

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 EVE & CO INCORPORATED, NATURAL MEDCO LTD. AND
EVE & CO INTERNATIONAL HOLDINGS LTD.**

(each an “Applicant” and collectively, the “Applicants”)

REPORT OF THE PROPOSED MONITOR

MARCH 24, 2022

INTRODUCTION

1. BDO Canada Limited (“**BDO**” or the “**Proposed Monitor**”) understands that the Applicants have brought an application (the “**CCAA Application**”) before this Court returnable on March 25, 2022, seeking an initial order (the “**Proposed Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs or effect a sale transaction. The Applicants propose that BDO be appointed as Monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”).
2. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to its appointment as Monitor, should this Court grant the Proposed Initial Order, to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application.

PURPOSE

3. The purpose of this report is to provide information to the Court on:
 - a. BDO's qualifications to act as Monitor;
 - b. an overview of the Applicants;
 - c. background on the circumstances leading to the Applicants’ decision to

- commence CCAA proceedings;
- d. an overview of the Applicants' 23-week cash flow forecast on a consolidated basis for all of the Applicants (the "**Cash Flow Forecast**") and the Proposed Monitor's comments regarding the reasonableness thereof; and
- e. certain relevant matters about the relief sought in the Proposed Initial Order.

TERMS OF REFERENCE

4. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report in respect of the Cash Flow Forecast:
 - a. the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
5. Future oriented financial information referred to in this Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
6. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BDO'S QUALIFICATIONS TO ACT AS MONITOR

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

Monitor.

9. In March 2021, BDO was engaged as a consultant by the Applicants' secured lender Royal Bank of Canada ("**RBC**"). This engagement has been terminated in anticipation of the granting of the Proposed Initial Order is granted.
10. In its role as consultant to RBC, BDO reviewed weekly cash flow reporting, business issues and the Applicants' ongoing efforts to refinance. The Proposed Monitor has gained an understanding of the Applicants' business operations and cash flow. Accordingly, BDO will be able to seamlessly perform its responsibilities as Monitor, if appointed.
11. The Proposed Monitor has retained Thornton Grout Finnigan LLP ("**TGF**") to act as its independent counsel.

OVERVIEW OF THE APPLICANTS

12. This Report should be read in conjunction with the Affidavit of Melinda Rombouts sworn March 23, 2022 (the "**Rombouts Affidavit**") for additional background and financial information with respect to the Applicants. Any terms not expressly defined herein are otherwise defined in the Rombouts Affidavit.
13. The Applicant, Eve & Co Incorporated ("**Eve**"), is a publicly-traded corporation on the TSX Venture exchange under the symbol 'EVE' and maintains its registered head office at 2941 Napperton Drive, Strathroy, Ontario, N7G 3H8 (the "**Real Property**").
14. Eve does not directly hold any tangible assets, but wholly owns its subsidiary company Natural Medco Ltd. ("**NMC**"), which is a licensed producer of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations*.
15. NMC is the operating entity of the Applicants and owns the Applicants' primary asset, consisting of a 1,000,000 square foot greenhouse facility (the "**Greenhouse**") located on the Real Property, of which approximately 780,000 square feet was newly constructed in 2019.
16. The other assets of NMC consist of cannabis plants, harvested work-in-process and finished goods inventories, supplies, accounts receivable and intangible assets.
17. NMC cultivates and produces dried cannabis flower, which along with certain additionally processed products such as topicals and edibles, are sold to recreational and medical consumers in several Canadian provinces. NMC supplies dried cannabis to international medical cannabis markets including Germany and Australia, with pending orders to Israel. None of the Applicants engage in any cannabis-related activities in the United States.
18. NMC obtained its initial production licence (the "**Licence**") under the *Marihuana for Medical Purposes Regulations* on July 22, 2016, and the Licence was transitioned to the Access to Cannabis for Medical Purposed Regulations (the "**ACMPR**") on August 24, 2016. On July 22, 2018, Health Canada amended the Licence to permit the sale of dried cannabis and cannabis plants and on September 14, 2018, to permit

the production of cannabis oil. Effective October 17, 2018, NMC was licensed to produce and sell cannabis under the *Cannabis Act* (the “**Act**”) and *Cannabis Regulations* (the “**Regulations**”) that replaced the ACMPR.

