applicants intend to include a copy of the

proposed SISP guidelines in their materials to be filed at the Comeback Hearing, subject to approval by this Honourable Court at the Comeback Hearing.

136. The Applicants and the Secured Lenders are in the process of negotiating a purchase agreement (the “**Purchase Agreement**”) pursuant to which the Purchaser (as defined below) intends to (i) act as a stalking horse bidder in the SISP; and (ii) acquire 100% direct and indirect ownership of the Applicants within the CCAA proceedings by way of a reverse approval and vesting order.
137. The Purchase Agreement will serve as a baseline for any bids received in the SISP to be measured against, and will signal to customers, employees and other stakeholders that the business will continue as a going concern following the conclusion of these CCAA proceedings. Due to the nature of this business (being the timely fulfilment of significant orders from industry leading customers) it is critical to the preservation of stakeholder value that going concern operations be preserved.
138. The Applicants intend to seek approval of both the SISP and the Purchase Agreement at the Comeback Hearing.
139. The principal terms of the Purchase Agreement, as currently contemplated, are summarized below. All capitalized terms not defined in this Affidavit take their definitions from the Purchase Agreement:

Term	Details
Seller	Humble Parent
Purchaser	A corporation to be newly incorporated by the Secured Lenders (the “ Purchaser ”).
Transaction Structure	Reverse-vesting share purchase transaction.

Purchase Price	The assumption by the Purchaser of all indebtedness owing by the Applicants owing to the Secured Lenders under the Debentures and the DGC Loan.
Purchased Shares	The Purchaser will purchase the common shares of Humble Parent in accordance with the Pre-Closing Reorganization.
Professional Fees	In the event that the Purchaser is not the successful bidder in the SISP the Purchaser shall be entitled to repayment of all professional fees and disbursements incurred in connection with the Purchase Agreement to a maximum amount of \$75,000.
Break Fee	\$100,000, inclusive of HST.
Retained Assets	Equipment and personal property, Assumed Contracts, Permits and Licenses, Books and Records, Business and undertakings.
Excluded Assets	<ol style="list-style-type: none"> 1. Inventory sold in the ordinary course of Business in the Interim Period in accordance with the Initial Order; and 2. Excluded Contracts (as may be determined prior to Closing).
Retained Liabilities	<ol style="list-style-type: none"> 1. The DGC Loan. 2. The Debentures. 3. Such other Liabilities as may be confirmed by the Purchaser prior to Closing.
Excluded Liabilities	<ol style="list-style-type: none"> 1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time. 2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any court-ordered charge granted therein. 3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets. 4. All Liabilities to Terminated Employees whose employment with the Company is terminated on or before Closing, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law. 5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the

	<p>negotiation, execution or delivery of this Agreement or the consummation of the Transaction.</p> <p>6. Any and all Liabilities that are not Retained Liabilities.</p>
As is, Where is	<p>The Purchased Shares and the Retained Assets will be sold to the Purchaser on an “as is, where is” basis, subject only to the representations and warranties contained in the Purchase Agreement.</p>
Key Conditions to Closing	<ol style="list-style-type: none">1. The Court shall have issued and entered the Approval and Vesting Order and the Assignment Order, which orders shall not have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably;2. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under such Licenses and Permits and such Licenses and Permits shall remain in good standing immediately following and notwithstanding closing. .
Closing Date	<p>No later than (10) ten Business Days after the conditions to Closing have been satisfied or waived, other than those that are to be satisfied or waived at the Closing.</p>

iv. Increase of Charges

140. The Applicants intend to work with the Monitor to determine an adequate quantum to increase the Administration Charge and to seek approval of such increase in the Administration Charge at the Comeback Hearing.

VIII. CONCLUSION

141. The Applicants, with the assistance of their legal and financial advisors, have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for the Applicants’ stakeholders in the circumstances.

142. I swear this affidavit in support of an Application under the CCAA for an Initial Order in the form contained at Tab 3 of the Application Record, and for no other or improper purpose.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 4th day of
January, 2024 in accordance with O. Reg.
431/20 Administering Oath or Declaration
Remotely

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits

MATTHEW CRESSATTI

DocuSigned by:
Jakob Ripshtein
0AE7986CE32D413...

JAKOB RIPSSTEIN

This is Exhibit “A” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

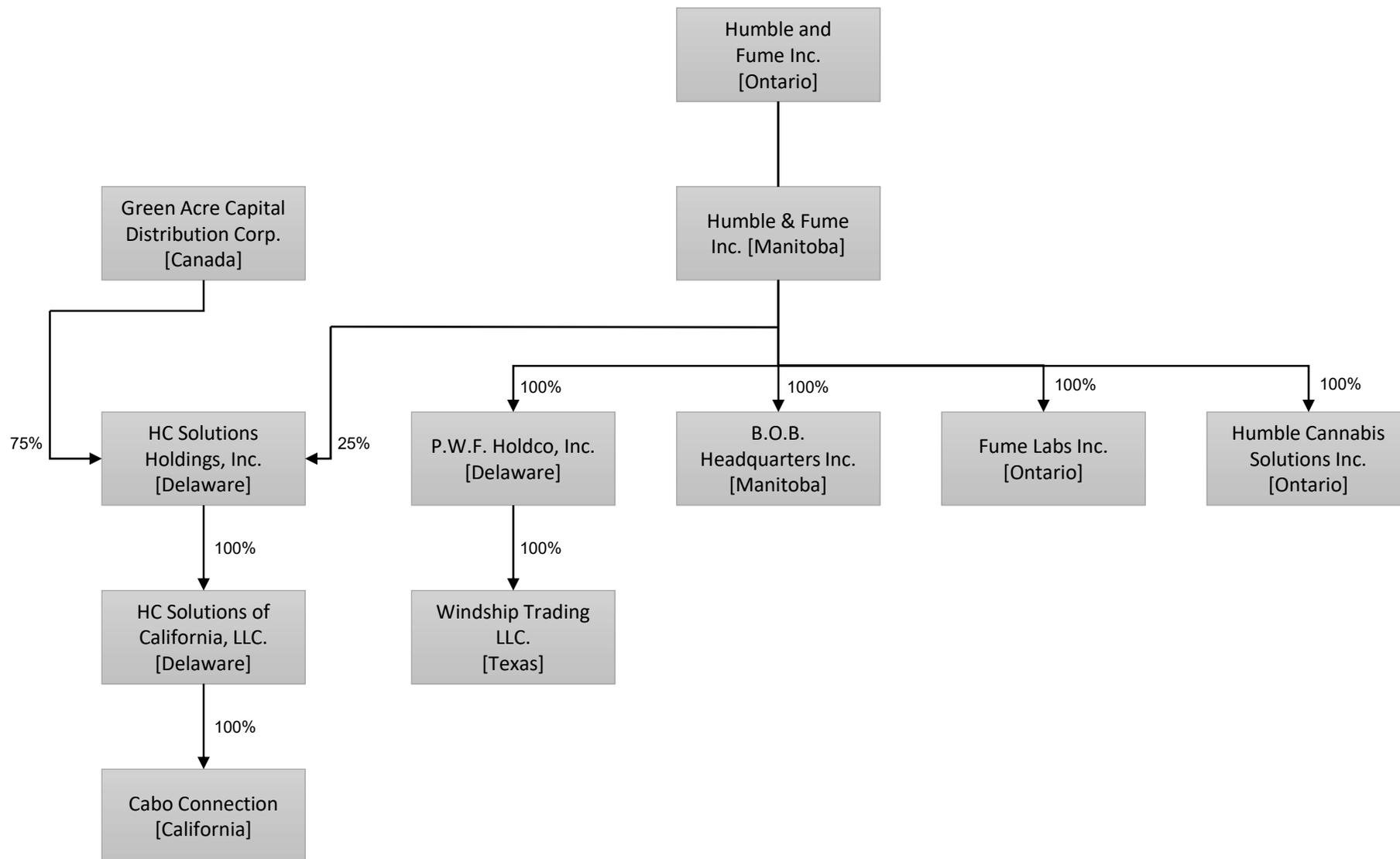
DocuSigned by:

Matthew Cressatti

DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



This is Exhibit "B" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

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Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



Profile Report

HUMBLE & FUME INC. as of November 28, 2023

Act	Business Corporations Act
Type	Ontario Business Corporation
Name	HUMBLE & FUME INC.
Ontario Corporation Number (OCN)	1870032
Governing Jurisdiction	Canada - Ontario
Status	Active
Date of Amalgamation	March 07, 2012
Registered or Head Office Address	77 King Street West, Td North Tower, Suite 700, Toronto, Ontario, Canada, M5K 1G8

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Director(s)

Minimum Number of Directors 1
Maximum Number of Directors 10

Name SHAWN DYM
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began June 14, 2021

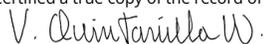
Name MARK HUBLER
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian No
Date Began June 29, 2022

Name JAKOB RIPSHEIN
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began June 16, 2021

Name ROBERT RITCHOT
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began June 14, 2021

Name MATTHEW SHALHOUB
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began June 14, 2021

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Active Officer(s)

Name MATTHEW MACKAY
Position Chief Financial Officer
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began December 05, 2022

Name JAKOB RIPSZTEIN
Position Chief Executive Officer
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began January 13, 2023

Name JAKOB RIPSZTEIN
Position Chairman
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began November 30, 2021

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V. Quintanilla W.

Director/Registrar

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Corporate Name History

Name	HUMBLE & FUME INC.
Effective Date	June 11, 2021
Previous Name	CANADA IRON INC.
Effective Date	March 07, 2012

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

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Amalgamating Corporations

Corporation Name
Ontario Corporation Number

CANADA IRON INC.
2126473

Corporation Name
Ontario Corporation Number

SILICAN PROCESSING CORP.
1866996

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V. Quintanilla W.

Director/Registrar

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Active Business Names

Name	HUMBLE CANNABIS SOLUTIONS
Business Identification Number (BIN)	1000611429
Registration Date	July 31, 2023
Expiry Date	July 30, 2028

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V. Quintanilla W.

Director/Registrar

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Expired or Cancelled Business Names

This corporation does not have any expired or cancelled business names registered under the Business Names Act in Ontario.

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V. Quintanilla W.

Director/Registrar

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Document List

Filing Name	Effective Date
CIA - Notice of Change PAF: MATTHEW MACKAY	January 30, 2023
CIA - Notice of Change PAF: Graham MENERAY	September 19, 2022
CIA - Notice of Change PAF: Graham MENERAY	January 12, 2022
CIA - Notice of Change PAF: GRAHAM MENERAY - OFFICER	October 13, 2021
BCA - Articles of Amendment	June 11, 2021
Annual Return - 2019 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2018 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2017 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2016 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2015 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2014 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2013 PAF: HARVEY MCKENZIE - OFFICER	December 13, 2020
Annual Return - 2020 PAF: HARVEY MCKENZIE - OFFICER	November 29, 2020

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V. Quintanilla W.

Director/Registrar

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CIA - Notice of Change PAF: GRANT DUTHIE - OTHER	June 11, 2020
CIA - Notice of Change PAF: GRANT DUTHIE - OTHER	June 11, 2020
CIA - Notice of Change PAF: GARY HANDLEY - DIRECTOR	July 15, 2013
CIA - Initial Return PAF: OWEN VINCENT DWYER - DIRECTOR	September 17, 2012
BCA - Articles of Amalgamation	March 07, 2012

All "PAF" (person authorizing filing) information is displayed exactly as recorded in the Ontario Business Registry. Where PAF is not shown against a document, the information has not been recorded in the Ontario Business Registry.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

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This is Exhibit "C" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

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Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

File Summary

Registry No : 10102274
Entity Name : HUMBLE & FUME INC.

As of : 28-Nov-2023

Entity Name : HUMBLE & FUME INC.
Registry No : 10102274
Business No : 712332097MC0003
Current Status : DEFAULT

Entity Type : BUSINESS CORPORATION
Entity Sub Type : MB SHARE CORPORATION

Incorp/Amalg Date : 14-Jun-2021
Home Jurisdiction : MANITOBA
Annual Return/Renewal Date : 31-Jul-2023
Year of Last A/R - Renewal : 2022
Nature of Business : RETAIL
NAICS Code : 44

Registered Office Address :

Effective date, if changing address : 14-Jun-2021
Address : 915 DOUGLAS AVENUE
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3

Mailing Address :

Name :
Address : 915 DOUGLAS AVENUE
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3

Director Information :

Date Became : 01-Dec-2022
Name : MACKAY, MATTHEW
Address : 915 DOUGLAS AVENUE
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3
Date Became : 13-Jan-2023
Name : RIPSHEIN, JAKOB
Address : 77 KING STREET EAST, SUITE 700
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Date Ceased : 20-Jul-2021
Name : RITCHOT, ROBERT
Address : 915 DOUGLAS AVENUE
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3

Officer Information :

Name : RIPSHEIN, JAKOB
Address : 77 KING STREET EAST, SUITE 700
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Position Held as Officer : SECRETARY

Shareholders Information (holders of 10% or more of Issued Voting Shares) :No Shareholders At This Time

Share Structure :

Class	Authorized Number
Common	UNLIMITED

Shares are distributed to the public :No

Corporations involved to form Amalgamation :

Registry No : 7577452
Entity Name : Humble & Fume Inc.
Registry No : 10096753
Entity Name : 10096753 MANITOBA LTD.

Event History :

<u>Event</u>	<u>Date :</u>	<u>Filing Year :</u>
AMALGAMATION	14-Jun-2021	
HUB: ASSIGN BN	14-Jun-2021	
CHANGE OF MAILING ADDRESS (Filed on the Web)	09-Jun-2022	
COMPLIANCE STATUS - DEFAULT	22-Aug-2022	
ANNUAL RETURN (Filed on the Web)	19-Jan-2023	2022
CHANGE OF DIRECTORS/OFFICERS (Filed on the Web)	19-Jan-2023	
CHANGE OF DIRECTORS/OFFICERS (Filed on the Web)	02-Feb-2023	
COMPLIANCE STATUS - DEFAULT	21-Aug-2023	

The accuracy of this information is not guaranteed. In particular, it is possible that certain filings have been received which have not yet been updated onto the system. You should consult original documents or obtain appropriate certificates when you need to be certain of information.

This is Exhibit “D” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

DA79353421D042D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

File Summary

Registry No : 3437108
Entity Name : B.O.B. HEADQUARTERS INC.

As of : 28-Nov-2023

Entity Name : B.O.B. HEADQUARTERS INC.
Registry No : 3437108
Business No : 898767934MC0001
Current Status : Active

Entity Type : BUSINESS CORPORATION
Entity Sub Type : MB SHARE CORPORATION

Incorp/Amalg Date : 04-Mar-1996
Home Jurisdiction : MANITOBA
Annual Return/Renewal Date : 30-Apr-2024
Year of Last A/R - Renewal : 2023
Nature of Business : MISC MANUFACTURING INDUSTRY
NAICS Code : 3399

Registered Office Address :
Effective date, if changing address : 01-Aug-2023
Address : 915 DOUGLAS STREET
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3

Mailing Address :
Name : B.O.B. HEADQUARTERS INC.
Address : 77 KING STREET WEST, SUITE 700, TD NORTH TOWER
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Attention : CORPORATE DEPARTMENT

Director Information :
Date Became : 01-Dec-2022
Name : MACKAY, MATTHEW
Address : 915 DOUGLAS STREET
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3
Date Became : 13-Jan-2023
Name : RIPSHEIN, JAKOB
Address : 77 KING STREET EAST, SUITE 700
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Date Became : 20-Jul-2021
Name : TOGURI, JOEL
Address : 915 DOUGLAS STREET
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3

Officer Information :
Name : MACKAY, MATTHEW
Address : 915 DOUGLAS STREET
City/Province : BRANDON, MB
Country/Postal Code : CANADA, R7A 7B3
Position Held as Officer : SECRETARY

Name : RIPSHEIN, JAKOB
Address : 77 KING STREET EAST, SUITE 700
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Position Held as Officer : SECRETARY

Name : TOGURI, JOEL
Address : 77 KING STREET WEST, TD NORTH TOWER, SUITE 700
City/Province : TORONTO, ON
Country/Postal Code : CANADA, M5K 1G8
Position Held as Officer : PRESIDENT

Shareholders Information (holders of 10% or more of Issued Voting Shares) :

Firm Name : HUMBLE & FUME INC.
Class Name : COM A
Shares Held : 1.00

Share Structure :

Class	Authorized Number
COM A	UNLIMITED
COM B	UNLIMITED
COM C	UNLIMITED
COM D	UNLIMITED
COM E	UNLIMITED
COM F	UNLIMITED
COM G	UNLIMITED
COM H	UNLIMITED
COM I	UNLIMITED
COM J	UNLIMITED
PREF A	UNLIMITED
PREF B	UNLIMITED
PREF C	UNLIMITED
PREF D	UNLIMITED
PREF E	UNLIMITED
PREF F	UNLIMITED
PREF G	UNLIMITED
PREF H	UNLIMITED
PREF I	UNLIMITED
PREF J	UNLIMITED

Shares are distributed to the public : No

Name History :

Previous Name : B.O.B. WEARABLES AND ACCESSORIES INC.
Date of Change : 31-May-2002

Event History :

<u>Event</u>	<u>Date :</u>	<u>Filing Year :</u>
FILINGS RECORDED IN THE PREVIOUS SYSTEM ARE NOT INCLUDED		
AMENDMENT	18-May-2018	
ANNUAL RETURN	23-May-2018	2018
COMPLIANCE STATUS - DEFAULT	21-May-2019	
ANNUAL RETURN (Filed on the Web)	28-Aug-2019	2019
COMPLIANCE STATUS - DEFAULT	19-May-2020	
ANNUAL RETURN (Filed on the Web)	30-Mar-2021	2020
COMPLIANCE STATUS - DEFAULT	25-May-2021	
COMPLIANCE STATUS - NOTICE	01-Apr-2022	
ANNUAL RETURN (Filed on the Web)	06-Jun-2022	2021
ANNUAL RETURN (Filed on the Web)	09-Jun-2022	2022
CHANGE OF DIRECTORS/OFFICERS (Filed on the Web)	19-Jan-2023	
CHANGE OF DIRECTORS/OFFICERS (Filed on the Web)	02-Feb-2023	
COMPLIANCE STATUS - DEFAULT	23-May-2023	
ANNUAL RETURN (Filed on the Web)	01-Aug-2023	2023

The accuracy of this information is not guaranteed. In particular, it is possible that certain filings have been received which have not

yet been updated onto the system. You should consult original documents or obtain appropriate certificates when you need to be certain of information.

This is Exhibit “E” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



Office of the Secretary of State

January 03, 2024

A search of our records reveals the following information for the entity record selected.

Entity Name: Windship Trading LLC
Entity Type: Domestic Limited Liability Company (LLC)
Jurisdiction: TEXAS, USA
File Number: 801860836
Formation File Date: October 03, 2013 Effective: October 03, 2013

The status of the entity is in existence.

The name and address of the registered agent and office in Texas is:

ROBERT STOJANOVIC
4924 RUSTIC RIDGE DR.
MCKINNEY, TX 75071-75071
USA

The entity recorded the following assumed name(s) with this office:

Humble Cannabis Solutions August 28, 2023 Active

The management information from our computer records lists:

MATTHEW MACKAY 301 VISTA RIDGE DR BLDG 1 STE 350
CFO KYLE, TX 78640
USA

This is Exhibit "F" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



Profile Report

FUME LABS INC. as of November 28, 2023

Act	Business Corporations Act
Type	Ontario Business Corporation
Name	FUME LABS INC.
Ontario Corporation Number (OCN)	2685624
Governing Jurisdiction	Canada - Ontario
Status	Active
Date of Incorporation	March 13, 2019
Registered or Head Office Address	77 King Street West, Td North Tower, Suite 700, Toronto, Ontario, Canada, M5K 1G8

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Director(s)

Minimum Number of Directors 1
Maximum Number of Directors 10

Name JAKOB RIPSHEIN
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began January 12, 2023

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Officer(s)

Name MATTHEW MACKAY
Position Secretary
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began December 05, 2022

Name MATTHEW MACKAY
Position Treasurer
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began December 05, 2022

Name JAKOB RIPSHEIN
Position President
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began January 12, 2023

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Corporate Name History

Name

FUME LABS INC.

Effective Date

March 13, 2019

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Business Names

This corporation does not have any active business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Expired or Cancelled Business Names

This corporation does not have any expired or cancelled business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Document List

Filing Name	Effective Date
CIA - Notice of Change PAF: MATTHEW MACKAY	February 07, 2023
CIA - Notice of Change PAF: Graham MENERAY	January 26, 2022
CIA - Initial Return PAF: ILANA SHNEIDER - OTHER	March 14, 2019
BCA - Articles of Incorporation	March 13, 2019

All "PAF" (person authorizing filing) information is displayed exactly as recorded in the Ontario Business Registry. Where PAF is not shown against a document, the information has not been recorded in the Ontario Business Registry.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

This is Exhibit "G" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



Profile Report

HUMBLE CANNABIS SOLUTIONS INC. as of November 28, 2023

Act	Business Corporations Act
Type	Ontario Business Corporation
Name	HUMBLE CANNABIS SOLUTIONS INC.
Ontario Corporation Number (OCN)	2754946
Governing Jurisdiction	Canada - Ontario
Status	Active
Date of Incorporation	May 08, 2020
Registered or Head Office Address	77 King Street West, Td North Tower, Suite 700, Toronto, Ontario, Canada, M5K 1G8

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Director(s)

Minimum Number of Directors 1
Maximum Number of Directors 10

Name SHAWN DYM
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian Yes
Date Began May 08, 2020

Name JAKOB RIPSHEIN
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Resident Canadian No
Date Began January 12, 2023

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Officer(s)

Name MATTHEW MACKAY
Position Chief Financial Officer
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began December 05, 2022

Name JAKOB RIPSZTEIN
Position President
Address for Service 77 King Street West, Td North Tower, Suite 700, Toronto,
Ontario, Canada, M5K 1G8
Date Began January 12, 2023

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Corporate Name History

Name

HUMBLE CANNABIS SOLUTIONS INC.