19. On December 7, 2018, Health Canada amended the Licence to authorize the sale of dried and fresh cannabis to provincial retailers and distributors. From 2018 to 2020, there were several amendments to the License that authorized various rooms within the Greenhouse for growing, drying or other functions.
20. On July 6, 2020, Health Canada extended the Licence term to July 6, 2023, and on July 17, 2020, Health Canada amended the Licence to permit the sale of cannabis extracts, edibles and topicals. The various cannabis cultivation and distribution activities permitted by the Licence are herein referred to as the “**Licensed Activities**”.
21. On March 6, 2020, NMC was issued a European Union Certificate of Good Manufacturing Practice (“**EUGMP Certificate**”), which is a prerequisite to ship cannabis to the European medical cannabis market.
22. Eve & Co International Holdings Ltd. was incorporated as a subsidiary of Eve for the purpose of effecting international transactions but has no assets.

CIRCUMSTANCES LEADING TO THE APPLICANTS’ CCAA FILING

23. During 2020 and 2021, and in common with other licensed cannabis producers, NMC encountered lower than expected demand, oversupply and downward price pressure in domestic markets. In international markets, several supply agreements were executed with customers, but orders were slower to materialize than anticipated. As a result, 2020 and 2021 revenues were dramatically less than projected.
24. In December 2020, NMC completed a debenture issue and private financing totaling \$1.5 million to support its deteriorating cash position.
25. During 2021, NMC completed several shipments to a customer in Germany and one shipment to a customer in Australia. However, several international orders did not materialize as quickly as projected and revenues continued to be less than projected.
26. In March 2021, NMC negotiated a large sale of cannabis to a customer in Germany and finalized a purchase order with an initial order value of approximately \$2.9 million. The customer paid a deposit of 10 per cent of the order value. After numerous delays, the customer eventually obtained the required import permit and NMC accordingly obtained the required export permits from Health Canada which had an expiry date of November 20, 2021. The customer failed to provide NMC with satisfactory security for payment and the order was not shipped within the required time period of the export permits. NMC was unable to resurrect the order, which was subsequently abandoned. Although NMC was able to sell some of the cannabis inventory earmarked for this order to provincial customers at lower prices, the loss of the approximately \$2.6 million balance of this order was a major financial setback to NMC.
27. Also, during 2021, NMC negotiated an arrangement with another cannabis producer

(the “**Tenant**”) to subscribe for an additional 10 per cent of Eve’s outstanding common shares, and to utilize an agreed upon area of cultivation space within the Greenhouse in exchange for monthly payments of \$125,000 in rent and a portion of operating costs. The Proposed Monitor understands that the Tenant fell into arrears on the monthly payments, and more recently the agreement was suspended and the Tenant ceased making payments.

28. As a result of all of the above factors, NMC now faces a critical cash shortage. The proposed CCAA proceedings will allow NMC to maintain its business operations, preserve supplier relationships, preserve jobs for its employees, provide stability for the benefit of all the Applicants’ stakeholders and allow the time to conduct a Court-supervised sales and investment solicitation process within the CCAA Proceedings (the “**SISP**”).

OVERVIEW OF APPLICANTS’ 23-WEEK CASH FLOW FORECAST

29. The Applicants, with the assistance of the Proposed Monitor, have prepared a Cash Flow Forecast for the 23-week period from March 21, 2022, to the week ending August 27, 2022 (the “**Cash Flow Period**”) for the purpose of projecting the Applicants’ estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as Appendix “**A**” to this Report.
30. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the “**Assumptions**”) set out in the notes to the Cash Flow Forecast.
31. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - a. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - b. as at the date of this Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - c. the Cash Flow Forecast does not reflect the Assumptions.
32. The Applicants maintain bank accounts with Libro Credit Union.
33. The Cash Flow Forecast shows that during the Cash Flow Period, the Applicants project estimated disbursements of approximately \$6.0 million. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the first 23 weeks of the CCAA proceedings, subject to Court approval of the interim financing agreement (the “**DIP Facility Agreement**”) and the related DIP Lender’s Charge (discussed later herein).