Effective Date

May 08, 2020

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report.

Additional historical information may exist in paper or microfiche format.

Active Business Names

This corporation does not have any active business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Expired or Cancelled Business Names

This corporation does not have any expired or cancelled business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Document List

Filing Name	Effective Date
CIA - Notice of Change PAF: MATTHEW MACKAY	January 30, 2023
CIA - Notice of Change PAF: Graham MENERAY	January 26, 2022
CIA - Initial Return PAF: LISA MCCORMACK - OTHER	May 28, 2020
BCA - Articles of Incorporation	May 08, 2020

All "PAF" (person authorizing filing) information is displayed exactly as recorded in the Ontario Business Registry. Where PAF is not shown against a document, the information has not been recorded in the Ontario Business Registry.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

This is Exhibit “H” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



GAMING, LIQUOR AND CANNABIS ACT
CANNABIS REGISTRATION

REGISTRATION NUMBER: 301973-1
CANNABIS REPRESENTATIVE

REGISTRANT(S): HUMBLE CANNABIS SOLUTIONS INC.
CANNABIS REGISTRATION: HUMBLE CANNABIS SOLUTIONS
ADDRESS: 700-77 KING STREET WEST, TD NORTH TOWER, TORONTO, ONTARIO

Terms and Conditions:

THE REPRESENTATIVE IS AUTHORIZED TO OPERATE IN ACCORDANCE WITH THE PROVISIONS OF THE GAMING, LIQUOR AND CANNABIS ACT, GAMING, LIQUOR AND CANNABIS REGULATION, ALBERTA GAMING, LIQUOR AND CANNABIS POLICIES AND ALL OTHER CONDITIONS PRESCRIBED BY THE BOARD.
ANY BREACH OF THE ACT OR REGULATION, BOARD POLICIES, OR THE CONDITIONS PRESCRIBED BY THE BOARD, MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN BY THE BOARD, UP TO SUSPENSION OR CANCELLATION OF THIS REGISTRATION.

THIS REGISTRATION IS NON-TRANSFERRABLE. IT BECOMES VOID SHOULD THE CANNABIS REPRESENTATIVE BE SOLD, ASSIGNED, OR OTHERWISE TRANSFERRED TO THE CONTROL OF ANOTHER PERSON. IF NEW PARTNER(S) ARE ADDED, IT IS THE RESPONSIBILITY OF THE REPRESENTATIVE TO NOTIFY THE ALBERTA GAMING, LIQUOR AND CANNABIS IMMEDIATELY.

EFFECTIVE: MARCH 29, 2023 EXPIRES: MARCH 28, 2025 (UNLESS CANCELLED OR SUSPENDED EARLIER)

K Machado

Alberta Gaming, Liquor and Cannabis Commission

It is a condition of this licence that the Gaming, Liquor and Cannabis Act and the Gaming, Liquor and Cannabis Regulation and all conditions prescribed by the Board be complied with at all times and any breach of the Act or Regulation or the conditions prescribed by the Board may result in suspension or cancellation of this licence.

THIS LICENCE MUST BE KEPT POSTED IN A PROMINENT POSITION IN THE LICENSED PREMISES.

This is Exhibit "I" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI



Liquor and Cannabis Regulation Branch
Marketing #CM000052
Expires on December 31, 2024

Establishment Name: **N/A**
Licence Name:
Location Address: 1005-14 Begbie St.
New Westminster, V3M0C4
Issued to: HUMBLE CANNABIS SOLUTIONS INC.

TERMS AND CONDITIONS

HOURS OF SALE

	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Start							
End							

- This licence is subject to the terms and conditions specified in the restriction or approval letter(s) and those contained in the Marketing Licence Handbook, which may be amended from time to time.
- Pursuant to Section 11, Cannabis Licensing Regulation, this licence allows the above named person or company to act as a marketing licensee to promote cannabis for the purpose of selling it.

YOUR CURRENT VALID LICENCE MUST BE PROMINENTLY DISPLAYED AT ALL TIMES. TAMPERING, ALTERING OR DEFACING THIS LICENCE IN ANY MANNER MAY RESULT IN THE LICENCE BEING CANCELLED.

Licence issued by the General Manager under the authority of the Cannabis Control and Licensing Act.

Licence Printed: November 10, 2023

This is Exhibit “J” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

October 26, 2023



Humble & Fume Inc.

Consolidated Financial Statements
Years Ended June 30, 2023 and 2022

humble
+ fume

Humble & Fume Inc.
Consolidated Financial Statements
Years Ended June 30, 2023 and 2022
(Expressed in Canadian dollars)

Humble & Fume Inc.

Table of Contents

June 30, 2023 and 2022

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Consolidated Statements of Financial Position	1
Consolidated Statements of Loss and Comprehensive Loss	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5-38

To the Shareholders of Humble & Fume Inc.:

Opinion

We have audited the consolidated financial statements of Humble & Fume Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023, and June 30, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and June 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended June 30, 2023 and, as of that date, the Company had an accumulated deficit. As stated in Note 2.2, these events or conditions, along with other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Assessment of control of subsidiary

Key Audit Matter Description

As described in Note 25, in June 2023, the Company's holdings in HC Solutions Holdings Inc. ("HC Solutions") were diluted to 49.8% after HC Solutions issued shares from treasury to another party. This event did not result in a loss of control and the Company continued consolidating HC Solutions operations into its consolidated financial statements.

We determined this to be a key audit matter due to the judgement required to assess whether the Company continued to exert control HC Solutions following the transaction. This resulted in significant audit effort in performing procedures and evaluating the audit evidence related to management's assessment.

Audit Response

We responded to this matter by performing procedures in relation to the assessment of control of a subsidiary. Our audit work in relation to this included, but was not restricted to the following:

Obtained management's assessment of control and evaluated the accounting treatment in accordance with IFRS including :

Assessing whether the Company has power over HC Solutions that gives the Company the current ability to direct the activities of HC Solutions.

Assessing whether the Company is exposed or has rights to variable returns from its involvement with HC Solutions.

Assessing whether the company has the ability to use its power over HC Solutions to affect the amount of the Company's return, and

Evaluated the appropriateness of disclosures of the above transaction in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

Toronto, Ontario

October 26, 2023

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Humble & Fume Inc.

Consolidated Financial Statements

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at June 30, 2023 and June 30, 2022

		June 30 2023	June 30 2022
ASSETS	<i>Note</i>		
Current assets			
Cash and cash equivalents		\$ 2,837	\$ 6,305
Accounts receivable	7	4,672	6,185
Prepaid expenses and deposits	8	4,842	3,784
Inventories	9	9,802	15,382
Due from related parties	18	333	-
Taxes recoverable		-	291
		<u>22,486</u>	<u>31,947</u>
Non-current assets			
Due from related parties	18	-	328
Long term Deposit		258	-
Right-of-use assets	11	2,565	1,687
Property, plant and equipment	11	1,438	1,198
Intangible assets	12	1,405	1,296
		<u>5,666</u>	<u>4,509</u>
TOTAL ASSETS		<u>\$ 28,152</u>	<u>\$ 36,456</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 7,061	\$ 8,031
Lease liabilities	13	345	179
Convertible debenture - debt	15	698	-
Loan payable	14	200	-
		<u>8,304</u>	<u>8,210</u>
Non-current liabilities			
Lease liabilities	13	2,655	1,745
Loan payable	14	1,891	-
		<u>4,546</u>	<u>1,745</u>
Total liabilities		<u>12,850</u>	<u>9,955</u>
Shareholders' equity			
Share capital	16	81,430	81,372
Contributed surplus	16	11,269	10,931
Warrants	16	1,912	1,650
Cumulative translation adjustment	16	(11)	(121)
Accumulated deficit	16	(82,956)	(69,399)
Total equity attributable to shareholders of the parent company		<u>11,644</u>	<u>24,433</u>
Non-controlling interest	25	3,658	2,068
Total Shareholders' equity		<u>15,302</u>	<u>26,501</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>\$ 28,152</u>	<u>\$ 36,456</u>

Going Concern (Note 2.2)

On behalf of the Board:

/s/ Shawn Dym

Director

/s/ Mark Hubler

Director

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Consolidated Financial Statements

Consolidated Statements of Loss and Comprehensive Loss

(in thousands of Canadian dollars, except per share amounts)

Years Ended June 30, 2023 and 2022

		2023	2022
Revenues	<i>Note</i>		
Sale of products revenue	19	\$ 67,026	\$ 64,287
Service revenue	19	1,487	1,863
Total revenue		<u>68,513</u>	66,150
Cost of sale of products		<u>58,339</u>	53,484
Gross Margin		10,174	12,666
Operating expenses			
General and administration		10,961	6,250
Sales and marketing		2,683	1,882
Salaries and wages		15,621	13,233
Operations and customer support		3,529	1,214
Depreciation and amortization	11	897	850
Share based payments	16	(187)	1,595
Restructuring charge	26	715	1,336
Impairment of assets	27	552	3,180
		<u>34,771</u>	29,540
(Loss) Income from operations		<u>(24,597)</u>	(16,875)
Other (income) expenses			
Finance expense (income)		675	236
Other (income) expenses		(15)	46
Foreign exchange (gain) loss		(586)	(1,015)
Total other (income) expense		<u>74</u>	(733)
Loss before tax		<u>(24,671)</u>	(16,142)
Income tax expense (recovery)	24	314	(52)
Net loss for the period		<u>(24,985)</u>	(16,090)
Net loss for the period attributable to:			
Shareholders		\$ (18,534)	\$ (15,590)
Non-controlling interest	25	(6,451)	(500)
		<u>\$ (24,985)</u>	\$ (16,090)
Loss per share - basic and diluted		\$ (0.15)	\$ (0.13)
Weighted average number of common shares		<u>124,188,060</u>	116,722,797
Net loss for the period		\$ (24,985)	\$ (16,090)
Other comprehensive income			
Unrealized foreign currency translation gains (losses)		110	(377)
Total comprehensive loss for the period		<u>\$ (24,875)</u>	\$ (16,467)
Total comprehensive loss for the period attributable to:			
Shareholders		\$ (18,424)	\$ (15,967)
Non-controlling interest		(6,451)	(500)
		<u>\$ (24,875)</u>	\$ (16,467)

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Consolidated Financial Statements

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

	Note	Number of shares	Share capital	Warrants	Contributed surplus	Cumulative translation adjustment	Accumulated deficit	Non-controlling interest	Total
Balance at June 30, 2021		103,937,304	\$ 71,245	\$ 1,649	\$ 9,967	\$ 256	\$ (53,810)	\$ -	\$ 29,308
Exercise of stock options	16	202,500	136	-	(77)	-	-	-	59
Share-based payments	16	-	-	-	1,595	-	-	-	1,595
Non-controlling interest	25	-	-	-	-	-	-	2,568	2,568
Shares issued on private placement	16	19,267,169	9,655	-	-	-	-	-	9,655
Shares issued on vesting of RSUs	16	650,279	441	-	(620)	-	-	-	(179)
Shares returned to treasury and cancelled	16	(117,370)	(105)	-	66	-	-	-	(39)
Net loss for the period		-	-	-	-	-	(15,589)	(500)	(16,089)
Other comprehensive income		-	-	-	-	(377)	-	-	(377)
Total comprehensive loss for the year		-	-	-	-	(377)	(15,589)	(500)	(16,466)
Balance at June 30, 2022		123,939,882	\$ 81,372	\$ 1,650	\$ 10,931	\$ (121)	\$ (69,399)	\$ 2,068	\$ 26,501
Share-based payments	16	-	-	-	(187)	-	-	-	(187)
Shares issued on vesting of RSUs	16	248,178	58	-	(78)	-	-	-	(20)
Warrants issued on loan payable	16	-	-	56	-	-	-	-	56
Warrants issued on private placement	16	-	-	206	-	-	-	-	206
Equity component of convertible debentures	16	-	-	-	603	-	-	-	603
Change in Non-controlling interest	25	-	-	-	-	-	4,977	8,041	13,018
Net loss for the period		-	-	-	-	-	(18,534)	(6,451)	(24,985)
Other comprehensive income		-	-	-	-	110	-	-	110
Total comprehensive loss for the year		-	-	-	-	110	(18,534)	(6,451)	(24,875)
Balance at June 30, 2023		124,188,060	81,430	1,912	11,269	(11)	(82,956)	3,658	15,302

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Consolidated Financial Statements

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

		2023	2022
Operating activities	<i>Note</i>		
Net loss for the period		\$ (24,985)	\$ (16,090)
Adjustment to reconcile net loss to net cash flows from operating activities			
Depreciation and amortization	11	897	850
Credit loss	7	1,641	538
Provision (reversal of provision) for obsolete inventory	9	(29)	(1,283)
Interest and accretion not paid in cash	20	675	240
Share based compensation	16	(187)	1,595
Loss on disposal of right-of-use assets and lease liabilities		-	106
Impairment of Assets	27	552	3,180
Change in items of non-cash working capital	21	3,192	(933)
Net cash used in operating activities		<u>(18,244)</u>	<u>(11,797)</u>
Investing activities			
Additions to property, plant and equipment	11	(630)	(1,078)
Additions to long term deposits		(258)	
Additions to intangible asset	12	(73)	(1,296)
Advances to related parties	18	(5)	54
Net cash used in investing activities		<u>(966)</u>	<u>(2,320)</u>
Financing activities			
Proceeds from exercise of stock options		-	58
Issuance of common shares, net of share issue costs		-	9,477
Shares issued on vesting RSUs, net of issue costs		(20)	-
Purchases of common shares returned to treasury and cancelled		-	(39)
Loan payable advance - net of transaction costs		1,913	-
Proceeds from non-controlling interest	25	13,018	2,568
Convertible Debenture	23	1,507	-
Lease payments	13	(701)	(924)
Net cash flows from financing activities		<u>15,717</u>	<u>11,140</u>
Net change in cash and cash equivalents		<u>(3,493)</u>	<u>(2,977)</u>
Exchange differences		25	(373)
Cash and cash equivalents, beginning of period		6,305	9,655
Cash and cash equivalents, end of period		<u>\$ 2,837</u>	<u>\$ 6,305</u>

During the period ended June 30, 2023, the Company made interest payments of \$707 (June 30, 2022- \$240) and income taxes of \$nil (June 30, 2022- \$nil).

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

1. Nature of operations and background information

Humble & Fume Inc. (formerly Canada Iron Inc.) (the “Company”) is a North American distributor of cannabis related products and accessories and was incorporated on February 15, 2007, under the Business Corporations Act of Ontario. The Company is principally engaged in the wholesale of cannabis related products and accessories to businesses. The company also engaged in the sales and distribution of Cannabis to retail stores in the state of California. The Company’s registered office is located at 77 King Street West, Suite 700, Toronto, M5K 1G8. The Company’s U.S. head office is located at 301 Vista Ridge Dr Building 1 Ste 350, Kyle, TX 78640.

The Company trades on the Canadian Stock Exchange under the symbol “HMBL”.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on October 26, 2023.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

2. Basis of presentation and going concern assumption

2.1 Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

2.2 Going Concern

The Consolidated Financial Statements have been prepared on a going concern basis which assumes that the Company will, in the foreseeable future realize on its assets and discharge its liabilities in the normal course of business as they come due. Accordingly, the Consolidated Financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these Consolidated Financial statements. Such adjustments could be material. As at June 30, 2023, the Company had working capital of \$15,627 compared to \$23,727 at June 30, 2022. Net loss for the year ended June 30, 2023, was \$23,045 (2022 – \$16,090). The accumulated deficit as at June 30, 2023 was \$81,881 (2022 – \$69,399). These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue operating as a going concern for the foreseeable future. The Company anticipates it has sufficient cash on hand to service its liabilities and fund operating costs for the immediate future; however, there is uncertainty as to how long these funds will last. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. When the Company can attain profitability and positive cash flows from operations, is subject to material uncertainty. In August 2022, the HC Solutions issued shares from treasury raising \$4,000.

2.3 Basis of measurement

These Consolidated Financial Statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments which are measured at fair value. Historical cost is generally based on fair value of the consideration given in exchange for assets.

2.4 Basis of consolidation

Humble & Fume Inc. is the ultimate parent company. The Consolidated Financial Statements for the twelve months ended June 30, 2023, and 2022 include the accounts of the Company and its subsidiaries, after elimination of intercompany transactions and balances.

Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee, and when the Company has the ability to affect those returns through its power over the investee.

Non-controlling interests ("NCI") are the portion of equity ownership in subsidiaries not attributable to the Company's shareholders. NCI and its attributable net income are shown separately in the consolidated statements of loss and comprehensive loss, statements of financial position and changes in shareholders' equity.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

2. Basis of presentation (continued)

2.4 Basis of consolidation

The Company's subsidiaries that are included in these consolidated financial statements are as follows:

Subsidiaries	Jurisdiction	June 30 2023	June 30 2022
B.O.B. Headquarters Inc. ("BOB HQ")	Manitoba	100%	100%
Fume Labs Inc. ("Fume Labs")	Ontario	100%	100%
PWF Holdco Inc. ("PWF")	Delaware	100%	100%
Humble Cannabis Solutions Inc.	Ontario	100%	100%
Windship Trading, LLC ("Windship")	Texas	100%	100%
HC Solutions Holdings Inc.	Delaware	49.8%	80%
HC Solutions of California LLC	Delaware	49.8%	80%
Cabo Connection	California	49.8%	80%

See note 25 for further details regarding the ownership of HC Solutions Inc.

The Consolidated Financial Statements are presented in Canadian Dollars, which is the functional currency of the Company, BOB HQ, Humble Cannabis Solutions Inc. and Fume Labs Inc. The US Dollar is the functional currency of PWF, Windship, HC Solutions Holdings Inc., HC Solution of California LLC and Cabo Connection.

3. Business Acquisitions

Cabo Connection

On October 12, 2021, the Company entered into a stock purchase agreement to acquire 100% of all the issued and outstanding shares of Cabo Connection ("Cabo"), a California corporation. Cabo was acquired to obtain cannabis distribution licences in California. This acquisition is contingent on the approvals to transfer the cannabis licences from Cabo to the Company by the relevant government departments in California. The Company also entered into a management services agreement with Cabo, allowing the Company to manage and operate Cabo and its assets during the licence transfer approval process. On April 16, 2022, an executive of the Company was approved by the government departments as CEO, CFO and Secretary of Cabo, also considered as a statutory "owner". As of April 16, 2022, the acquisition date, the Company is considered to have completed all necessary aspects of the governmental approval process and is deemed to have obtained control of Cabo. On the acquisition date, Cabo's assets consisted primarily of the cannabis licences and the right of use asset relating to the lease and did not have any processes capable of generating outputs; therefore, Cabo did not meet the definition of a business. Accordingly, as Cabo did not qualify as a business in accordance to IFRS 3 Business Combinations, the acquisition did not constitute a business combination, therefore it has been accounted for as an asset acquisition. As part of consideration paid, the Company will issue shares valued at \$129 upon the closing of the transaction. The number of shares will be calculated based on the 30-day volume weighted average price per share of the Company's common stock as of closing date. On May 22, 2023 the company agreed to an addendum to the purchase agreement where the previously mentioned shares were forgone in exchange for \$73. See note 12.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

3. Business Acquisitions (continued)

Cabo Connection (continued)

	April 16, 2022
Net assets of Cabo Connection acquired:	\$
Licence	902
Right of use asset	859
Total assets	1,761
Lease liability	859
Total net assets acquired	902
Consideration paid for Cabo Connection:	\$
Cash	773
Common shares	129
Total Consideration Paid	902

4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

4.1 Cash and cash equivalents

Cash consist of cash on hand and bank balances.

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statements of loss and comprehensive loss. Expenditure to replace a component of an item of property, plant or equipment that is accounted for separately is capitalized and the existing carrying amount of the component written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditures, including repair and maintenance, are recognized in profit or loss as incurred.

Depreciation is charged to the profit or loss based on the cost, less estimated residual value, of the asset using the declining balance or straight-line method over the estimated useful life. Depreciation commences when the assets are available for use. Leaseholds are depreciated on a straight-line basis over the life of the lease, not to exceed 5 years. The estimated useful lives in years are as follows:

Automobiles and trailer	30% Declining balance
Furniture & equipment	20% Declining balance
Computer hardware	55% Declining balance
Computer software	Straight-line over 3 years
Leasehold improvements	Lease term or 5 years.
Right of use asset	Lease term

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

Summary of significant accounting policies continued

4.3 Intangible assets

Separately acquired intangible assets are recorded at the purchase price plus any directly attributable cost of preparing the asset for its intended use. Intangible assets with indefinite useful life are deemed to have no foreseeable limit over which the asset is expected to generate net cash inflows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

4.4 Joint operations

The Company applies IFRS 11, Joint Arrangements. A joint arrangement is defined as one set of operations over which two or more parties have joint control. This exists when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. When a joint arrangement

undertakes its activities under joint operations, the party recognizes, in relation to its interest, in the joint operation; (i) its assets, including its share of any assets held jointly, (ii) its liabilities, including its share of any liabilities incurred jointly, (iii) its revenue from the sale of its share of the output arising from the joint operation, and (iv) its expense, including its share of any expenses incurred jointly.

The Company recognizes only its direct assets, liabilities and share of the results of operations of the joint operation. The assets, liabilities and results of joint operations are included within the respective line items of the consolidated statements of financial position and consolidated statements of loss and comprehensive loss. The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

4.5 Accounts receivable and expected credit loss

Accounts receivables are recorded at the invoiced amount and do not bear interest. An expected credit loss model applies to the accounts receivables measured at amortized cost. The Company applies the simplified approach to impairment for accounts receivables by recognizing a loss allowance based on lifetime expected losses. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivables that may not be collected due to customer claims or customer inability or unwillingness to pay. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

Summary of significant accounting policies continued

4.6 Inventories

Inventory is valued at the lower of cost and net realizable value. Cost comprises all costs of purchases and other costs incurred in bringing inventories to their present location and condition. The Company uses the weighted average method to track and cost inventory items. The inventory consists of cannabis products, vaporizers, vaporizer accessories and other accessories. The inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

Inventory is written down to net realizable value by item when a decline in the price of items indicates that the cost is higher than the net realizable value. When events having caused a decline in the valuation of inventories no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

4.7 Accounts payable and accrued liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

4.8 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions.

Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.9 Revenue recognition

IFRS 15 applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company derives its revenues from the sales of cannabis related products, vaporizers and accessories. Product sales are recognized when the Company has delivered the product to the customer, and control of the product has been transferred to the customer, per the agreed upon shipping terms.

Revenues from sales of cannabis related products, vaporizers and accessories are recognized at the amount of consideration to which the Company expects to be entitled. This amount includes deductions for rebates or allowances that are determined, in some cases, using assumptions based on estimates prepared using the Company's past history and experience.

The accompanying notes are an integral part of these consolidated financial statements.

Summary of significant accounting policies continued

The Company recognizes revenue related to sales agency services rendered as set out in various Sales Representation agreements with its customers. As per the agreements the company receives a cost sharing fee directly related to its sales agents with a further performance-based bonus compensation recognized upon various milestones.

4.10 Lease arrangements

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of the consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if

the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, unless it has been reduced to zero.

4.11 Share-based payments

The Company operates equity settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity settled share-based payments under share-based payments plans are ultimately recognized as an expense in profit or loss with a corresponding credit to reserve for share-based payments, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

Summary of significant accounting policies continued

4.12 Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

As Cabo Connection operates in the cannabis industry in California within the U.S., it is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which Cabo Connection is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E.

4.13 Financial instruments

(a) Financial assets

(i) Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

(ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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Summary of significant accounting policies continued

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of accounts receivable and due from related parties.
- Fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash.
- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

(b) Financial assets

(iii) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets with significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

4.13 Financial instruments (continued)

(i) Impairment (continued)

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statements of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

(ii) Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

(b) Financial liabilities

(i) Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

(ii) Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method or where applicable fair value through profit and loss. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

(c) Summary of the Company's classification and measurements of financial assets and liabilities

	Classification and Measurement
Cash	FVTPL
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Loan Payable	Amortized cost
Convertible Debenture	Amortized cost

Summary of significant accounting policies continued

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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4.14 Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than functional currencies are translated into functional currencies at the rate of exchange in effect at the statements of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction date exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the statements of the financial position date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions) for the year or period presented;
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign currency translation.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation reserve.

4.15 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

4.16 Loss per share

Basic loss per share is calculated by dividing the net loss attributable to shareholders by the weighted average number of common shares outstanding during each of the years presented.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential securities. In order to determine diluted loss per share, it is assumed that any proceeds from the exercise of dilutive stock options would be used to repurchase common

Summary of significant accounting policies (continued)

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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4.17 Loss per share (continued)

shares at the average market price during the period. The diluted loss per share calculation excludes any potential conversion of stock options and convertible debt that would increase earnings per share or decrease loss per share.

4.18 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

4.19 Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated between common shares and warrants based on the relative fair value of each instrument on the issuance date. Transaction costs directly attributable to the issuance of units are recognized as a reduction from equity.

4.20 Provisions and contingent liabilities

Provisions, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

5. Use of estimates, judgments and measurement uncertainty

The preparation of these Consolidated Financial Statements requires management to make judgments and estimates and form assumptions that affect the carrying amounts of assets and liabilities as at the reporting date and reported amounts of revenues and expenses during the reported period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

The critical judgements and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

Expected credit loss

Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All accounts and other receivables are expected to be collected within one year of the statement of financial position date. Estimates includes the analysis of historical bad debts and the judgement used to predict future economic conditions when estimating expected credit losses;

The accompanying notes are an integral part of these consolidated financial statements.

5. Use of management estimates, judgments and measurement uncertainty (continued)

Expected credit loss (continued)

Estimated useful lives and depreciation of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates.

Leases

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement, including lease term and discount rate. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension operation, or not to exercise a termination option. Where the rate implicit in a lease is not readily determinable, the discount rate of lease obligations are estimated using a discount rate similar to the Company's specific incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

Inventory valuation

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price the Company expects to realize by selling the inventory, and the contractual arrangements with customers. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold.

Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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5. Use of management estimates, judgments and measurement uncertainty (continued)

Share-based payment transactions and warrants.

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Compound financial instruments - convertible debentures

In order to determine the appropriate allocation between the equity and liability components of compound financial instruments, management must determine the fair value of a similar liability that does not contain an equity component. Determining this fair value requires management to make assumptions with respect to the expected future amount and timing of cash outflows and an appropriate discount rate to calculate present value.

Management also identifies and determines the fair value of embedded derivatives, including the extension option and redemption option contained in the convertible debentures, which requires estimates and judgements including but not limited to determining whether an embedded derivative is separated, discount rates, probability of debenture conversion, and future interest rates.

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

6. New standards and interpretations to be adopted in future periods

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. Updates that are not applicable or are not consequential to the Company have been excluded.

Amendments to IAS 1 and IFRS Practice Statement 2:

On February 12, 2021, the IASB issued "Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)" with amendments that are intended to help preparers in deciding which accounting policies to disclose in their Consolidated Financial Statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Adoption of these amendments is not expected to have a material impact on the Company's Consolidated Financial Statements in the future.

Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments to IAS 1 specify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
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Non-current Liabilities with Covenants (Amendments to IAS 1) (continued)

disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively.

Amendments to IAS 8 – Accounting policies, changes in accounting estimates and errors:

On February 12, 2021, the IASB issued “Definition of Accounting Estimates (Amendments to IAS 8)” to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. Adoption of these amendments is not expected to have a material impact on the Company’s Consolidated Financial Statements in the future.

New standards and interpretations adopted during the year

Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets:

On May 14, 2020, the IASB issued “Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)” amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Adoption of these amendments did not have a material impact on the Company’s Consolidated Financial Statements.

7. Accounts receivable

	June 30, 2023	June 30, 2022
Accounts receivable	\$ 7,009	\$ 6,881
Expected credit loss	(2,337)	(696)
	\$ 4,672	\$ 6,185

Expected credit loss

Balance at beginning of period	\$ 696	\$ 158
Provided during the period	2,434	577
Written off during the period as uncollectible	(793)	(39)
Balance at end of period	\$ 2,337	\$ 696

During the year ended June 30, 2022, the Company provided for \$566 of accounts receivable at Fume Labs. See Note 27.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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Years Ended June 30, 2023 and 2022

8. Prepaid expenses and deposits

	June 30, 2023	June 30, 2022
Deposits on inventory	\$ 2,460	\$ 2,567
Other prepaid expenses	2,382	1,217
	\$ 4,842	\$ 3,784

The Company paid deposits for inventory that will be received within the next 12 months. During the year ended June 30, 2022, the Company wrote-off \$61 of prepaid expenses and deposits held by Fume Labs. See Note 27 Other prepaid expense comprises of prepaid marketing brand development deposits \$2,011K (2022 – \$530K), prepaid insurance \$269K (2022 – \$294K) and other prepaid expenses \$102K (2022 - \$393K).

9. Inventories

	June 30, 2023	June 30, 2022
Finished goods and components	\$ 10,741	\$ 16,350
Inventory provision	(939)	(968)
	\$ 9,802	\$ 15,382

During the year ended June 30, 2023, the Company recognized \$56,589 (2022 – \$48,696) of inventories as an expense and recorded a net (pick up) write down of inventory of \$89 (2022 – (\$1,283)) to net realizable value. These expenses are included in the cost of sale of product revenue on the Consolidated Statements of Loss and Comprehensive Loss. During the year ended June 30, 2022, the Company wrote-off \$823 of inventory held by Fume Labs. See Note 24.

10. Promissory notes receivable

Promissory notes receivable are unsecured, bear interest at rates of between 2.5% and 6.5% per annum and mature between May 2023 and November 2023. During the year ended June 30, 2023, the company wrote-off both promissory notes for \$449. See note 27.

The accompanying notes are an integral part of these consolidated financial statements.

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11. Property, plant and equipment

Cost	Computer Hardware	Leasehold Improvements	Automobiles and Trailer	Computer Software	Furniture & Equipment	Right of use Asset	Total
As at June 30, 2021	\$ 172	\$ 1,570	\$ 60	\$ 8	\$ 1,608	\$ 3,220	\$ 6,638
Additions	98	450	412	35	78	871	1,945
Disposals	-	-	(29)	-	-	(1,286)	(1,315)
Impairment	(13)	(1,395)	-	-	(1,182)	-	(2,590)
Currency translation	-	-	-	-	2	11	13
As at June 30, 2022	258	624	444	43	506	2,816	4,691
Additions	52	299	193	7	114	1,311	1,976
Disposals	-	(14)	(20)	-	-	(736)	(770)
Currency translation	2	12	12	-	17	45	88
As at June 30, 2023	312	922	629	50	637	3,436	5,985

Accumulated Depreciation	Computer Hardware	Leasehold Improvements	Automobiles and Trailer	Computer Software	Furniture & Equipment	Right of use Asset	Total
As at June 30, 2021	\$ 120	\$ 430	\$ 51	\$ 3	\$ 592	\$ 1,461	\$ 2,656
Disposals	-	-	(28)	-	-	(806)	(834)
Impairment	(8)	(430)	-	-	(423)	-	(861)
Depreciation	37	143	28	4	159	473	845
As at June 30, 2022	148	142	51	7	328	1,129	1,806
Disposals	-	-	-	11	-	(736)	(725)
Depreciation	63	121	168	14	52	478	897
Currency translation	-	(1)	(1)	-	6	(1)	3
As at June 30, 2023	\$ 212	\$ 262	\$ 218	\$ 32	\$ 386	\$ 870	\$ 1,982

Net Carrying Amount

As at June 30, 2022	\$ 110	\$ 481	\$ 393	\$ 35	\$ 178	\$ 1,687	\$ 2,885
As at June 30, 2023	\$ 100	\$ 659	\$ 411	\$ 18	\$ 250	\$ 2,565	\$ 4,004

The right-of-use assets relate to leased properties.

During the year ended June 30, 2022, the Company recorded an impairment on the net book value of the property, plant and equipment held in Fume Labs in the amount of \$1,729. See Note 27

The accompanying notes are an integral part of these consolidated financial statements.

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12. Intangible assets

Cost	Licences		Total
As at June 30, 2021	-	\$	-
Additions	1,296		1,296
Disposals	-		-
Effects of foreign exchange	-		-
As at June 30, 2022	1,296		1,296
Additions	73		73
Disposals	-		-
Effects of foreign exchange	36		36
As at June 30, 2023	1,405	\$	1,405

Accumulated Depreciation

As at June 30, 2021	-		-
Disposals	-		-
Depreciation	-		-
As at June 30, 2022	-		-
Disposals	-		-
Depreciation	-		-
As at June 30, 2023	-		-

Net Carrying Amount

As at June 30, 2022	1,296	\$	1,296
As at June 30, 2023	1,405	\$	1,405

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
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13. Lease liabilities

The Company leases assets, including office buildings and equipment. Lease liabilities relating to those assets are as follows:

Balance, June 30, 2021	\$	2,096
Additions		871
Disposals		(375)
Interest expense		240
Lease payments		(924)
Effects of foreign exchange		16
Balance, June 30, 2022		1,924
Additions		1,311
Disposals (net)		(19)
Interest expense		439
Lease payments		(700)
Effects of foreign exchange		45
Balance, June 30, 2023	\$	3,000
Current		345
Non-current		2,655
Balance, June 30, 2023	\$	3,000

During the year ended June 30, 2022, the Company exited four leases and the related lease liability was reduced. A net loss on disposal of right of use assets and lease liabilities of \$107 was recognized in restructuring charge on the consolidated statements of loss and comprehensive loss.

The following table sets out a maturity analysis of the lease payments payable, showing the undiscounted lease payments to be paid on an annual basis, reconciled to the lease liability. The Company used rates between 14%-15% in the valuation of the building and equipment leases.

Maturity analysis of lease instalments payable

Less than one year	\$	772
One to two years		790
Two to three years		809
Three to four years		829
Four to five years		558
Thereafter		850
Total undiscounted lease instalments payable		4,608
Less: impact of present value		(1,608)
Balance, June 30, 2023	\$	3,000

The accompanying notes are an integral part of these consolidated financial statements.

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14. Loan payable

On September 1, 2022, the Company entered into a loan agreement up to a maximum principal amount of \$2,000. The loan bears interest at a rate of 10% per annum, payable bi-annually every six months following the date of the agreement, increasing to 14% per annum if any amount payable is not paid when due. The Loan is secured against the assets of the Company and its subsidiaries. The loan matures on September 2, 2024. Interest expense on the loan is calculated at an effective interest rate of 10.24% per annum. As at June 30, 2023, the Company has been in compliance with all terms and covenants set forth in the loan agreement.

The carrying amount of loan payable is as follows:

Loan balance

Balance, June 30, 2022	\$	-
Advances		2,000
Interest payments		
Interest expense accrual		178
Balance, June 30, 2023		2,178

Deferred financing costs

Balance, June 30, 2022	-
Additions	(144)
Amortization of deferred financing costs	57
Balance, June 30, 2023	(87)

Carrying amount at June 30, 2023	\$	2,091
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Current	200	
Non-current	1,891	
Carrying amount at June 30, 2023	\$	2,091

15. Convertible Debenture

On June 13, 2023, the Company entered into a convertible debenture agreement with a principal amount of \$1,540. Each Debenture Unit is comprised of: (i) one C\$1 principal amount secured subordinated convertible debenture of the Company (a "Debenture"); and (ii) 6,250 share purchase warrants of the Company (each, a "Warrant"). The outstanding principal amount of each Debenture is convertible at the option of the holder, at any time prior to maturity, into common shares of the Company at a conversion price of C\$0.06 per Common Share. Each Warrant is exercisable to acquire one Common Share at an exercise price of C\$0.08 for a period of 36 months from the closing date of the Offering (the "Closing Date"). A total of 9,625,000 Warrants were issued in the Offering. The Debentures mature 36 months from the Closing Date, can be repaid at the option of the Company, and bear interest at a rate of 10% per annum, payable on the earlier of conversion, repayment, or maturity. The Debentures are secured by general security agreements over the Company's assets, but subordinated to the Company's senior secured lender. The loan debenture was valued using a 44% discount factor. The conversion option and warrants were valued using the Black and Scholes model and were valued at \$603 and \$206 respectively. See note 16 for further details on the warrant.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
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15. Convertible Debenture (continued)

The carrying amount of convertible Debenture is as follows:

Balance, June 30, 2022	\$	-
Advances		707
Interest expense accrual		12
Balance, June 30, 2023		719
Deferred financing costs		
Balance, June 30, 2022		-
Additions		(21)
Amortization of deferred financing costs		-
Balance, June 30, 2023		(21)
Carrying amount at June 30, 2023	\$	698

16. Share capital

Authorized – Unlimited number of common shares.

Issued and outstanding – common shares

The share activity for the year ended June 30, 2023 and June 30, 2022 is as follows:

	Number of shares	Share capital
Outstanding at June 30, 2021	103,937,304	\$ 71,245
Exercise of stock options	202,500	136
Shares issued on private placement	19,267,169	9,655
Shares issued on vesting of RSUs	650,279	441
Shares returned to treasury and cancelled	(117,370)	(105)
Outstanding at June 30, 2022	123,939,882	81,372
Shares issued on vesting of RSUs	248,178	58
Outstanding at June 30, 2023	124,188,060	\$ 81,430

- On November 12, 2021, the Company completed a private placement subscription agreement, whereby the subscriber agrees to purchase 18,795,471 shares of the Company at \$0.53 each for total gross proceeds of \$9,962. The agreement's issuance cost consisted of a cash issuance cost of \$307 and a non-cash issuance cost of \$292 on 471,698 common shares as per prevailing fair value. The fair value of the cash and non-cash issuance cost was deducted from the share capital for a net common share cost of \$9,655 inclusive of compensation shares for a total of 19,267,169 shares issued.
- During the year ended June 30, 2022, employees exercised 202,500 stock options for total proceeds of \$598. Previously recognized share-based payments of \$77 relating to these stock options were reallocated from contributed surplus to share capital. The weighted average share price at the date of exercise was \$0.49.
- During the year ended June 30, 2022, the Company purchased and cancelled 117,370 shares for \$398. These shares had an original share cost of \$105. The difference of \$66 was recorded in contributed surplus.

The accompanying notes are an integral part of these consolidated financial statements.

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16. Share capital (continued)

Warrants

The changes in the number of warrants outstanding during the year ended June 30, 2023 and June 30, 2022 were as follows:

	Number of warrants	Weighted average exercise price
Outstanding at June 30, 2021	5,194,500	\$ 1.40
Outstanding at June 30, 2022	5,194,500	1.40
Issued	10,375,000	0.09
Outstanding at June 30, 2023	15,569,500	\$ 0.53

- On September 1st, 2022, 750,000 common share purchase warrants were issued relating to a loan agreement. The purchase warrants are exercisable at \$0.25 per share for a period of 36 months. The purchase warrants were valued at \$0.07 per warrant using Black-Scholes valuation model with the following assumptions: share price \$0.15, volatility 96%, risk-free rate 3.36 %, dividend yield 0%. The expected volatility was estimated using the volatility of publicly traded companies the Company considered to be comparable. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the warrants.

On June 13th, 2023, 9,625,000 common share purchase warrants were issued relating to convertible debenture agreement. The purchase warrants are exercisable at \$0.08 per share for a period of 36 months. The purchase warrants were valued at \$0.04 per warrant using Black-Scholes valuation model with the following assumptions: share price \$0.06, volatility 109%, risk-free rate 4.14%, dividend yield 0%. The expected volatility was estimated using the volatility of publicly traded companies the Company considered to be comparable. The risk-free interest rate is based on the government bonds with a term equal to the expected life of the warrants.

Share based payments

The maximum number of shares issued under the plan shall not exceed 10% of the issued and outstanding shares. Equity incentives granted generally vest over one to three years, and typically have a life of ten years. Option grants are determined by the Compensation Committee of the Board with the option price set at no less than 100% of the fair market value of a share on the date of the grant. The continuity of stock options is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance at June 30, 2021	3,661,000	\$ 0.69	7.53
Granted	4,480,000	0.50	9.51
Exercised	(202,500)	0.29	-
Expired	(784,500)	0.93	-
Balance at June 30, 2022	7,154,000	0.56	8.59
Granted	795,000	0.12	9.50
Expired	(3,772,525)	0.55	-
Balance at June 30, 2023	4,176,475	0.48	7.84

The accompanying notes are an integral part of these consolidated financial statements.

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16. Share capital (continued)

Share based payments (continued)

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

	June 30, 2023	June 30, 2022
Risk-free interest rate	3.36% - 4.14%	1.44% - 3.19%
Expected dividend yield	0%	0%
Expected volatility	96.26 - 111.06%	96.26 - 102.53%
Expected option life	10 years	10 years
Share price	\$0.03 - \$0.40	\$0.35 - \$0.60

The volatility rate was based on comparable companies within the same industry. The share price was determined based on the most recent trading price in the public market. The options were valued at the weighted average share price of \$0.50 (June 30 2022 - \$0.84).

The stock-based compensation expense of options was (\$166) (2022 – \$1,281) for the year ended June 30, 2023. The number of options exercisable at that date was 2,176,015 (June 30, 2022 – 2,781,653). As a result of employees leaving in fiscal 2023, reversal of compensation expense due to forfeitures of unvested options amounted to \$(998). Current year expense amounted to \$811 and together with the reversal of \$(998) net expense for the year is \$(187).

The following schedule summarizes options outstanding as at June 30, 2023:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable	
\$0.29	405,000	4.76	\$0.29	405,000	
\$1.00	265,000	5.60	\$1.00	265,000	
\$0.84	45,000	7.22	\$0.84	29,700	
\$1.00	711,475	7.97	\$1.00	674,415	
\$0.39	45,000	8.19	\$0.39	14,850	
\$0.50	2,000,000	8.42	\$0.50	660,000	
\$0.40	295,000	8.69	\$0.40	97,350	
\$0.36	45,000	8.71	\$0.36	14,850	
\$0.34	45,000	8.75	\$0.34	14,850	
\$0.10	200,000	9.43		-	
\$0.10	45,000	9.56		-	
\$0.10	45,000	9.67		-	
\$0.11	30,000	9.70		-	
\$0.56	4,176,475	7.90	\$0.67	2,176,015	

The accompanying notes are an integral part of these consolidated financial statements.

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16. Share capital (continued)

The following schedule summarizes options outstanding as at June 30, 2022:

Options Outstanding			Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Exercise Price	Number Exercisable	
\$0.29	405,000	5.76	\$0.29	405,000	
\$0.67	225,000	6.01	\$0.67	225,000	
\$0.67	450,000	6.33	\$0.67	450,000	
\$1.00	265,000	6.60	\$1.00	265,000	
\$1.00	300,000	6.87	\$1.00	300,000	
\$0.84	45,000	8.62	\$0.84	15,000	
\$1.00	984,000	8.97	\$1.00	463,320	
\$0.54	1,750,000	9.02	\$0.54	583,333	
\$0.35	15,000	9.12	-	-	
\$0.39	120,000	9.19	\$0.39	75,000	
\$0.43	20,000	9.17	-	-	
\$0.60	10,000	9.39	-	-	
\$0.50	2,000,000	9.42	-	-	
\$0.40	430,000	9.69	-	-	
\$0.36	90,000	9.71	-	-	
\$0.36	45,000	9.69	-	-	
\$0.61	7,154,000	8.59	\$0.70	2,781,653	

On July 1st, 2021, the Company granted 20,000 RSUs, where all units vests on Jun 16, 2023. The RSUs were valued at a share price of \$0.80 (fair value determined on the most recent private financing as at date of grant).

On July 5th, 2021, the company issued 250,000 RSUs, where all units vested on the date of issue. The RSUs were valued at a share price of \$0.55 (prevailing trading price).

On November 1st, 2021, the Company granted 25,000 RSUs, where 8,250 RSUs vests on November 1st, 2022 and November 1st, 2023 and 8,500 RSUs vests on November 1st, 2024. The RSUs were valued at a share price of \$0.58 (prevailing trading price).

On April 1st, 2022, the company granted 204,082 RSUs, where all units vested on the date of issue. The RSUs were valued at a share price of \$0.49 (prevailing trading price).

For the year ended June 30, 2023, the share-based payments expense was \$6 (June 30, 2022 – \$315) for the RSUs.

The accompanying notes are an integral part of these consolidated financial statements.

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16. Share capital (continued)

The RSU activity during the year ended June 30, 2023, and June 30, 2022 is as follows:

	Number of RSUs
June 30, 2021	1,055,128
Granted	479,082
Vested	(980,027)
Forfeited	(10,175)
June 30, 2022	544,008
Vested	(331,633)
Forfeited	(207,287)
June 30, 2023	5,088

The following table displays the vesting for outstanding RSUs:

	Vested	Unvested	Total
June 30, 2021	532,320	1,055,128	1,587,448
Granted	-	479,082	479,082
Vested	980,027	(980,027)	-
Forfeited	-	(10,175)	(10,175)
June 30, 2022	1,512,347	544,008	2,056,355
Vested	331,633	(331,633)	-
Forfeited	-	(207,287)	(207,287)
June 30, 2023	1,843,980	5,088	1,849,068

Of the total 331,663 shares vested, all units were settled in shares with a total of 83,445 units withheld in lieu of tax withholdings resulting in a net share release of 248,178.

17. Commitments and contingencies

Office and Operating leases:

The Company leases certain business facilities and equipment from third parties under lease agreements that contain minimum rental provisions and expire through 2029. Some of these leases also contain renewal provisions. These lease commitments were recorded as lease liabilities under IFRS 16. Rent was also paid in situations where an agreement did not exist or were short term in nature. Such leases were excluded from IFRS 16 treatment. Rent expense is calculated on straight-line basis over the terms of the leases. The Company's net rent expense for the years ended June 30, 2023 and 2022 was approximately \$599 and \$234 respectively.

Legal matters

From time to time, the Company is named as a party to claims or is involved in proceedings, including legal, regulatory and tax related, in the ordinary course of its business. While the outcome of these matters may not be estimable at the reporting date, the Company makes provisions, where possible, for the estimated outcome of such claims or proceedings. Should a loss result from the resolution of any claims or proceedings that differ from these estimates, the difference will be accounted for as a charge to profit or loss in that period.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

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17. Commitments and contingencies (continued)

Legal matters (continued)

During the year ended June 30, 2023, the Company began legal action against Hexo Corp (“Hexo”), 48 North Cannabis Corp (“48North”) and their affiliates due to a material breach in a Supply and Services Agreement (the “Agreement”) and a Sales Representation Agreement. The Agreement was entered into between Fume Labs and 48North, which was acquired by Hexo on September 1, 2021. Following the acquisition, Hexo announced the closure of the Brantford cannabis processing facility. Per the Agreement, 48North was required to grant access to Fume Labs to the facility in order to perform the extraction of cannabis distillate, and the filling, packaging and sale of cannabis vaporizer cartridges. The Agreement has a minimum six-year initial term which would expire on January 21, 2026. On February 9, 2022, the Company notified 48North that the Agreement was terminated due to uncured material breach. On September 20, 2023 all parties entered into a settlement agreement to forgo the outstanding legal actions related to the Agreement and the Sales Representation Agreement. The company received \$450 in cash in consideration.

18. Due to related parties and related party transactions

a) Due from Related Parties

Each of the following related parties are related because of common control across all entities. The Due from Shareholders includes a Promissory Note for \$333 (2022- \$328) due from one shareholder. The Note was renewed on April 26, 2022, and becomes due on April 26, 2024. The Note accrues interest at the rate of 1.59% per annum.

	June 30, 2023	June 30, 2022
Due from Shareholders	\$ 333	\$ 328
Due from related parties	\$ 333	\$ 328

b) Related Party Transactions

Key management includes the Company’s directors and members of the executive management team. Total compensation of key management personnel and directors was \$1,565 for the year ended June 30, 2023 (2022 – \$2,212), which included \$1,136 of salaries (2022 – \$1,088) and \$429 (2022 – \$1,124) in stock-based compensation expense.

The Company has entered into Lease Agreements with RKCB Holdings Inc. (“RKCB”) for the rental of premises at 915 Douglas St. and 18th Street. RKCB is controlled by a member of the Company’s executive management. During the nine months ended March 31, 2023, the Company paid \$nil in rent and common area charges (2022 – \$215). As of February 2022, the premises were no longer owned by a related party.

During the year ended June 30, 2023, the Company purchased \$nil (2022 – \$379) of inventory from a company that was owned and controlled by two shareholders.

The Company paid for credit card processing services from a corporation that purchases services from another entity, in which a related party holds a minority interest. During the year ended June 30, 2023, the Company purchased \$nil (2022 – \$366) of these services, of which \$nil (2022 – \$29) are purchased from the entity in which the related party has a minority interest..

The accompanying notes are an integral part of these consolidated financial statements.

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19. Geographical and segment information

The Company operates in two segments in two geographical locations: Canada and USA and cannabis distribution and cannabis related distribution. The Company has a diversified customer base and is not susceptible to risks associated with customer concentration.

The following table presents the Company's revenues and assets by location:

	June 30, 2023		June 30, 2022
Revenues			
Canada	\$ 20,626	\$	28,688
USA	47,887		37,461
	\$ 68,513	\$	66,150
<hr/>			
	June 30, 2023		June 30, 2022
Non-Current Assets			
Canada	\$ 810	\$	971
USA	4,856		3,210
	\$ 5,666	\$	4,181

The following table presents the Company's revenues and assets by segment:

	June 30, 2023		June 30, 2022
Revenues			
Cannabis distribution	\$ 29,822	\$	2,904
Cannabis related distribution	38,692		63,246
	\$ 68,513	\$	66,150
<hr/>			
	June 30, 2023		June 30, 2022
Non-Current Assets			
Cannabis distribution	\$ 3,346	\$	3,043
Cannabis related distribution	2,321		1,138
	\$ 5,666	\$	4,181

The accompanying notes are an integral part of these consolidated financial statements.

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20. Finance (income) expense

	June 30, 2023	June 30, 2022
Interest income	\$ (32)	\$ (18)
Interest expense	707	254
Net finance expense	\$ 675	\$ 236

Interest income includes interest on interest bearing bank account of \$31 (2022 – \$12), service charge income on delinquent customer accounts of \$nil (2022 – \$nil) and interest income on promissory note to related party of \$1 (2022 – \$6).

The interest expense includes interest on lease liability of \$518 (2022 – \$254) and accrued interest expense on loan payable of \$189 (2022 – \$nil).

21. Changes in other non-cash operating working capital items

The change in items of non-cash working capital comprises the following:

	June 30, 2023	June 30, 2022
Accounts receivable	\$ (231)	\$ (4,570)
Prepaid expenses and deposits	(1,507)	(1,555)
Inventories	5,609	1,828
Accounts payable and accrued liabilities	(970)	2,780
Taxes recoverable	291	584
	\$ 3,192	\$ (933)

22. Management of capital

The Company's objectives when managing capital are:

- To ensure the Company continues to operate as a going concern to maximize the return on investment to shareholders;
- To ensure sufficient liquidity to meet the Company's financial obligations and to execute its operating and strategic plans; and
- To minimize the after-tax cost of capital while taking into consideration current and future industry, markets and economic risks and conditions.

The company defines capital as the aggregate of equity and debt.

The Company manages and adjusts its capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain and adjust the capital structure, the Company may attempt to issue new shares or raise additional debt.

23. Financial instruments

Financial instruments measured at fair value are classified into one of levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

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23. Financial instruments (continued)

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data. The derivative liability is valued at fair market value.

	As at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	2,837	-	-	2,837

	As at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	6,305	-	-	6,305

At June 30, 2023 and 2022, the Company's financial instruments consist of cash, accounts receivable, due from related parties, loan payable, accounts payable, accrued liabilities, and convertible debenture loan payable. The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The difference between the fair value of the loan payable and the carrying value is insignificant as the loan matures within the next year. The carrying values of due from related parties approximate their fair values because the discount rate used to calculate them approximates market borrowing rates. The fair value of the convertible debenture loan payable is equal to its carrying amount of \$698 as market interest rates were used to value the financial instrument at issuance of the debenture.

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including credit risk, interest rate risk and foreign currency risk) and liquidity risk which has not changed throughout the year. The overall risk management program has not changed throughout the year and focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

a) Market risk:

i. Credit risk:

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade receivables and due from related parties. The Company's trade receivables are disclosed, net of allowance for doubtful accounts, which the Company accounts for at the specific account level. Credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which could impair the customers' ability to satisfy their obligations to the Company.

In order to reduce the exposure to this risk, the Company has credit procedures in place, whereby analyses are performed to control the granting of credit to any new or high-risk customers.

The accompanying notes are an integral part of these consolidated financial statements.

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23. Financial instruments (continued)

i. Credit risk:

The Company's cash and cash equivalents subjects the Company to credit risk. At June 30, 2023, the Company had cash and cash equivalents of approximately \$2.8 million held with a number of financial institutions in various bank accounts as per its practice of protecting its capital rather than maximizing investment yield through additional risk. Approximately 97% of the cash and cash equivalents is held with either a major Canadian trust company or a large international bank which the Company believes lessens the degree of credit risk.

Management does not believe there is any significant credit risk from any of the Company's customers which have not already been provided for; however, should one of the Company's main customers be unable to settle amounts due, the impact on the Company could be significant. The maximum exposure to loss arising from accounts receivable is equal to their carrying amounts.

The Company had no customers comprising more than 10% of trade receivables at June 30, 2023 and one customer comprising 13% of trade receivables at June 30, 2022.

At June 30, 2023 and 2022 the Company does not consider any of its financial assets to be impaired, with the exception of accounts receivable balances and other assets as described in Note 5 for which a provision has been recorded.

At June 30, 2023, \$5,127 (June 30, 2022 – \$2,406) of accounts receivable was past due based on contractual terms, but not impaired.

The definition of items that are past due is determined by reference to payment terms agreed with individual customers. Management believes that amounts outstanding which have not already been provided for are fully collectible in the future. The aging of accounts receivable at the reporting date was:

	June 30, 2023	June 30, 2022
	Gross	Gross
Not past due	\$ 1,883	\$ 3,793
Past due 1-30 days	1,454	825
Past due 31-90 days	1,284	771
Past due 90+ days	2,388	1,492
	<u>\$ 7,009</u>	<u>\$ 6,881</u>

Past due	0 days	1-30 days	31-90 days	90+ days	Total
ECL rate	0.27%	0.32%	5.74%	94.36%	
ECL Allowance	\$ 5	\$ 5	\$ 74	\$ 2,254	\$ 2,337

Past due	5,127
ECL Allowance	\$ (2,337)
Past due, not impaired	<u>\$ 2,790</u>

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

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23. Financial instruments (continued)

i. Credit risk (continued):

The Company reviews financial assets past due on an ongoing basis with the objective of identifying potential matters which could delay the collection of funds at an early stage. Once items are identified as being past due, contact is made with the respective customer to determine the reason for the delay in payment and to establish an agreement to rectify the breach of contractual terms.

ii. Interest rate risk:

The Company's borrowings, including loan payable, are not a source of cash flow risk as the interest rate on the borrowings are fixed and not referenced to a specific rate, such as prime rate. However, the borrowings are subject to fair value interest rate risk.

iii. Foreign currency risk:

The Company generates sales of product in Canadian and U.S. dollars and incurs its expenses in both U.S. and Canadian dollars and is therefore exposed to risk from changes in foreign currency rates. In addition, the Company holds financial assets and liabilities denominated in U.S. dollars that expose the Company to foreign exchange risks. The Company has a self-sustaining operation in the U.S. with 70% (2022 – 57%) of its revenue being U.S. dollar denominated. The Company does not utilize any financial instruments or cash management policies to mitigate the risks arising from changes in foreign currency rates.

At June 30, 2023, the Company had U.S. dollar denominated cash of approximately US\$1,018 (2022 – US\$3,356) and U.S. dollar denominated net assets of approximately US\$4,467 (2022 – US\$13,326). The remaining amounts were denominated in Canadian dollars. Gains and losses arising upon translation of these amounts into Canadian dollars for inclusion in the consolidated financial statements are recorded in other income and expenses as foreign exchange.

A 5% strengthening of the U.S. dollar versus the Canadian dollar, at June 30, 2023, would have increased the foreign exchange gain for the period by approximately \$223 (2022 – \$666) while a 5% weakening of the U.S. dollar would have had approximately the equal but opposite effect. This analysis assumes that all other variables remain constant.

b) Liquidity risk:

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure it has sufficient liquidity to meet its liabilities, mainly trade and other payables and borrowings, when due.

The Company manages liquidity risk through ongoing review of trade receivables balances, the following up of amounts past due, the management of its cash and its allocation between cash on hand and short-term investments. The Company settles its financial obligations out of cash and relies on collecting its trade receivables in a timely manner to fund operations.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

23. Financial instruments (continued)

b) Liquidity risk (continued):

The following are the contractual maturities of financial liabilities, including interest payments as at June 30, 2023.

	Carrying amount	Contractual cash flow	2023	2024	2025	2026	2027	Thereafter
Lease liability	\$ 3,000	\$ 4,608	\$ 772	\$ 790	\$ 809	\$ 829	\$ 558	\$ 850
Loan payable	2,091	2,400	200	2,200	-	-	-	-
Trade and other payable	7,061	7,061	7,061	-	-	-	-	-
Total	\$ 12,152	\$ 14,069	\$ 8,033	\$ 2,990	\$ 809	\$ 829	\$ 558	\$ 850

24. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2022 – 27%) to the effective tax rate is as follows:

	2023	2022
Net Income (Loss) before recovery of income taxes	(24,671)	(16,142)
Expected income tax (recovery) expense	(6,661)	(4,278)
Tax rate changes and other adjustments	(5)	144
Non-deductible expenses	4,551	347
Share issuance cost booked directly to equity	218	(162)
Stock based compensation	(50)	42
Adjustments in respect of prior periods	1,173	-
Difference in tax rates	-	-
Potential income tax recovery not recognized	-	-
Utilization of losses not previously recognized	-	-
Change in tax benefits not recognized	1,088	3,854
Income tax (recovery)	314	(52)

The Company's income tax (recovery) is allocated as follows:

Current tax (recovery) expense	314	(52)
Deferred tax (recovery) expense	-	-
	314	(52)

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

24. Income taxes (continued)

Deferred tax

The following table summarizes the components of deferred tax:

Deferred Tax Assets	2023	2022
Capital lease obligation	432	457
Share issuance costs	12	-
Operating tax losses carried forward – Canada	252	37
Operating tax losses carried forward - USA	0	2
Subtotal of Assets	697	496
<hr/>		
Deferred Tax Liabilities	2023	2022
Property, plant and equipment	-	(13)
Convertible debentures	(230)	-
Right of use assets	(431)	(459)
Loan receivable	(33)	(24)
Subtotal of Liabilities	(697)	(496)
Net deferred tax liability	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2023	2022
Property, plant and equipment	726	695
Intangible Assets	55	411
Capital lease obligation	377	244
Inventory	-	492
Loan receivable	135	302
Other	35	11
Share issuance costs	910	1,627
Reserves	2,688	1,581
Operating tax losses carried forward - Canada	18,772	14,806
Operating tax losses carried forward - US	20,974	19,138
Charitable donations carry forward	3	3
	44,675	39,310

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements
(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

24. Income taxes (continued)

The Canadian and U.S. operating tax loss carry forwards expire as noted in the table below.

The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's operating tax losses expire as follows:

Year	Canada	USA
2038	-	618
2039	-	2,443
2040	3,929	-
2041	6,074	-
2042	4,222	-
2043	4,764	-
Thereafter	-	17,913
Total	18,772	20,974

The Company has operations in the cannabis industry in the U.S., therefore the Company can be subject to the limits of IRC Section 280E for U.S. federal income tax purposes. Under IRC Section 280E, the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E. The Company's operations in the cannabis industry are concentrated in the State of California, which does not conform to IRC Section 280E, accordingly, IRC Section 280E does not apply to any state income tax filings.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)
Years Ended June 30, 2023 and 2022

25. Non-controlling interest

The Company holds a 49.8% interest in HC Solutions Holdings Inc., HC Solutions of California LLC and Cabo Connection. The remaining 50.2% represents the non-controlling interest ("NCI").

The change in NCI is as follows:

Balance, July 1, 2021	\$	-
Contributions		2,568
Share of net loss for the year		(500)
Balance, June 30, 2022	\$	2,068
Contributions		13,227
Additions to Equity		(4,977)
Cumulative Translation Adjustment		(209)
Share of net loss for the period		(6,451)
Balance, June 30, 2023	\$	3,658

On September 13, 2022 Green Acre's Distribution Corp. invested an additional \$7,866 into HC Solution Inc. Green Acre Distribution acquired an additional 45 shares. This subscription changed the company's ownership in HC Holdings Inc. to 55%.

On February 27, 2023 Green Acre's Distribution Corp. invested an additional \$2,715 into HC Solution Inc. Green Acre Distribution acquired an additional 15 shares. This subscription changed the company's ownership in HC Holdings Inc. to 50%.

On June 15, 2022 Green Acre's Distribution Corp. invested an additional \$2,646 into HC Solution Inc. Green Acre Distribution acquired an additional 14.9697 shares. In addition, the company acquired an additional 14.2197 share in exchange for \$2,476 of loan forgiveness. This subscription changed the company's ownership in HC Holdings Inc. to 49.8%.

The company's board of directors and executive leadership exhibits material control over HC Solution Inc and the underlying business operations. As such their results have been consolidated as part of the Financial Statements.

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.
Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)
 Years Ended June 30, 2023 and 2022

Summarized Financial Information (before intercompany elimination):

Balance Sheet

Current Assets	10,317
Non-current assets	3,346
Current Liabilities	(1,996)
Non-current Liabilities	(852)

Income Statement

Revenue	29,822
Profit or Loss	(15,444)
Total comprehensive income	(15,656)

Cash Flow

Net change in cash and cash equivalents	(1,133)
Exchange differences	(536)
Cash and cash equivalents, beginning of period	2,465
Cash and cash equivalents, end of period	\$ 796

26. Restructuring charge

The restructuring charge for the year ended June 30, 2023 includes amounts relating to severance pay \$533K and warehouse closure costs \$182.

27. Impairment of assets

In November 2021, a third-party contractual counterparty announced the closure of the facility in which Fume Labs performs the extraction of cannabis distillate, filling, packaging and sale of cannabis vaporizer cartridges. The Company depended on the third-party contractual counterparty in being able to conduct cannabis extraction and processing services under the third party's cannabis processing license and began legal action. Without access to a facility and a cannabis processing license, the assets held in Fume Labs are no longer in use and the recoverable amounts exceeds the related net book values. The Company has also provided for the accounts receivable from a third-party contractual counterparty. As a result, during the year ended June 30, 2022, the Company recognized impairment and allowances to the assets held in Fume Labs as follows:

In June 2023, the Company provided for two promissory notes receivable from a third-party contractual counterparty which were in default of the notes. As a result, during the year ended June 30, 2023, the Company recognized impairment and allowances:

	June 30, 2023	June 30, 2022
Computer hardware	\$ -	\$ 4
Leasehold improvements	-	966
Furniture and equipment	-	759
Inventory	-	823
Prepaid expenses and deposits	-	62
Loan Receivable	552	-
Accounts payable	-	566
	\$ 552	\$ 3,180

The accompanying notes are an integral part of these consolidated financial statements.

Humble & Fume Inc.

Notes to the Consolidated Financial Statements

(in thousands of Canadian dollars)

Years Ended June 30, 2023 and 2022

28. Subsequent event

On August 22, 2023, Green Acre's Distribution Corp. invested an additional US \$4MM investment in HC Solutions Holdings Inc "HCI. This takes Green Acre's ownership stake in HCI from 50.2% to 75%, while Humble retains the remaining 25%. Green Acre has also granted to Humble & Fume an option for a period of six months to acquire 50% of the common shares of HCI acquired by Green Acre pursuant to the subscription described above for an aggregate purchase price of \$2 million USD.

On September 20, 2023, the Company settled their outstanding legal actions against Hexo and 48North for a cash settlement of \$450. No further legal action to follow.

The accompanying notes are an integral part of these consolidated financial statements.

This is Exhibit “K” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

Humble & Fume Inc. and certain of its subsidiaries
Projected Statement of Receipts and Disbursements
For the Period January 1, 2024 to January 28, 2024
CAD \$000

Projected Receipts and Disbursements	Week ending				Total
	7-Jan-24	14-Jan-24	21-Jan-24	28-Jan-24	
Amounts presented in CAD 000s					
Opening balance	1,435	1,525	1,073	919	1,435
Receipts					
Collection from sales and accounts receivables	189	374	200	193	956
Sale of Assets	-	-	117	-	117
Total Receipts	189	374	317	193	1,073
Disbursements					
Trade payables, cost of goods sold, operating costs and overheads	(44)	(554)	(416)	(225)	(1,239)
Payroll and benefits	-	(218)	-	(223)	(441)
Rent and utilities	(55)	(0)	(0)	(0)	(56)
Professional Fees	-	(54)	(54)	(54)	(162)
Total disbursements	(99)	(826)	(471)	(503)	(1,898)
Net cash change	90	(452)	(154)	(310)	(826)
Ending cash balance	1,525	1,073	919	609	609

This is Exhibit “L” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

LOAN AGREEMENT

THIS AGREEMENT made as of the 1st day of September, 2022.

BETWEEN:

HUMBLE & FUME INC., a corporation under the *Business Corporations Act* (Ontario)
(the **Borrower**)

AND:

HUMBLE & FUME INC., a corporation under the laws of Manitoba
(**HF**)

AND:

PWF HOLDCO, INC., a corporation under the laws of Delaware
(**PWF**)

AND:

WINDSHIP TRADING LLC, a corporation under the laws of Texas
(**Windship**)

AND:

B.O.B. HEAQUARTERS INC., a corporation under the laws of Manitoba
(**BOB**)

AND:

FUME LABS INC., a corporation under the laws of Ontario
(**Fume**)

AND:

HUMBLE CANNABIS SOLUTIONS INC., a corporation under the laws of Ontario
(**HCSI** and, together with HF, PWF, Windship, BOB and Fume, the **Guarantors**)

AND:

DGC INVESTMENTS INC., a corporation under the laws of the Province of
Saskatchewan

(the **Lender**)

WHEREAS:

(A) The Lender has agreed to provide the Borrower with a 10% interest bearing loan up to a maximum principal amount of \$2,000,000 in aggregate, to be used by the Borrower for working capital purposes;

(B) In contemplation of the entering into of this Agreement, on August 10, 2022, the Lender did make an Advance in the amount of \$1,000,000 to the Borrower pursuant to a Secured Promissory Note issued by the Borrower to the Lender (the **Secured Promissory Note**) and to secure such Advance, the Borrower entered into a general security agreement in favour the Lender concurrently therewith;

(C) The Guarantors wish to guarantee the Borrower's obligations to the Lender under this Agreement and the other Loan Documents; and

(C) The Lender is prepared to make available to the Borrower a loan upon and subject to the terms and conditions of this Agreement.

NOW THEREFORE for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) **Advance** means an advance of the Loan, including the Initial Advance, in accordance with the terms of this Agreement;
- (b) **Advance Date** means each date on which the Borrower has requested and the Lender makes an Advance to the Borrower as specified in a Draw Request;
- (c) **Agreement** means this agreement, as it may be amended, supplemented, restated or replaced from time to time, in accordance with its terms;
- (d) **Business Day** means any day except a day that is a Saturday, a Sunday or any day on which banks are generally not open for business in Toronto, Ontario;
- (e) **Default** means any event or circumstance the occurrence of which will be, with the giving of notice or the passage of time, or both, an Event of Default;
- (f) **Draw Request** means a request in writing, in a form and substance satisfactory to the Lender, delivered by the Borrower to the Lender specifying the amount of an Advance to be drawn on an Advance Date and setting out in reasonable detail the

proposed use of proceeds of the Advance and the consolidated cash balance of the Loan Parties as of the date of the Draw Request;

- (g) **Excluded Taxes** means any Taxes imposed on or measured by, or required to be withheld or deducted from a payment to the Lender on account of the Lender's net income (however denominated), franchise Taxes and branch profits Taxes, in each case, (i) imposed as a result of that recipient being organized under the laws of, or having its principal office or, in the case of the Lender, its applicable lending office located in the jurisdiction imposing the Tax (or any political subdivision of the jurisdiction) or (ii) that are Other Connection Taxes;
- (h) **Guarantee** has the meaning set out in Section 4;
- (i) **Indemnified Taxes** means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by, or on account of, any obligation of a Loan Party under this Agreement or under any of the other Loan Documents, and (b) to the extent not otherwise described in (a), Other Taxes;
- (j) **Initial Advance** has the meaning set out in Section 2.2;
- (k) **Interest Payment Date** has the meaning set out in Section 2.7;
- (l) **Lien** means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant, adverse claim, exception, reservation, right of occupation, any matter capable of registration against title, right of pre-emption, privilege or other encumbrance of any nature or any other arrangement or condition which, in substance, secures payment or performance of an obligation;
- (m) **Loan** has the meaning set out in Section 2.1;
- (n) **Loan Documents** means this Agreement, the Secured Promissory Note, each Promissory Note, the Guarantee and each of the Security Documents;
- (o) **Loan Parties** means the Borrower and the Guarantors and **Loan Party** means any one of them;
- (p) **Other Connection Taxes** means Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing the Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement or the other Loan Documents);
- (q) **Other Taxes** means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the

receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or the Loan Documents;

- (r) **Permitted Liens** means (i) Liens for Taxes not yet due and delinquent; (ii) easements, encroachments and other minor imperfections of title which do not, individually or in the aggregate, materially detract from the value of or impair the use or marketability of any real property or interests in real property in any material respect; (iii) the security registered against the Borrower pursuant to the Secured Promissory Note; and (iv) the security registered against the Borrower by RBC Royal Bank of Canada (“RBC”) with respect to USD Term Deposit and CAD Guaranteed Investment Certificate held by RBC as collateral for the following two credit accounts: (i) RBC USD VISA in the maximum principal amount of USD \$50,000 and (ii) the RBC CAD VISA in the maximum principal amount of CAD \$70,000.
- (s) **Promissory Note** has the meaning set out in Section 3(f);
- (t) **Repayment Date** means (i) in respect of the Initial Advance, August 10, 2024 and (ii) in respect of any other Advance made hereunder, two (2) years from the date of this Agreement;
- (u) **Secured Promissory Note** has the meaning set out in the recitals;
- (v) **Security Documents** has the meaning set out in Section 7;
- (w) **Taxes** means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any governmental authority, including any interest, additions to tax or penalties applicable to them; and
- (x) **Warrants** has the meaning set out in Section 2.10.

1.2 Interpretation

- (a) Any reference to currency in this Agreement is to Canadian currency and any amount advanced, paid or calculated is to be advanced, paid or calculated in Canadian currency.
- (b) The division of this Agreement into sections and the insertion of headings and references to them in this Agreement are for convenience only and shall not be taken into consideration in the interpretation or construction of this Agreement.

2. LOAN

2.1 Advance and Repayment

Subject to Section 2.2 hereof and the conditions precedent set out in Section 3, the Lender may make one or more Advance(s) to the Borrower in such amounts as are requested by

the Borrower from time to time in a Draw Request to be drawn on an Advance Date (such amounts together with the Initial Advance (as defined below), the **Loan**), not to exceed \$2,000,000 in aggregate, by paying the amount of such Advance to the Borrower by bank draft, certified cheque or electronic funds transfer to an account specified in writing by the Borrower. The amount of each Advance specified in a Draw Request shall not be less than \$250,000.

2.2 Initial Advance

The initial advance of \$1,000,000 (the **Initial Advance**) made available by the Lender to the Borrower pursuant to the Secured Promissory Note on August 10, 2022 represents an Advance hereunder and such indebtedness forms part of the Loan described herein.

2.3 Purpose

The Advances of the Loan to the Borrower under this Agreement shall be used exclusively by the Borrower for working capital purposes, as specified in each Draw Request approved by the Lender.

2.4 Repayment

The Borrower shall pay to the Lender the whole of the principal amount of the Loan, together with all accrued and unpaid interest, outstanding on or before the relevant Repayment Date or, if earlier, as required under Section 9.2.

2.5 Prepayment

The Borrower shall be permitted to prepay the outstanding balance of the Loan, or any portion thereof, at any time, without notice or penalty.

2.6 Payments Generally

Any payments made by the Borrower under this Agreement shall be applied to the outstanding principal balance of the Loan. Repayments shall be made in Canadian dollars to or to the order of the Lender, by a bank draft, certified cheque or electronic funds transfer to an account specified in writing by the Lender.

2.7 Interest

The Loan shall bear interest at a rate 10% per annum, payable bi-annually every six months following the date of this Agreement (the **Interest Payment Date**). For greater certainty, notwithstanding the interest payment terms under Section 2 of the Secured Promissory Note, the Borrower shall pay a collective interest payment for the Loan on the Interest Payment Date. If any amount payable in respect of the Loan is not paid when due (whether on the relevant Repayment Date, by acceleration, demand or otherwise), interest shall accrue on the outstanding amount of the Loan and all other amounts due hereunder at a rate of 14% per annum.

2.8 Payments on Business Days

If the date scheduled for any payment under this Agreement is not a Business Day, such payment shall be made on the next Business Day.

2.9 Lender's Records

The records of the Lender as to the amounts of Advances and repayments, in the absence of manifest mathematical error, are conclusive evidence of such Advances and repayments and the unpaid principal balance of the Loan; provided that the failure of the Lender to record same shall not affect the obligations of the Borrower to pay such amounts to the Lender.

2.10 Warrants

As additional consideration for the Loan, the Borrower shall issue on the date hereof 750,000 warrants (the **Warrants**) of the Borrower with each warrant entitling the holder to purchase one common share of the Borrower at a price of \$0.25 per share for a period of 36 months from the date of this Agreement.

3. CONDITIONS PRECEDENT

The obligation of the Lender to make any Advance hereunder is subject to, and conditional upon, the prior satisfaction or waiver in the sole discretion of the Lender (any such waiver shall be in writing) of each of the following conditions:

- (a) the Lender shall have received, in each case duly executed and delivered by the Loan Parties in form and substance satisfactory to the Lender:
 - (1) this Agreement;
 - (2) the Guarantee;
 - (3) the Warrants; and
 - (4) the Security Documents, duly filed or registered as necessary to perfect the security interest created thereby;
- (b) all governmental, regulatory, corporate, shareholder and third party consents and approvals necessary in connection with entry into this Agreement and transactions contemplated hereby, shall have been obtained and be in full force and effect;
- (c) the Lender shall have received results of recent searches in each of the jurisdictions where the Loan Parties and the assets of the Loan Parties are located, and such searches reveal no Liens on any of the assets of the Loan Parties other than those disclosed in writing by the Borrower to the Lender;
- (d) the Lender shall have received true and complete, certified copies of:
 - (1) each Loan Party's organizational documents, by-laws, operating agreements and partnership agreements, as applicable, and all amendments thereto;

- (2) resolutions of the board of directors or other governing body of such Loan Party authorizing the execution, delivery and performance of such Loan Party's obligations under each Loan Document to which it is a party;
 - (3) an officer's certificate, including the incumbency of the officers of each Loan Party authorized to sign each Loan Document to which it is or is to be a party;
 - (4) an opinion of counsel to the Loan Parties in respect of the due authorization, execution, delivery and enforceability of the Loan Documents; and
 - (5) certificates of good standing, compliance, status or the equivalent for each Loan Party from its jurisdiction of formation;
- (e) the Borrower shall have delivered a Draw Request at least three Business Days prior to the proposed Advance Date;
 - (f) the Borrower shall have executed and delivered to the Lender a promissory note in the form as attached in SCHEDULE A hereto (a **Promissory Note**) in respect of each Advance;
 - (g) the Loan Documents shall each be in full force and effect;
 - (h) the representations and warranties contained in this Agreement shall be true and correct in all material respects on and as of each Advance Date, as though made on and as of such date; and
 - (i) no Event of Default, Default or any other default shall have occurred and be continuing on the Advance Date or will occur after giving effect to the Advance.

4. **GUARANTEE**

The Guarantors unconditionally and irrevocably guarantee to the Lender payment in full by the Borrower of the Loan, in accordance with the terms of a guarantee dated the date hereof (the **Guarantee**) made by the Guarantors in favour of the Lender.

5. **BORROWER'S OBLIGATIONS**

5.1 Positive Covenants

So long as any amounts or commitments are outstanding under this Agreement, the Borrower and each other Loan Party, jointly and severally covenants and agrees with the Lender that it shall:

- (a) use the proceeds of the Loan only for the purposes specified in each Draw Request and approved by the Lender;
- (b) pay all sums when due under this Agreement;

- (c) from time to time deliver to the Lender such financial statements and other information as may reasonably be requested by the Lender;
- (d) maintain and preserve its existence, organization and status in its jurisdiction of formation and in each jurisdiction in which it carries on business and make or obtain, and maintain in good standing, all corporate filings, permits, licences, registrations and approvals necessary to do so and required to own and operate its assets as presently conducted;
- (e) permit the Lender to have full and unrestricted access to: (i) its books and records, (ii) the premises at which its books, records and all property and assets subject to the Security Documents is located, (iii) the Borrower, any Guarantor and their respective officers and employees to obtain information about the financial condition, business, property and assets of the Borrower and any Guarantor, in each case at the expense of the Borrower;
- (f) maintain adequate insurance on its business, property and assets;
- (g) maintain its property and assets in good repair and working condition and continue to carry on the business currently being conducted by the Borrower and each other Loan Party at the date of this Agreement in accordance with standard industry practices;
- (h) comply with all applicable laws, regulations, permits and approvals (including, without limitation, environmental, health and safety, labour and employment, anti-money laundering, sanctions, and Canadian trade laws and regulations);
- (i) pay, when due, all required Taxes and remittances including, without limitation, corporate taxes, income taxes, all employee source deductions (including income taxes, employment insurance and Canada pension plans), sales taxes (both federal and provincial), payroll taxes and workers compensation payments and file, in a timely fashion, all required tax returns and reports;
- (j) promptly pay and perform all debts, liabilities and obligations including, without limitation, its obligations under all material contracts and all pension and benefit plans;
- (k) promptly, and in any event within three Business Days of the occurrence thereof, provide written notice to the Lender of:
 - (i) any material adverse change in the financial condition, business, operations or assets, property and undertaking of the Borrower or any Guarantor;
 - (ii) the occurrence of an Event of Default or of any default under any subordinated indebtedness, intercompany indebtedness, shareholders' loans, material contracts or other indebtedness of the Borrower or any Guarantor exceeding \$150,000 in the aggregate;

- (iii) any litigation, arbitration or other proceeding against or affecting the Borrower, any Guarantor or their respective property or assets which, if adversely determined, could reasonably be expected to have a material adverse effect on the financial condition, business, operations or assets, property and undertaking of the Borrower or any Guarantor;
- (iv) any representation or warranty provided by the Borrower or any Guarantor to the Lender being, or becoming, false or misleading; and
- (v) upon learning of any event or circumstance affecting real property owned or leased by the Borrower or any Guarantor that could give rise to any liability under environmental laws or regulations including, without limitation, the existence of hazardous materials or an environmental spill or discharge;
- (l) take all actions necessary to ensure that the security interests created by the Security Documents rank ahead of all other security interests in the assets of the Borrower and the Guarantors;
- (m) ensure that the Security Documents granted by it to the Lender remain legal, valid, binding and enforceable, in accordance with their respective terms (subject to applicable laws affecting the rights of creditors generally and rules of equity of general application);
- (n) ensure that all intellectual property used in its business is either owned or licenced, or there is an agreement for its use and that all licenced intellectual property is used in accordance and in compliance with the terms and conditions of use in all material respects, does not infringe on the rights of any person and the corresponding licences are kept in good standing;
- (o) cause each future subsidiary (direct or indirect) of the Borrower (whether formed or acquired) to execute a guarantee of the Borrower's obligations hereunder, together with all such Security Documents as may be reasonably required by the Lender;
- (p) provide the Lender with such other loan, security and ancillary documents, and do such acts, as are necessary to implement the transactions contemplated by this Agreement; and
- (q) promptly give notice to the Lender of the occurrence of any Default or Event of Default, including reasonable particulars thereof.

5.2 Negative Covenants

So long as any amounts or commitments are outstanding under this Agreement, the Borrower and each other Loan Party, jointly and severally covenants and agrees with the Lender that it shall not, without the prior written consent of the Lender:

- (a) amalgamate or merge, consolidate, reorganize or restructure, continue in another jurisdiction, enter into a joint venture or partnership, liquidate, dissolve, wind-up, become bankrupt, initiate insolvency proceedings, or engage in other fundamental changes;
- (b) engage in any business other than the businesses of the type conducted by the Borrower on the date hereof and businesses reasonably related thereto;
- (c) cease to carry on its business currently being carried on by it on the date hereof or operate its business in a manner that could have a material adverse effect on its financial condition;
- (d) sell, lease, assign or otherwise dispose of any of its property, assets or undertaking, other than sales of inventory in the ordinary course of business;
- (e) enter into any sale-leaseback transactions;
- (f) pay any dividends, royalties, distributions, fees or management fees to any equity holders, repurchase or redeem any equity for cash or property, or make any other distributions;
- (g) make any repayments (whether of principal, interest or other amounts) towards money borrowed, subordinated debt, shareholder loans, vendor take back loans, intercompany indebtedness, capital leases;
- (h) use the proceeds of any Advance for any purposes other than those contemplated herein;
- (i) create, incur, assume or permit any debt to remain outstanding;
- (j) create, incur, assume or permit to exist any Liens upon any of the property of any Loan Party, except for Permitted Liens;
- (k) provide any guarantee to any person;
- (l) change its name or the statute under which it is created or organized or its chief executive office or principal place of business;
- (m) change the capital structure of any Loan Party other than the Lender; or
- (n) modify or waive the terms of any material agreements (including, without limitation, the constating documents of the Borrower or its respective subsidiaries, any material debt, and any material contract) in a manner that is materially adverse to the interests of the Lender.

5.3 Financial Covenants

So long as any amounts or commitments are outstanding under this Agreement, the Borrower covenants and agrees with the Lender that it shall not, on a consolidated basis, without the prior written consent of the Lender:

- (a) permit the ratio of its debt to assets to at any time exceed 80%;
- (b) permit the ratio of its debt to inventory to at any time exceed 80%;
- (c) permit the ratio of its debt to accounts receivable to at any time exceed 75%; and
- (d) permit the ratio of its current assets to current receivable to at any be less than 75%.

Financial covenants shall be maintained at all times in accordance with GAAP and terms usual and customary for transactions of this type.

Except as otherwise specifically provided herein, all accounting terms not specifically or completely defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP. In the event of a change in GAAP that result in a material change in the calculation of the financial ratios, covenants, standards or terms used in this Agreement, the Borrower and the Lender shall negotiate in good faith to revise (if appropriate) such ratios and covenants to equitably reflect such accounting changes with the intention that the criteria for evaluating the Borrower's financial condition shall be the same after such accounting changes as they were prior to such change in GAAP.

6. REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Loan Parties

Each Loan Party jointly and severally represents and warrants to the Lender on the date hereof and on each Advance Date, acknowledging and confirming that the Lender is relying on such representations and warranties without independent inquiry, as follows:

- (a) it is a corporation incorporated, organized and existing under the laws of its jurisdiction of incorporation and is qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which such qualification, licensing or registration is necessary or desirable;
- (b) it has the corporate power and authority to enter into and perform its obligations under the Loan Documents to which it is a party;
- (c) the execution and delivery by it of the Loan Documents to which it is a party and the performance by it of its obligations thereunder do not and will not (a) conflict with or result in a breach or violation of any (i) of its constating documents, (ii) shareholders' agreement, (iii) applicable law, (iv) contractual restriction binding on or affecting it or its properties, or (v) judgment, injunction, determination or award which is binding on it, or (b) result in, require or permit the acceleration of the maturity of any indebtedness binding on or affecting it;
- (d) the execution and delivery by it of the Loan Documents to which it is a party and the performance by it of its obligations thereunder have been duly authorized by all necessary corporate action;
- (e) no authorization, consent, approval, registration, qualification, designation, declaration or filing with any governmental authority or other person, is or was necessary in connection with the execution, delivery and performance of obligations by it under the Loan Documents to which it is a party except as are in full force and effect, unamended;
- (f) each of the Loan Documents to which it is a party have been duly executed and delivered by it and constitute legal, valid and binding obligations, enforceable against it in accordance with their respective terms;
- (g) there are no actions, suits or proceedings at law or before or by any administrative body existing or pending, or to the best of each Loan Party's knowledge, threatened to be made, the result of which would, if successful against it, reasonably be expected to have a material adverse effect on such Loan Party; and
- (h) the Loan Parties have not granted any Liens in respect of any of their property or assets, other than Permitted Liens.

7. SECURITY

The obligation of the Borrower to repay the Loan and the obligations of the Guarantors under this Agreement and the Guarantee shall be secured by the following first ranking security in favour of the Lender:

- (a) an amended and restated general security agreement (the **Amended and Restated General Security Agreement**), made by the Borrower, amending and restating the general security agreement made August 10, 2022 by the Borrower;
- (b) a general security agreement (the **General Security Agreement**), granted by each Guarantor in favour of the Lender;
- (c) an assignment of insurance (the **Assignment of Insurance**) (including all perils, business, fire and environmental risk insurance) granted by the Loan Parties in favour of the Lender, together with a corresponding certificate of insurance or binder noting the Lender as first loss payee and additional insured;
- (d) a share pledge agreement granted by each of the Borrower and HF, together with the delivery of all of the certificates representing the shares of the Guarantors, together with, as applicable, stock powers of attorney executed in blank in respect thereof (together, the **Share Pledges and Share Certificate Deliverables**); and
- (e) such other agreements, pledges, instruments, notes, certificates and documents and third party consents as the Lender may reasonably request from time to time, which may include foreign law share and bank account pledges and assignments (**Foreign Security**),

(together the **Security Documents**). The Security Documents shall be delivered to the Lender on or before the date of this Agreement.

The Borrower and Lender agree that the security granted by the Borrower to the Lender includes all shares owned by the Borrower and HF in each of their respective subsidiaries, except for the shares (**HCSHShares**) owned by HF in HC Solutions Holdings Inc. (**HCSH**) and, consequently, the Lender shall have no security interest in the HCSH Shares or any assets of HCSH. The Borrower covenants and undertakes to the Lender that it will not grant a security interest in the HCSH Shares to any party except on terms which are agreed to in writing by the Lender.

8. TAXES

8.1 Taxes and Other Taxes

All payments to the Lender by the Loan Parties under this Agreement or under any of the Loan Documents shall be made free and clear of, and without deduction or withholding for, any and all Taxes except as required by applicable law to be deducted or withheld. If a Loan Party is required by applicable law to deduct or withhold any Indemnified Taxes from, or in respect of, any amount payable under this Agreement or under any of the Loan Documents (a) the amount payable shall be increased as may be necessary so that after making all required deductions or withholdings

(including deductions or withholdings applicable to any additional amounts paid under this 8), the Lender receives an amount equal to the amount it would have received if no such deduction or withholding had been made, (b) the Loan Party shall make such deductions or withholdings, (c) the Loan Party shall immediately pay the full amount deducted or withheld to the relevant governmental authority in accordance with applicable law, and (d) the Loan Party shall deliver to the Lender as soon as practicable after it has made such payment (i) a copy of any receipt issued by the relevant governmental authority evidencing the payment of all amounts required to be deducted or withheld from the sum payable hereunder, or (ii) if such a receipt is not available from such governmental authority, notice of the payment of the amount deducted or withheld.

8.2 Payment of Other Taxes

The Loan Parties agree to immediately pay any Other Taxes which arise from any payment made by a Loan Party under this Agreement or under any of the other Loan Documents or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any of the other Loan Documents.

8.3 Tax Indemnity

The Loan Parties shall indemnify the Lender for the full amount of Indemnified Taxes or Other Taxes paid by the Lender and any liability (including penalties, interest and expenses) arising from, or with respect to, such Indemnified Taxes or Other Taxes, whether or not they were correctly or legally asserted. In addition, the Loan Parties shall indemnify the Lender for any Taxes, Other Taxes or tax based on or measured by the overall net income of the Lender (**Net Income Taxes**) imposed by any jurisdiction on or with respect to any increased amount payable by the Loan Parties under Section 8.1 or any payment or indemnity payable by such Loan Party under Section 8.2 or this Section 8.3. Payment under this indemnification shall be made within 30 days from the date the Lender makes written demand for it. A certificate as to the amount of such Indemnified Taxes or Other Taxes submitted to the Loan Party by the Lender is conclusive evidence, absent manifest error, of the amount due from the Loan Party to the Lender.

The Loan Parties shall furnish to the Lender the original or a certified copy of a receipt evidencing payment of Indemnified Taxes or Other Taxes made by the Loan Party within 30 days after the date of any payment of Indemnified Taxes or Other Taxes.

8.4 Entitlement to Exemption

If the Lender is entitled to an exemption from, or reduction of, withholding tax under the law of the jurisdiction in which a Loan Party is resident for tax purposes, or any treaty to which that jurisdiction is a party, with respect to payments under this Agreement, the Lender shall, at the request of the Loan Party, deliver to the Loan Party, at the time or times prescribed by applicable law or reasonably requested by the Loan Party, all properly completed and executed documentation prescribed by applicable law that will permit the payments to be made without withholding or at a reduced rate of withholding. In addition, the Lender, if requested by the Loan Party, shall deliver other documentation prescribed by applicable law or reasonably requested by the Loan Party that will enable the Loan Party to determine whether or not the Lender is subject to withholding or information reporting requirements.

9. EVENTS OF DEFAULT

9.1 Events of Default

In this Agreement, the occurrence of each or any of the following events constitutes an **Event of Default**:

- (a) the Borrower fails to pay any amount payable under this Agreement on the date on which such amount is due; or
- (b) a Loan Party fails to perform, observe or comply with any other covenant or provision of this Agreement or any other Loan Document and such failure remains unremedied for 21 days; or
- (c) any representation or warranty made or deemed to be made by a Loan Party under this Agreement is incorrect or misleading in any material respect; or
- (d) a Loan Party fails to pay the principal of, or premium or interest on, any of its debt (excluding debt under this Agreement) which is outstanding in an aggregate principal amount exceeding \$10,000 when such amount becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to the debt or any other event occurs or condition exists, and continues after the applicable grace period, if any, specified in any agreement or instrument relating to any debt of the Loan Party, if the effect of such event is to accelerate, or permit the acceleration of the debt; or
- (e) any judgment or order for the payment of money in excess of \$100,000 is rendered against a Loan Party and either (i) enforcement proceedings have been commenced by a creditor upon the judgment or order, or (ii) there is any period of 15 consecutive days during which a stay of enforcement of the judgment or order, by reason of a pending appeal or otherwise, is not in effect; or
- (f) (i) any loss, theft, cyber attack, damage, destruction, expropriation or seizure occurs with respect to any property or assets of a Loan Party and the amount not covered by insurance exceeds \$10,000 or (ii) any governmental or regulatory action is taken or court order issued affecting all or any significant part of the property, assets or operations of a Loan Party; or
- (g) a Loan Party sells, transfers or otherwise disposes of, or enters into an agreement to sell, transfer or otherwise dispose of, all or substantially all of its assets; or
- (h) a Loan Party (i) becomes insolvent or is generally not able to pay its debts as they become due, (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors, (iii) threatens to institute, institutes or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law

relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving its creditors, or (z) the entry of an order for relief or the appointment of a receiver, trustee, liquidator, administrator or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs, or (iv) takes any corporate action to authorize any of the above actions.

9.2 Remedies Upon Default

Upon the occurrence of any Event of Default which is continuing, the Lender may declare the Loan to be, and it shall then be immediately due and payable, or may declare the Loan to be, and it shall then be payable on demand, and the Lender may take such actions and commence such proceedings as may be permitted under applicable law (whether or not provided for herein) at such times and in such manner as the Lender in its sole discretion may consider expedient, all without, except as may be required by applicable law, any additional notice, presentment, demand, protest, notice of protest, dishonour or any other action. The rights and remedies of the Lender hereunder are cumulative and are in addition to and not in substitution for any other rights or remedies provided by applicable law.

10. GENERAL

10.1 Further Assurances and After-Acquired Property

Each Loan Party shall from time to time at the request of the Lender, provide the Lender with such assistance, do all such acts and things, give notices, obtain consents and execute and deliver all such further agreements, deeds, instruments of conveyance, assignments, transfers, mortgages, pledges or charge of any of its property as required by the Lender.

The Borrower and each other Loan Party shall, upon any Loan Party acquiring property, asset, right, title or interest in which the Lender does not have a perfected security interest, promptly, and in any event within two Business Days, notify the Lender, and as soon as reasonably practicable and in any case within 10 Business Days of the Lender's request execute and deliver to the Lender, all such additional Security Documents, supplements or amendments to the Security Documents and all such other documents as the Lender deems necessary or advisable to provide the Lender with a perfected security interest in any such property, subject only to Permitted Liens.

10.2 Invalidity

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity, legality or enforceability of any other provision of this Agreement.

10.3 Entire Agreement

The Loan Documents constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, negotiations, discussions, representations, warranties and undertakings, whether written or oral.

10.4 Successors

This Agreement shall be binding upon and enure to the benefit of the parties and their respective heirs, executors, administrators and other legal representatives and successors and assigns.

10.5 Assignment

Neither the Borrower nor the Guarantors may assign or transfer all or part of its rights and obligations under this Agreement to any person without the prior written consent of the Lender. The Lender may assign all of its rights under this Agreement and the other Loan Documents to any other person.

10.6 Amendments and Waivers

Each amendment or waiver of any provision of this Agreement will be effective only if in writing and signed by the Borrower, the Guarantors and the Lender.

10.7 Time

Time shall be of the essence in all provisions of this Agreement.

10.8 Survival

The provisions of sections 6, 8, 10.9, 0 and 10.11 shall survive the repayment of the Loan and termination of this Agreement.

10.9 Notices

Any notice, direction or other communication (each a “**Notice**”) given regarding the matters contemplated by Loan Documents must be in writing, sent by personal delivery, courier or by e-mail and addressed:

(a) to the Lender at:

Prairie Drive
Emerald Park, Saskatchewan
S4L 0E8

Attention: Gary Drummond
Email Address: garydrummond50@gmail.com

with a copy to (which shall not constitute notice):

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide St W Suite 3400
Toronto, ON M5H 4E3

Attention: Jasmine Lothian
Email Address: jlothian@blg.com

(b) to the Loan Parties at:

1173 Dundas St E #135
Toronto, Ontario
M4M 3P1

Attention: Graham Meneray
Email Address: graham@humbleandfume.com

with a copy to (which shall not constitute notice):

Chitiz Pathak LLP
77 King St. West, Suite 700, P.O Box 118
Toronto, Ontario
M5K 1G8

Attention: Paul Pathak
Email Address: ppathak@chitizpathak.com

A Notice is deemed to be delivered and received (i) if sent by personal delivery, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by same-day service courier, on the date of delivery if sent on a Business Day and delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (iii) if sent by overnight courier, on the next Business Day, or (iv) if sent by e-mail, on the Business Day following the date of confirmation of transmission. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed. Sending a copy of a Notice to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the Notice to that Party. The failure to send a copy of a Notice to legal counsel does not invalidate delivery of that Notice to a Party.

10.10 Payment of Expenses

The Loan Parties will pay on demand, and will indemnify and save the Lender harmless from, any and all costs and expenses (including legal fees and expenses) (a) incurred by or on behalf of the Lender in the negotiation, preparation, administration or enforcement of this Agreement and the Loan, or (b) with respect to, or resulting from, any failure or delay by the Loan Parties in performing or observing any of its obligations under the Loan Documents.

10.11 Governing Law and Submission to Jurisdiction

This Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in Ontario. The Borrower irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of the courts of Ontario, (ii) agrees that all claims in respect of any suit, action or proceeding may be heard and determined in such court and (iii) waives, to the fullest extent permitted by law, any objection which it may have based upon doctrines of venue or *forum inconveniens*.

10.12 Counterparts

This Agreement may be executed and delivered by facsimile, e-mail or other functionally equivalent electronic means of transmission and in any number of counterparts with the same effect as if all parties had all signed and delivered the same document and all counterparts will be construed together to be an original and will constitute one and the same agreement.

IN WITNESS WHEREOF this Agreement is executed as of the date first above written.

Borrower

~~HUMBLE & FUME INC.~~ (Ontario)
DocuSigned by:

Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Chief Financial Officer

Guarantors

~~HUMBLE & FUME INC.~~ (Manitoba)
DocuSigned by:

Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Chief Financial Officer and Secretary

~~PWF HOLDCO, INC.~~
DocuSigned by:

Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Secretary

~~WINDSHIP TRADING LLC~~
DocuSigned by:

Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Secretary

~~B.O.B. HEADQUARTERS INC.~~
DocuSigned by:

Per: Joel Toguri
4C10368B077743D...
Name: Joel Toguri
Title: President

FUMELABS INC.

DocuSigned by:
Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Secretary and Treasurer

HUMBLE CANNABIS SOLUTIONS INC.

DocuSigned by:
Per: Graham Meneray
25B45A5509F2415...
Name: Graham Meneray
Title: Chief Financial Officer

DocuSigned by:
Per: Joel Toguri
4C10368B077743D...
Name: Joel Toguri
Title: Chief Executive Officer

Lender

DGC INVESTMENTS INC.

Per: _____
Name:
Title:

FUME LABS INC.

Per: _____
Name:
Title:

HUMBLE CANNABIS SOLUTIONS INC.

Per: _____
Name:
Title:

Lender

DGC INVESTMENTS INC.

Per: _____
Name: *GARY DRUMMOND*
Title: *PRESIDENT*

**SCHEDULE A
FORM OF PROMISSORY NOTE**

PROMISSORY NOTE

Principal: **Canadian \$[●]** _____, 20__

For value received, the undersigned, **HUMBLE & FUME INC.**, a corporation under the laws of Ontario (the **Borrower**) hereby promises to pay to **DGC INVESTMENTS INC.**, a corporation under the laws of Saskatchewan (the **Lender**), or to its order, the principal amount of **[●]** **DOLLARS** in lawful money of Canada (**\$[●]**) upon demand.

This promissory note is made subject to the terms of the Loan Agreement dated _____, 2022 (the **Loan Agreement**) between the Borrower, the Guarantors and the Lender. Capitalized terms used but not defined in this promissory note have the meanings given in the Loan Agreement. Interest shall accrue on the principal amount of this promissory note in accordance with the terms of the Loan Agreement.

The undersigned waives any grace period, presentment for payment, notice of non-payment, protest, notice of protest and notice of dishonour. This promissory note will be governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

HUMBLE & FUME INC.

Per: _____

Name:

Title:

This is Exhibit "M" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITY MUST NOT TRADE THE SECURITY BEFORE OCTOBER 14, 2023.

10% CONVERTIBLE DEBENTURE

HUMBLE & FUME INC.

Issued to: GREEN ACRE CAPITAL FUND II (CANADA) SIDECAR LP

Principal Amount: \$1,000,000 (Cdn.)

Issue Date: June 13, 2023

Interest Rate: 10% per annum

Maturity Date: June 13, 2026

**ARTICLE 1
PROMISE TO PAY**

1.1 Promise to Pay

HUMBLE & FUME INC. (the “**Corporation**”), a corporation incorporated under the laws of the Province of Ontario and having its head office at 135-1173 Dundas Street East, Toronto, Ontario M4M 3P1, for value received, hereby promises to pay to or to the order of **GREEN ACRE CAPITAL FUND II (CANADA) SIDECAR LP**, its successors and permitted assigns (the “**Holder**”), at **1805-2 Bloor Street West, Toronto, ON, M4W 3E2**, or at such other place as the Holder may direct at any time and from time to time, the amount of \$1,000,000 (Cdn.) (the “**Principal Amount**”) on the Maturity Date (as hereinafter defined) and to pay interest at the rate of 10.0% per annum (as may be adjusted herein). The principal amount owing from time to time, any interest payable thereon and all other amounts now or hereafter payable hereunder, and at any time outstanding hereunder, whether now existing or hereafter arising, shall be referred to herein as the “**Obligations**”.

1.2 Transfer and Assignment

Following the date that is four (4) months and one (1) day after its date of issuance, upon the approval of the Corporation (not to be unreasonably withheld), the Holder may transfer this Debenture to any Person and such transferee shall be entitled, after the appropriate form of transfer is lodged with the Corporation and upon compliance with all other conditions in that behalf required by law, to be entered on the register as the owner of this Debenture free from all equities or rights of set-off or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

The terms and conditions of this Debenture shall enure to the benefit of and be binding upon the Holder’s successors and permitted assigns. In any action brought by an assignee of the Holder to enforce any right

or remedy, the Corporation will not assert against the assignee any claims or defence which the Corporation now has or may have against the Holder.

ARTICLE 2 INTERPRETATION

2.1 Definitions

In this Debenture:

- (a) “**Adjustment Period**” means the period commencing on the date hereof and ending at the Maturity Date;
- (b) “**Business Day**” means a day other than a Saturday, Sunday or any other day on which Canadian chartered banks located in the City of Toronto, Province of Ontario are not open for business;
- (c) “**Closing Date**” means the date of issuance of this Debenture to the Holder;
- (d) “**Canadian Securities Legislation**” means all applicable securities laws in each of the provinces and territories of Canada, including, without limitation, the Province of Ontario, and the respective regulations and rules under such laws together with applicable published rules, policy statements, blanket orders, instruments, rulings and notices of the regulatory authorities in such provinces or territories;
- (e) “**Common Shares**” means the common shares in the capital of the Corporation;
- (f) “**Conversion Notice**” means a conversion notice delivered in accordance with Article 3 in the form attached hereto as Schedule “A”;
- (g) “**Conversion Price**” means (A) in the case of conversion of the principal amount of the Debenture, \$0.06, and (B) in the case of conversion of any accrued and unpaid interest, the Market Price on the day preceding the date that the interest is settled;
- (h) “**Corporation**” has the meaning attributed thereto in Section 1.1;
- (i) “**CSE**” means the Canadian Securities Exchange;
- (j) “**Current Market Price**” of a Common Share at any date means the price per share equal to the weighted average price at which the Common Shares have traded on the CSE for the 20 Trading Days prior to the relevant date or, if the Common Shares are not listed on the CSE, on any other stock exchange on which such shares are then listed as may be selected by the directors of the Corporation or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market with the weighted average price per Common Share being determined by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said 20 Trading Days by the aggregate number of Common Shares so sold or, if the Common Shares are not listed or quoted on any stock exchange or over-the-counter market, such price as may be determined by the directors of the Corporation;

- (k) **“Date of Conversion”** means the date that the Debenture is to be converted, which (A) if at maturity, shall be the date of maturity, and (B) if at any time other than maturity, shall be the date the Conversion Notice is received by the Corporation;
- (l) **“Debenture Shares”** means the Common Shares issuable upon conversion of the Debenture in accordance with Article 3.
- (m) **“Dividends Paid in the Ordinary Course”** means dividends paid in any financial year of the Corporation, whether in (i) cash; (ii) shares of the Corporation; (iii) warrants or similar rights to purchase any shares of the Corporation or property or other assets of the Corporation provided that the value of such dividends does not in such financial year exceed the greater of:
 - (i) 150% of the aggregate amount of dividends paid by the Corporation on the Common Shares in the 12-month period ending immediately prior to the first day of such financial year; and
 - (ii) 100% of the consolidated net earnings from continuing operations of the Corporation, before any extraordinary items, for the 12-month period ending immediately prior to the first day of such financial year (such consolidated net earnings from continuing operations to be computed in accordance with generally accepted accounting principles in Canada);
- (n) **“Debenture”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder”**, and any similar expressions refer to this convertible Debenture of the Corporation and the schedules attached hereto and not to any particular article, section or other portion hereof, and include any and every instrument supplemental hereto or amending or replacing any part hereof;
- (o) **“DGC”** means DGC Investments Inc., the senior secured creditor of the Corporation;
- (p) **“Event of Default”** has the meaning attributed thereto in Section 6.1;
- (q) **“GSA”** means the general security agreement executed by the Corporation in favor of the Holder securing the Obligations;
- (r) **“Holder”** has the meaning attributed thereto in Section 1.1;
- (s) **“Inter-creditor Agreement”** means the inter-creditor agreement entered into on even date herewith between the Holder, all other holders of the Debentures, the Corporation, and Green Acre Capital Fund II (Canada) Sidecar LP;
- (t) **“Market Price”** means the last closing price of the Common Shares of the Corporation on a trading day on the CSE;
- (u) **“Maturity Date”** means June 13, 2026;
- (v) **“Obligations”** has the meaning attributed thereto in Section 1.1;
- (w) **“Person”** is to be interpreted broadly and includes any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, Corporation or corporation with

or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

- (x) **“Principal Amount”** has the meaning ascribed thereto in Section 1.1;
- (y) **“Redemption Notice”** means a redemption notice delivered pursuant to Section 4.2 in the form attached hereto as Schedule “B”;
- (z) **“Redemption Price”** means an amount equal to the principal amount of this Debenture plus accrued and unpaid interest up to, but excluding the Redemption Date;
- (aa) **“Subordination Agreement”** means the acknowledgement and subordination agreement dated June 13, 2023 between the Holder, all other holders of the Debentures, the Corporation, DGC, and Green Acre Capital Fund II (Canada) Sidecar LP;
- (bb) **“Subscription Agreement”** means the subscription agreement dated as of the date hereof pursuant to which, *inter alia*, the Holder subscribes for this Debenture;
- (cc) **“Trading Days”** means a day during which the principal trading market for the Common Shares is open for trading; and
- (dd) **“Transaction Documents”** means, collectively, the Subscription Agreement, the Intercreditor Agreement, the Subordination Agreement, and this Debenture.

2.2 Other Defined Terms

Other capitalized terms used herein which are not defined herein have the meanings attributed thereto in the Subscription Agreement and the use of the term “including” shall mean “including, without limitation”.

2.3 Headings

The inclusion of headings in this Debenture is for convenience of reference only and shall not affect the construction or interpretation hereof.

2.4 References to Sections

Whenever in this Debenture a particular article, section or other portion thereof is referred to, such reference pertains to the particular article, section or portion thereof contained herein, unless otherwise indicated.

2.5 Currency

Except where otherwise expressly provided, all amounts in this Debenture are stated and shall be paid in Canadian currency.

2.6 Invalidity of Provisions

Each of the provisions contained in this Debenture is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

2.7 Amendment or Waiver

No amendment or waiver of this Debenture shall be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Debenture shall constitute a waiver of any other provision nor shall any waiver of any provision of this Debenture constitute a continuing waiver unless otherwise expressly provided.

2.8 Governing Law; Attornment

This Debenture shall be exclusively (without regard to any rules or principles relating to conflicts of laws) governed by, enforced and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Each of the Corporation, and, by its acceptance hereof, the Holder hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario with respect to any matter arising under or relating to this Debenture.

2.9 Non-Business Days

If any date on which any payment is due or any action is required to be taken is not a Business Day, the date for payment or taking such action shall be the next Business Day following the date specified for such payment or action.

2.10 Interest

- (a) Interest shall be calculated monthly, in arrears. Interest shall accrue on the Principal Amount outstanding and until the principal amount is repaid or converted in accordance with the provisions hereof. The annual rates of interests or fees to which the rates calculated in accordance herewith are equivalent, are the rates as calculated and multiplied by the actual number of days in the calendar year in which that calculation is made and divided by 365 or 366, as the case may be.
- (b) Interest will accrue but will not be paid to the holder unless the Corporation makes repayment in accordance with Section 4.1, or redemption in accordance with Section 4.2. Upon conversion of any principal amount of this Debenture into Common Shares in accordance with Article 3, all accrued interest on such principal amount being so converted shall also be converted into Common Shares.
- (c) The Corporation shall not be obligated to pay any interest hereunder to the extent such interest exceeds the effective annual rate of interest on the credit made available hereunder that would be lawfully permitted under the *Criminal Code (Canada)*, each interest rate and fee being distinct and severable obligations and it is the intention of the parties hereto that any interest and fees shall be, and shall be deemed to be, reduced by the parties hereto in accordance with the maximum rate of interest lawfully permitted under the *Criminal Code (Canada)* without effecting the remaining terms and conditions hereof.

2.11 Inter-creditor Agreement

As a condition to the issuance of this Debenture to the Holder, the Holder is required to enter into the Inter-creditor Agreement with all other holders of the Debentures and the Corporation.

2.12 Security; Subordination; Ranking

The Obligations of the Corporation pursuant to this Debenture shall be secured by the GSA. The Debenture shall be subordinated and postponed to all secured indebtedness of the Corporation held by DGC and, as a condition to the effectiveness of this Debenture to the Holder, the Holder is required to enter into any subordination agreement or documentation required by DGC, including but not limited to, the Subordination Agreement. The payment of the principal amount and accrued interest on the Debenture will rank *pari passu* with all other Debentures issued.

ARTICLE 3 CONVERSION

3.1 Conversion Privilege and Conversion Price

This Debenture may be converted in whole or in part (i) at the Holder's option at any time; or (ii) if the Debenture is called for early redemption, on the Business Day immediately preceding the date specified by the Corporation for redemption of the Debenture, by notice to the Holder of the Redemption Notice (the earlier of which will be the "**Time of Expiry**" for this Article 3), to convert any part of the Principal Amount (and the interest accrued thereon) into Debenture Shares at the Conversion Price in effect on the Date of Conversion. To the extent the Debenture is only partially converted, such right to convert shall be applicable to the next succeeding Time of Expiry.

3.2 Conversion Procedure

- (a) On conversion, the Holder will receive Debenture Shares for the Obligations converted, calculated in accordance with Section 3.1.
- (b) The Holder shall surrender the Debenture to the Corporation at its principal office in Toronto, Ontario, together with the Conversion Notice duly executed by the Holder exercising Holder's right to convert the Debenture, in accordance with the provisions of this Debenture. Thereupon the Holder shall be entitled to be entered in the books of the Corporation as at the Date of Conversion, as the holder of that number of Debenture Shares into which the Debenture is converting, and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for the Debenture Shares.
- (c) If the Holder partially converts the Debenture, the Corporation shall cancel the converted part and shall without charge forthwith certify and deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture.

ARTICLE 4
REPAYMENT AND REDEMPTION

4.1 Repayment

The outstanding Obligations shall become due and payable by the Corporation on the Maturity Date, and the Corporation shall repay the outstanding Obligations in cash to the Holder on the Maturity Date.

4.2 Redemption

At any time, this Debenture may be redeemed at the option of the Corporation in whole or in part, on notice as provided for in Section 4.3, for the Redemption Price, without any pre-payment penalty. The Redemption Notice shall be in the form attached as Schedule "B" hereto.

4.3 Notice of Redemption

Notice of redemption (the "**Redemption Notice**") shall be given to the Holder not more than 30 days nor less than 20 days prior to the date fixed for redemption (the "**Redemption Date**"). The Redemption Notice shall specify the aggregate principal amount of the Debenture being called for redemption, the Redemption Date, the Redemption Price and the places of payment, and shall state that interest upon the principal amount of the Debenture called for redemption shall cease to be payable from and after the Redemption Date.

4.4 Election to Convert on Redemption Notice

Upon receipt of the Redemption Notice, the Holder may elect to convert this Debenture into Debenture Shares pursuant to the provisions of Article 3 by sending a completed Conversion to the Corporation prior to the Redemption Date.

4.5 Debenture Due on Redemption Dates

Upon giving the Redemption Notice, the Debenture shall become due and payable at the Redemption Price on the Redemption Date specified in such notice, in the same manner and with the same effect as if it were the Maturity Date.

4.6 Payment of Redemption Monies

Upon surrender of the Debenture, on the Redemption Date, the Corporation shall pay to the Holder the Redemption Price.

4.7 Failure to Surrender Debentures Called for Redemption

If the Holder fails on or before the Redemption Date to surrender their Debenture, or to accept payment of the redemption monies payable or give any receipts as the Corporation may require, such redemption monies may be set aside in trust, either in the deposit department of the Corporation or in a chartered bank, and such setting aside shall for all purposes be deemed a payment to the Holder of the sum so set aside and, to that extent, the Debenture shall thereafter not be considered as outstanding and the Holder shall have no other right except to receive payment out of the monies so paid and deposited, upon surrender and delivery up of the Holder's Debenture. In the event that any money required to be deposited hereunder with the Corporation shall remain so deposited for a period of three (3) years from the Redemption Date, then such monies together with any accumulated interest thereon, or any

distribution paid thereon, shall at the end of such period be paid over or delivered over by the Corporation to the Corporation on its demand.

ARTICLE 5 COVENANTS OF THE CORPORATION

5.1 General Covenants

For as long as this Debenture remains outstanding, the Corporation declares, covenants and agrees as follows:

- (a) **To Pay Obligations.** The Corporation will duly and punctually pay or cause to be paid to the Holder, the Obligations on the dates, at the places and in the manner mentioned herein, and will duly and punctually perform and carry out all other acts, obligations and other things to be done by it, all as provided hereunder.
- (b) **Maintain Corporate Existence.** The Corporation shall maintain its corporate existence, carry on and conduct its business in a proper and business-like manner, take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business and comply with all applicable legal requirements of which it is aware.
- (c) **Compliance with Laws.** The Corporation shall comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying when due all taxes, assessments and governmental charges or levies assessed or imposed upon it or upon its income or profits or any of its property except to the extent the same are diligently contested in good faith.
- (d) **Maintain Books and Records.** The Corporation shall keep adequate and accurate records and books of account in which complete entries will be made reflecting all financial transactions and prepare its financial statements in accordance with generally accepted accounting principles.
- (e) **Shares Reserved.** The Corporation covenants and agrees that so long as any portion of this Debenture remains outstanding, it shall reserve and there shall remain unissued out of its authorized capital a sufficient number of Debenture Shares to satisfy the right of conversion herein provided for, it will cause the Debenture Shares to be issued upon conversion or exercise, as the case may be, in the manner herein provided to be issued and delivered as directed and such Debenture Shares shall be issued as fully paid and non-assessable common shares in the capital of the Corporation.
- (f) **Compliance with the Debenture.** The Corporation shall use its commercially reasonable efforts to comply with, satisfy and fulfil promptly all prerequisites, conditions and requirements imposed by or arising out of legal, regulatory and administrative requirements applicable to the Corporation with respect to the consummation of the transactions contemplated herein, including filing or causing to be filed all documents, certificates, opinions, forms or undertakings required to be filed by the Corporation in connection with the purchase and sale of the Debenture and the issuance of the Debenture Shares and the Warrants in accordance with the terms of the Debenture.

**ARTICLE 6
EVENTS OF DEFAULT**

6.1 Events of Default

Any of the following shall constitute an Event of Default under this Debenture:

- (a) failure by the Corporation to pay all or any part of the Obligations when due and payable unless such failure to pay is cured within ten Business Days from the due date of such Obligations or other satisfactory arrangements are made;
- (b) any creditor of the Corporation or any other person institutes any proceeding:
 - (i) seeking to adjudicate the Corporation a bankrupt or insolvent;
 - (ii) seeking liquidation, dissolution, winding-up, reorganization, arrangement, protection, relief or composition of the Corporation or any of its property or debt, or making a proposal with respect to the Corporation under any law relating to bankruptcy, insolvency, reorganization or compromise of debts or other similar laws; or
 - (iii) seeking appointment of a receiver, trustee, agent, custodian or other similar official for the Corporation or for any material part of its properties and assets,

unless such proceeding is stayed within a period of ten Business Days from its effective date or other satisfactory arrangements are made;
- (c) any creditor of the Corporation or any other person privately appoints a receiver, trustee or similar official for any material part of the properties or assets of the Corporation, unless such appointment is stayed within a period of ten Business Days from its effective date or other satisfactory arrangements are made;
- (d) if any execution, sequestration or any other process of any court becomes enforceable against the Corporation or if a distress or analogous process is levied upon the property of the Corporation or any material part thereof, unless such process is stayed within a period of ten Business Days from its effective date or other satisfactory arrangements are made;
- (e) a change of control whereby a shareholder (other than the Holder) acquires directly or indirectly (including through joint actors or persons acting in concert) a number of shares that would result in such shareholder owning 35% or more of the then issued and outstanding shares of the Corporation;
- (f) a change in the majority of the board of directors of the Corporation within a 12-month period; or
- (g) failure by the Corporation to observe any material term, covenant or agreement contained in this Debenture and to remedy such failure within ten Business Days following written notice by the Holder to the Corporation of such failure.

6.2 Notice of Event of Default

The Corporation shall promptly give notice in writing to the Holder of the occurrence of any Event of Default or other event which, with the lapse of time or giving of notice or otherwise, would be an Event of Default, forthwith upon becoming aware thereof. Such written notice shall specify the nature of such default or Event of Default and the steps taken to remedy the same.

ARTICLE 7 REMEDIES

7.1 Consequences of an Event of Default

Upon the occurrence and continuance of an Event of Default, the Obligations shall become immediately payable at the Redemption Price together with a penalty payment equal to 2% of the Redemption Price, and that the Holder shall also thereupon have the option, but not the obligation of (a) converting the Obligations pursuant to Article 3 or (b) remaining a holder of the Debenture.

ARTICLE 8 ADJUSTMENTS TO CONVERSION PRICE

8.1 Adjustments

- (a) **Adjustment.** The rights of the holder of this Debenture, including the number of Common Shares issuable upon the exercise of such Debenture, will be adjusted from time to time in the events and in the manner provided in, and in accordance with the provisions of, this Article 8. The purpose and intent of the adjustments provided for in this Section is to ensure that the rights and obligations of the Holder are neither diminished or enhanced as a result of any of the events set forth in paragraphs (b), (c) or (d) of this Section. Accordingly, the provisions of this Section shall be interpreted and applied in accordance with such purpose and intent.
- (b) The Conversion Price in effect at any date will be subject to adjustment from time to time as follows:
 - (i) **Share Reorganization.** If and whenever at any time during the Adjustment Period, the Corporation shall (A) subdivide, redivide or change the outstanding Common Shares into a greater number of Common Shares, (B) consolidate, combine or reduce the outstanding Common Shares into a lesser number of Common Shares, or (C) fix a record date for the issue of Common Shares or securities convertible into or exchangeable for Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution other than a Dividend Paid in the Ordinary Course, then, in each such event, the Conversion Price shall, on the record date for such event or, if no record date is fixed, the effective date of such event, be adjusted so that it will equal the rate determined by multiplying the Conversion Price in effect immediately prior to such date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such date before giving effect to such event, and of which the denominator shall be the total number of Common Shares outstanding on such date after giving effect to such event. Such adjustment shall be made successively whenever any such event shall occur. Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date for such

stock dividend for the purpose of calculating the number of outstanding Common Shares under paragraphs 8.1(b)(i) and 8.1(b)(ii) hereof.

- (ii) **Rights Offering.** If and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling the holders thereof, within a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, then the Conversion Price shall be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus the number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable). Any Common Shares owned by or held for the account of the Corporation or any subsidiary of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 8.1(b)(ii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Conversion Price shall then be readjusted to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be.

- (iii) **Distribution.** If and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the making of a distribution to all or substantially all of the holders of Common Shares of (A) shares of any class other than Common Shares whether of the Corporation or any other corporation, (B) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares or property or other assets of the Corporation (other than rights, options or warrants exercisable by the holders thereof within a period expiring not more than 45 days after the record date for such issue or distribution to acquire Common Shares or securities exchangeable for or convertible into Common Shares at a price per share, or at an exchange or conversion price per share in the case of securities exchangeable for or convertible into Common Shares, of at least 95% of the Current Market Price of the Common Shares on such record date), (C) evidences of indebtedness, or (D) cash, securities or other property or assets then, in each such case and if such distribution does not constitute a Dividend Paid in the Ordinary Course, or fall under clauses (i) or (ii) above, the Conversion Price will be adjusted immediately after such record date so

that it will equal the rate determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price on the earlier of such record date and the date on which the Corporation announces its intention to make such distribution, less the aggregate fair market value (as determined by the directors, acting reasonably, at the time such distribution is authorized) of such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price. Any Common Shares owned by or held for the account of the Corporation or any subsidiary of the Corporation shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 8.1(b)(iii) are fixed within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the Conversion Price shall then be readjusted to the Conversion Price which would then be in effect based upon such rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be.

- (c) **Reclassifications.** If and whenever at any time during the Adjustment Period, there is (A) any reclassification of or amendment to the outstanding Common Shares, any change of the Common Shares into other shares or any other reorganization of the Corporation (other than as described in subsection 8.1(b) hereof), (B) any consolidation, amalgamation, arrangement, merger or other form of business combination of the Corporation with or into any other corporation resulting in any reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or any other reorganization of the Corporation, or (C) any sale, lease, exchange or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or entity, then, in each such event, the Holder of this Debenture which is thereafter exercised shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the kind and number or amount of shares or other securities or property which such Holder would have been entitled to receive as a result of such event if, on the effective date thereof, such Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon such exercise. If necessary as a result of any such event, appropriate adjustments will be made in the application of the provisions set forth in this subsection with respect to the rights and interests thereafter of the Holder of this Debenture Certificate to the end that the provisions set forth in this subsection will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Debenture. Any such adjustments will be made by and set forth in an instrument supplemental hereto approved by the directors, acting reasonably, and shall for all purposes be conclusively deemed to be an appropriate adjustment.

- (d) If at any time during the Adjustment Period any adjustment or readjustment in the Conversion Price shall occur pursuant to the provisions of subsection 8.1(b) or 8.1(c) of this Debenture Certificate, then the number of Common Shares purchasable upon the subsequent exercise of the Debenture shall be simultaneously adjusted or readjusted, as the case may be, by multiplying the number of Common Shares purchasable upon the exercise of the Debenture immediately prior to such adjustment or readjustment by a fraction which shall be the reciprocal of the fraction used in the adjustment or readjustment of the Conversion Price.

ARTICLE 9

RULES REGARDING CALCULATION OF ADJUSTMENT OF CONVERSION PRICE

- (a) The adjustments provided for in Section Article 8 are cumulative and will, in the case of adjustments to the Conversion Price, be computed to the nearest whole Common Share and will be made successively whenever an event referred to therein occurs, subject to the following subsections of this Article 9.
- (b) No adjustment in the Conversion Price is required to be made unless such adjustment would result in a change of at least 1% in the prevailing Conversion Price and no adjustment in the Conversion Price is required unless such adjustment would result in a change of at least one one-hundredth of a Common Share; provided, however, that any adjustments which, except for the provisions of this subsection, would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustments.
- (c) No adjustment in the Conversion Price will be made in respect of any event described in Article 8, other than the events referred to in clauses 8.1(c), if the Holder is entitled to participate in such event on the same terms, mutatis mutandis, as if the Holder had exercised this Debenture prior to or on the effective date or record date of such event.
- (d) No adjustment in the Conversion Price will be made under Article 8 in respect of the issue from time to time of Common Shares issuable from time to time as Dividends Paid in the Ordinary Course to holders of Common Shares who exercise an option or election to receive substantially equivalent dividends in Common Shares in lieu of receiving a cash dividend.
- (e) If at any time a question or dispute arises with respect to adjustments provided for in Article 8, such question or dispute will be conclusively determined by the auditor of the Corporation or, if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected jointly by the directors of the Corporation and the Holder, acting reasonably, and any such determination, subject to regulatory approval and absent manifest error, will be binding upon the Corporation and the Holder. The Corporation will provide such auditor or chartered accountant with access to all necessary records of the Corporation.
- (f) In case the Corporation after the date of issuance of this Debenture takes any action affecting the Common Shares, other than action described in Article 8, which in the opinion of the board of directors of the Corporation would materially affect the rights of the Holder, the Conversion Price will be adjusted in such manner, if any, and at such time, by action of the directors of the Corporation in their sole discretion, acting reasonably and in good faith, but subject in all cases to any necessary regulatory

approval. Failure of the taking of action by the directors of the Corporation so as to provide for an adjustment on or prior to the effective date of any action by the Corporation affecting the Common Shares will be conclusive evidence that the board of directors of the Corporation has determined that it is equitable to make no adjustment in the circumstances.

- (g) If the Corporation sets a record date to determine the holders of the Common Shares for the purpose of entitling them to receive any dividend or distribution or sets a record date to take any other action and, thereafter and before the distribution to such shareholders of any such dividend or distribution or the taking of any other action, decides not to implement its plan to pay or deliver such dividend or distribution or take such other action, then no adjustment in the Conversion Price will be required by reason of the setting of such record date.
- (h) In the absence of a resolution of the directors of the Corporation fixing a record date for any event which would require any adjustment to this Debenture, the Corporation will be deemed to have fixed as the record date therefor the date on which the event is effected.
- (i) As a condition precedent to the taking of any action which would require any adjustment to the Common Shares issuable under this Debenture, including the Conversion Price, the Corporation shall take any corporate action which may be necessary in order that the Corporation or any successor to the Corporation or successor to the undertaking or assets of the Corporation have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof.
- (j) The Corporation will from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Article 8, forthwith give notice to the Holder specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.
- (k) The Corporation covenants to and in favour of the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder of the effective date or of its intention to fix a record date for any event referred to in Article 8 whether or not such action would give rise to an adjustment in the Conversion Price or the number and type of securities issuable upon the exercise of the Debenture, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date or effective date.
- (l) In any case that an adjustment pursuant to Article 8 shall become effective immediately after a record date for or an effective date of an event referred to herein, the Corporation may defer, until the occurrence and consummation of such event, issuing to the Holder of this Debenture, if exercised after such record date or effective date and before the occurrence and consummation of such event, the additional Common Shares or other securities or property issuable upon such exercise by reason of the adjustment required by such event, provided, however, that the Corporation will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Common

Shares or other securities or property upon the occurrence and consummation of such event and the right to receive any dividend or other distribution in respect of such additional Common Shares or other securities or property declared in favour of the holders of record of Common Shares or of such other securities or property on or after the Exercise Date or such later date as the Holder would, but for the provisions of this subsection, have become the holder of record of such additional Common Shares or of such other securities or property.

ARTICLE 10 CONSOLIDATION AND AMALGAMATION

- (a) The Corporation shall not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation (herein called a “**successor corporation**”) whether by way of reorganization, reconstruction, consolidation, amalgamation, merger, transfer, sale, disposition or otherwise, unless prior to or contemporaneously with the consummation of such transaction the Corporation and the successor corporation shall have executed such instruments and done such things as the Corporation, acting reasonably, considers necessary or advisable to establish that upon the consummation of such transaction:
 - (i) the successor corporation will have assumed all the covenants and obligations of the Corporation under this Debenture Certificate, and
 - (ii) the Debenture and the terms set forth in this Debenture Certificate will be a valid and binding obligation of the successor corporation entitling the Holder, as against the successor corporation, to all the rights of the Holder under this Debenture Certificate.
- (b) Whenever the conditions of subsection (a) above shall have been duly observed and performed the successor corporation shall possess, and from time to time may exercise, each and every right and power of the Corporation under this Debenture in the name of the Corporation or otherwise and any act or proceeding by any provision hereof required to be done or performed by any director or officer of the Corporation may be done and performed with like force and effect by the like directors or officers of the successor corporation.

ARTICLE 11 GENERAL

11.1 Expenses

The Corporation and the Holder shall be responsible for their own costs, charges and expenses incurred in connection with the placement of the Debenture and the entering into of the Transaction Documents. Thereafter, the Corporation shall promptly pay to the Holder, on demand, all of the Holder’s reasonable costs, charges and expenses in connection with the enforcement by any means of any provisions hereof or any of the Transaction Documents or the exercise of any rights, powers or remedies hereunder or any of the Transaction Documents. Such expenses may be paid by the Corporation to the Holder in cash or, at the election of the Corporation, be added to the principal amount of Debenture.

11.2 Evidence of Indebtedness

The Holder shall record the amount of the Obligations owing hereunder from time to time and its records shall constitute, in the absence of manifest error, conclusive evidence of the outstanding Obligations owing to the Holder.

11.3 Whole Agreement

This Debenture and other Transaction Documents and any and all other documents ancillary thereto and executed and delivered in connection therewith, constitute the entire agreement between the parties hereto with respect to the subject matter hereof.

11.4 Severability

If any provision (or any part of any provision) contained in this Debenture shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision (or remaining part of the affected provision) of this Debenture, but this Debenture shall be construed as if such invalid, illegal or unenforceable provision (or part thereof) had never been contained herein but only to the extent such provision (or part thereof) is invalid, illegal or unenforceable.

11.5 Time

Time shall be of the essence of all provisions of this Debenture and the other Transaction Documents.

11.6 Discharge of Debenture

After the Obligations have been irrevocably repaid in full, the Holder shall discharge this Debenture with respect to any Obligations that are payable by the Corporation to the Holder and at the Corporation's sole expense, execute and deliver to the Corporation such instruments as shall be necessary to discharge this Debenture.

11.7 Communication

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be given by prepaid first-class mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during, or within three (3) Business Days prior to, a general discontinuance of postal service due to strike, lockout or otherwise, shall be deemed to have been received on the fourth Business Day after the postmarked date thereof, or if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the Business Day of the sending (provided it was sent before 4:30 p.m. Toronto time) and the applicable printed facsimile record shall be definitive evidence of the time and date of such facsimile transmission, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an employee of the addressee at such address with responsibility for matters to which the information relates. Notice of change of address shall also be governed by this Section 11.7. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications shall be delivered by hand or sent by facsimile or other means of electronic communication and shall be deemed to have been received in accordance with the foregoing. Notices and other communications shall be addressed as follows:

- (a) if to the Corporation:

Humble & Fume Inc.
135-1173 Dundas Street East
Toronto, Ontario
M4M 3P1

Attention: Matthew MacKay, Chief Financial Officer
Email: matthewm@humbleandfume.com

with a copy (which shall not constitute notice) to:

CP LLP
77 King Street West, TD North Tower
Suite 700, P.O. Box 118
Toronto, Ontario
M5K 1G8

Attention: Josh Arbuckle
email: jarbuckle@cpllp.com

- (b) if to the Holder, at the address for the Holder that appears on the registry of debenture holders maintained by the Corporation.

11.8 Execution and Delivery

This Debenture may be executed by the Corporation and the Holder in counterparts and may be executed and delivered by facsimile or electronic means and all such counterparts and facsimiles together constitute one and the same agreement.

11.9 Legend

The Holder acknowledges and agrees that any securities of the Corporation issued pursuant to this Debenture, if issued prior to the date that is four months and one day after June 13, 2023 shall bear legends substantially in the following form:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITY MUST NOT TRADE THE SECURITY BEFORE OCTOBER 14, 2023”

11.10 Successors and Assigns

This Debenture shall be binding on the Corporation and its successors and assigns and shall enure to the benefit of the Holder and its successors and permitted assigns. The Corporation may not assign, transfer or delegate any of its rights or obligations under this Debenture without the prior written consent of the Holder which it may exercise in its sole and absolute discretion. The Holder may only assign this Debenture in accordance with the provisions hereof and the Subscription Agreement.

11.11 Mutilation, Loss, Theft or Destruction

In case this Debenture shall become mutilated or be lost, stolen or destroyed, the Corporation shall execute and deliver a new Debenture having the same date of issuance upon surrender and cancellation of

the mutilated Debenture, or in case this Debenture is lost, stolen or destroyed, in lieu of and in substitution for the same. In case of loss, theft or destruction the person applying for a substituted Debenture shall furnish to the Corporation such evidence of such loss, theft or destruction as shall be satisfactory to the Corporation, shall furnish indemnity satisfactory to the Corporation and shall pay all reasonable expenses incidental to the issuance of any substituted Debenture.

11.12 No Set-Off

The Obligations secured by this Debenture shall be paid by the Corporation without regard to any set-off, withholding, counterclaim or equities between the Corporation and the Holder whatsoever.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF the Corporation has executed this Debenture under seal by its duly authorized signing officer as of the 13 day of June, 2023.

HUMBLE & FUME INC.

By  _____
Authorized Signing Officer

SCHEDULE "A"
CONVERSION NOTICE

TO:

Humble & Fume Inc.
135-1173 Dundas Street East
Toronto, Ontario
M4M 3P1

Attention: Matthew Mackay, Chief Financial Officer

Email: matthewm@humbleandfume.com

Pursuant to the 10% Convertible Debenture of Humble & Fume Inc. (the "**Corporation**") issued on June 13, 2023 to the undersigned (the "**Debenture**"), the undersigned hereby notifies the Corporation that \$____ of the principal amount outstanding under the Debenture, together with all of the accrued and unpaid interest due and payable as at the date hereof on such principal amount, is to be converted into Common Shares of the Corporation in accordance with Article 3 of the Debenture, all in accordance with and subject to the terms and conditions of the Debenture. Terms not otherwise defined herein have the meanings ascribed to them in the Debenture.

Terms not otherwise defined herein have the meanings ascribed to them in the Debenture.

The certificates representing the Common Shares issuable pursuant to this Conversion Notice are to be issued in the name of and delivered as set forth below.

DATED this _____ day of _____, 20____.

Name of Holder: _____

Signature of Holder: _____

Name as it should appear on certificates for Registration Purposes:

Address for Registration Purposes:

**SCHEDULE B
FORM OF REDEMPTION NOTICE**

HUMBLE & FUME INC.

10% CONVERTIBLE DEBENTURE

REDEMPTION NOTICE

To: Holders of 10% Convertible Debentures due June 13, 2026 (the “**Debenture**”) of Humble & Fume Inc. (the “**Corporation**”)

Note: All capitalized terms used herein have the meaning ascribed thereto in the certificates representing the Debenture, unless otherwise indicated.

Notice is hereby given pursuant to Section 4.2 of the certificates representing the Debentures, that the aggregate principal amount of \$_____ of the \$_____ of Debentures outstanding will be redeemed as of _____ (the “**Redemption Date**”), upon payment of a redemption amount of \$_____ for each \$1,000 principal amount of Debentures, being equal to the amount as has been calculated in accordance with Section 4.2 of the Debenture (collectively, the “**Redemption Price**”).

The Redemption Price will be payable upon presentation and surrender of the Debentures called for redemption at the following office of the Corporation:

Humble & Fume Inc.
135-1173 Dundas Street East
Toronto, Ontario
M4M 3P1

Attention: Matthew Mackay, Chief Financial Officer
Email: matthewm@humbleandfume.com

Subject to the terms and conditions of the Debenture, the interest upon the principal amount of Debentures called for redemption shall cease to be payable from and after the Redemption Date, unless payment of the Redemption Price shall not be made on presentation for surrender of such Debenture at the above-mentioned corporate trust office on or after the Redemption Date or prior to the setting aside of the Redemption Price pursuant to the terms of the Debenture.

In this connection, upon presentation and surrender of Debentures for payment on the Redemption Date, the Corporation shall, on the Redemption Date, make the delivery to Holders, of cash representing the aggregate principal amount of Debentures to be redeemed, together with any accrued and unpaid interest thereon.

HUMBLE & FUME INC.

By _____

Authorized Signing Officer

This is Exhibit "N" referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 4, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti

DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

Applicants

CONSENT

Deloitte Restructuring Inc. hereby consents to act as Court-appointed Monitor in these proceedings should such an Initial Order be granted by the Court.

Dated at Toronto this 4th day of January, 2024

DELOITTE RESTRUCTURING INC.

Per:

DocuSigned by:

Todd Ambachtsheer

BAA3A8F227CA4E3...

Name: Todd Ambachtsheer, LIT

Title: Senior Vice President

(I have the authority to bind the corporation)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS
AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HUMBLE & FUME INC. ET
AL

Court File No.: CV-24-00712366-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

MONITOR'S CONSENT

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Larry Ellis LSO#: 49313K
lellis@millerthomson.com
Tel: 416.595.8639

David S. Ward LSO #: 33541W
dward@millerthomson.com
Tel: 416.595.8625

Matthew Cressatti LSO#: 77944T
mcressati@millerthomson.com
Tel: 416.597.4311

Lawyers for the Applicants

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C., 1985, c. C-36, AS AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA),
B.O.B. HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC.

Court File No.: CV-24-00712366-00CL

(the "**Applicants**")

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST
Proceeding commenced at Toronto

AFFIDAVIT OF JAKOB RIPSZTEIN
(SWORN JANUARY 4, 2024)

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON Canada M5H 3S1

Larry Ellis LSO#: 49313K
lellis@millerthomson.com
Tel: 416.595.8639

David S. Ward LSO #: 33541W
dward@millerthomson.com.
Tel: 416.595.8625

Matthew Cressatti LSO#: 77944T
mcressatti@millerthomson.com
Tel: 416.597.4311

Lawyers for the Applicants

TAB 3

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Ripshtein Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management

System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as

of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including January 15, 2024, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceedings may be commenced or continued against any

of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that the Monitor is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (d) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis and, in addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Monitor, retainers in the amounts of \$50,000 and \$25,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 30 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

29. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

30. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

31. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Administration Charge unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Administration Charge, or further Order of this Court.

32. **THIS COURT ORDERS** the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Administration Charge (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

33. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

34. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Canadian Securities Exchange (collectively, the "**Securities Legislation**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Legislation.

35. **THIS COURT ORDERS** that that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the "**Regulators**") in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SERVICE AND NOTICE

36. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail National Edition a notice containing the information prescribed under the CCAA, (ii)

within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

37. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ‘<<https://www.insolvencies.deloitte.ca/en-ca/Pages/humble.aspx>>’.

38. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

39. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in

satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

GENERAL

40. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

42. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

43. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

44. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

45. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

46. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c.C-36 AS AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA),
BOB HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC.
(the "Applicants")

Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST
Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicants

TAB 4

Revised: January 21, 2014

Court File No. — Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE) ~~WEEKDAY~~FRIDAY, THE #FIFTH
JUSTICE — CAVANAGH) DAY OF ~~MONTH~~JANUARY,
20YR2024

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ~~[APPLICANT'S NAME]~~HUMBLE & FUME INC.
(ONTARIO), HUMBLE & FUME INC. (MANITOBA), BOB
HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC

(the "~~Applicant~~" "Applicants")

INITIAL ORDER

THIS APPLICATION, made by the ~~Applicant~~Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day ~~at 330 University Avenue, Toronto, Ontario~~by Zoom video conference.

ON READING the affidavit of ~~[NAME]~~Jakob Ripshtein sworn ~~[DATE]~~January 4, 2024, and the Exhibits thereto (the "Ripshtein Affidavit"), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for ~~[NAMES]~~the Applicant, Deloitte Restructuring Inc., in its capacity as proposed monitor of the Applicants ("Monitor"), no one else appearing ~~for~~

~~[NAME]~~[†] although duly served as appears from the affidavit of service of ~~[NAME]~~Kim Sellers
[†]~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

sworn ~~[DATE]~~January 5, 2024 and on reading the consent of ~~[MONITOR'S NAME]~~the Monitor to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the "**Business**") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as ~~it deems~~they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

~~²If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

5. **{THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to utilize the central cash management system³ currently in place as described in the Ripshtein Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.**}**

6. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

~~³This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter company transfers of cash.~~

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the ~~Applicant~~Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of ~~its~~their business or operations, ~~[and to dispose of redundant or non-material assets not exceeding \$• in any one transaction or \$• in the aggregate]~~⁵;

⁴ ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

⁵ ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

- (b) ~~it~~ terminate the employment of such of ~~its~~their employees or temporarily lay off such of ~~its~~their employees as ~~it deems~~they deem appropriate; and
- (c) pursue all avenues of refinancing of ~~its~~their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the ~~Applicant~~Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall provide each of the relevant landlords with notice of the ~~Applicant~~Applicants's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the ~~Applicant~~Applicants's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the ~~Applicant disclaims~~ ~~for resiliates~~Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, ~~it~~they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~for resiliation~~ of the lease shall be without prejudice to the ~~Applicant's~~Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer ~~for resiliation~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~for resiliation~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for resiliation~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including [~~DATE—MAX. 30 DAYS~~]January 15, 2024, or such later date as this Court may order (the "Stay Period"), no proceeding or enforcement process in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant is~~Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of

goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the [ApplicantApplicants](#), are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the [ApplicantApplicants](#), and that the [ApplicantApplicants](#) shall be entitled to the continued use of ~~its~~[their](#) current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the [ApplicantApplicants](#) in accordance with normal payment practices of the [ApplicantApplicants](#) or such other practices as may be agreed upon by the supplier or service provider and each of the [ApplicantApplicants](#) and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the [ApplicantApplicants](#). Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no [ProceedingProceedings](#) may be commenced or continued against any of the former, current or future directors or officers of the [ApplicantApplicants](#) with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the [ApplicantApplicants](#) whereby the directors or officers are alleged

⁶~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

~~DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE~~

~~20. — THIS COURT ORDERS that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.~~

~~21. — THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of \$●, as security for the indemnity provided in paragraph [20] of this Order. The Directors' Charge shall have the priority set out in paragraphs [38] and [40] herein.~~

~~22. — THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph [20] of this Order.~~

⁷ The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

⁸ Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

APPOINTMENT OF MONITOR

20. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~ the Monitor is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~ Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- ~~(c) — assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~
- ~~(d) — advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~
- (c) ~~(e)~~ advise the ~~Applicant~~ Applicants in ~~its~~ their development of the Plan and any amendments to the Plan;

- (d) ~~(f)~~ assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

22. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

23. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in

pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant and the DIP Lender~~ Applicants with information provided by the ~~Applicant~~ Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~ Applicants may agree.

25. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~ Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the ~~Applicant~~ Applicants as part of the costs of these proceedings. The ~~Applicant is~~ Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant~~ Applicants on a ~~[TIME INTERVAL]~~ weekly basis and, in addition, the ~~Applicant is~~ Applicants are hereby authorized to pay to the Monitor, and counsel to the Monitor, ~~and counsel to the Applicant,~~ retainers in the ~~amount[s]~~ amounts of \$ ~~• [50,000 and \$25,000,~~ respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the ~~Applicant~~Applicants's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$●150,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in ~~paragraphs [38] and [40]~~paragraph 30 hereof.

DIP FINANCING

~~32. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~

~~33. — THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35. — THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs [38] and [40] hereof.~~

~~36. THIS COURT ORDERS that, notwithstanding any other provision of this Order:~~

- ~~(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- ~~(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon 90 days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and~~
- ~~(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.~~

~~37. THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.~~

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

29. ~~38. THIS COURT ORDERS that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows⁹:~~

⁹The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly,

~~First—Administration Charge (to the maximum amount of \$●);~~

~~Second—DIP Lender's Charge; and~~

~~Third—Directors' Charge (to the maximum amount of \$●).~~

~~39.—THIS COURT ORDERS that the~~ filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~ shall not be required, and that the ~~Charges~~Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the ~~Charges~~Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

30. ~~40.—THIS COURT ORDERS that each of the Directors' Charge,~~ the Administration Charge ~~and the DIP Lender's Charge (all as constituted and defined herein)~~ shall constitute a charge on the Property and such ~~Charges~~Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

31. ~~41.—THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant~~Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, ~~any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge,~~ unless the ~~Applicant~~Applicants also ~~obtains~~obtain the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of ~~the Directors' Charge and~~ the Administration Charge, or further Order of this Court.

32. ~~42.—THIS COURT ORDERS that the Directors' Charge,~~ the Administration ~~Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's~~ Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the

~~may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

benefit of the ~~Charges~~Administration Charge (collectively, the "Chargees") ~~and/or the DIP Lender~~ thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the ~~Applicant~~Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~Administration Charge shall not create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which ~~it is~~they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from ~~the Applicant entering into the Commitment Letter,~~ the creation of the ~~Charges, or the execution, delivery or performance of the Definitive Documents~~Administration Charge; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, ~~the Commitment Letter or the Definitive Documents,~~ and the granting of the ~~Charges,~~Administration Charge do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

33. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

RELIEF FROM REPORTING OBLIGATIONS

34. THIS COURT ORDERS that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the “**Securities Filings**”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Canadian Securities Exchange (collectively, the “**Securities Legislation**”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Legislation.

35. THIS COURT ORDERS that that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SERVICE AND NOTICE

36. ~~44.~~ THIS COURT ORDERS that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~ the Globe and Mail National Edition a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A)

make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

37. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at

~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL

‘<[@https://www.insolvencies.deloitte.ca/en-ca/Pages/humble.aspx](https://www.insolvencies.deloitte.ca/en-ca/Pages/humble.aspx)>’.

38. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant's~~Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

39. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by

forwarding copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS).

GENERAL

40. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

41. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property.

42. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

43. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

44. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

45. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

46. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c.C-36 AS AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA),
BOB HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC.
(the "Applicants")

Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST
Proceeding commenced at Toronto

INITIAL ORDER

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Document comparison by Workshare Compare on Friday, January 5, 2024 12:03:58 PM

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Document 1 ID	iManage://MTDMSWSSC.MILLERTHOMSON.CORP/Legal/74089746/1
Description	#74089746v1<Legal> - Model Order
Document 2 ID	iManage://MTDMSWSSC.MILLERTHOMSON.CORP/Legal/74089757/5
Description	#74089757v5<Legal> - Initial Order (Jan 4) [Draft]
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
<u>Moved to</u>	
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Format change	
Moved deletion	
Inserted cell	
Deleted cell	
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Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	203
Deletions	262
Moved from	1
Moved to	1
Style changes	0
Format changes	0
Total changes	467

TAB 5

Court File No.: CV-24-00712366-00CL:

ONTARIO
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

Applicants

CONSENT

Deloitte Restructuring Inc. hereby consents to act as Court-appointed Monitor in these proceedings should such an Initial Order be granted by the Court.

Dated at Toronto this 4th day of January, 2024

DELOITTE RESTRUCTURING INC.

Per:

DocuSigned by:
Todd Ambachtsheer
BAA3A8F227CA4E3...

Name: Todd Ambachtsheer, LIT

Title: Senior Vice President

(I have the authority to bind the corporation)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS
AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HUMBLE & FUME INC. ET
AL

Court File No.: CV-24-00712366-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

MONITOR'S CONSENT

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Lawyers for the Applicants

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS
AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA), BOB HEADQUARTERS
INC., FUME LABS INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC.

Court File No.: CV-24-00712366-00CL

(the "Applicants")

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST
Proceeding commenced at Toronto

APPLICATION RECORD

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