34. The Proposed Initial Order has limited the initial DIP Lender's Charge to \$1,200,000.

RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

35. The Proposed Initial Order provides for three priority charges (collectively, the "**Charges**") on all of the current and future assets, undertakings and properties of the Applicants, wherever located, including all proceeds thereof that rank in the following order:
- i. first, the Administration Charge;
 - ii. second, the DIP Lender's Charge;
 - iii. third, the security granted to RBC by the Applicants; and
 - iv. fourth, the Director's Charge.
36. Pursuant to the forbearance arrangement between Eve, NMC and RBC, the proposed Director's Charge will rank behind the existing security granted to RBC by the Applicants. RBC is an unaffected creditor under the terms of the Proposed Initial Order.
37. The Proposed Monitor understands that the Applicants have provided their secured creditors and Debentureholders with notice prior to commencing these CCAA proceedings. Such stakeholders will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, will be provided with motion materials in connection with the comeback motion, upon which the Applicants will seek, among other things, a stay extension.

THE ADMINISTRATION CHARGE

38. The Proposed Initial Order provides for a charge up to a maximum amount of \$150,000 (the "**Administration Charge**") in favour of counsel to the Applicants, the Proposed Monitor and the Proposed Monitor's independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by, among other things, the DIP Facility.
39. The Proposed Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge is required and reasonable in the circumstances. The Proposed Monitor believes the quantum of the Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

DIP LENDER'S CHARGE

40. In order to provide the required liquidity needed to fund the operations of NMC during the CCAA proceedings, the Applicants are seeking the approval of the DIP Facility Agreement, pursuant to which Deans Knight Private Credit GP Inc.,

as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership (the “**DIP Lender**”) agreed to provide the DIP financing (“**DIP Facility**”) required in the Cash Flow Forecast, subject to the terms of the DIP Facility Agreement. In addition to the approval of this proposed DIP Facility Agreement, the Proposed Initial Order also provides for the creation of a related charge of \$1,200,000 (the “**DIP Lender’s Charge**”) to match the maximum allowable borrowing amount as proposed in Proposed Initial Order.

41. The DIP Lender’s Charge will be secured by present and future real and personal, tangible and intangible property and assets including equipment, accounts receivable and inventories in favour of the DIP Lender in priority to all assignments, security interests, trusts, liens, mortgages, charges and encumbrances whatsoever, statutory or otherwise. A copy of the DIP Term Sheet is attached as Exhibit II to the Rombouts Affidavit.
42. The following is a summary of the material terms of the DIP Facility Agreement:
 - a. the DIP Facility is a credit facility with monies to be advanced in accordance with the Cash Flow Forecast;
 - b. the maximum principal amount is \$2.2 million;
 - c. advances under the DIP Facility are as follows:
 - i. upon the issuance of the Proposed Initial Order, \$1,200,000, or such lesser amount as may be approved by the Proposed Initial Order, to finance working capital requirements for the 10-day period immediately following the date of the Proposed Initial Order;
 - ii. if an Amended and Restated Initial Order is issued at a comeback hearing, the balance of the DIP Facility, being \$1,000,000, or such less amount as may be approved;
 - d. the advancements of the loan are to be used for:
 - i. ordinary course working capital and other general corporate purposes of the Applicants in accordance with, and subject to the limitations set forth in, the Cash Flow Forecast, the Proposed Initial Order or any other order of the Court in these CCAA Proceedings;
 - ii. paying the transaction costs, fees and expenses incurred in connection with the DIP Facility, the CCAA proceedings and the transactions; and
 - iii. the payment of any obligations incurred prior to the commencement of the CCAA proceedings which are subject to the prior written consent of the DIP Lender, RBC and the Proposed Monitor;
 - e. interest at a rate of 12% per annum shall be calculated daily on the outstanding balance owing under the DIP Loan, not in advance, and shall accrue and be paid on September 15, 2022;
 - f. repayment of the DIP Facility is on the maturity date, which is defined as the earlier of:

- i. September 15, 2022;
 - ii. The closing of a sale or investment transaction resulting from the SISP;
 - iii. The implementation of a plan of compromise or arrangement within the CCAA Proceedings;
 - iv. The date on which the CCAA Proceedings are terminated; and
 - v. The occurrence of an event of default as defined within the DIP Facility Agreement.
- g. A facility fee of \$60,000 payable upon the maturity date.
43. As described in the Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants will be unable to maintain their operations and effect a restructuring or conduct the proposed SISP. The Proposed Monitor is satisfied that the amount set out in the Cash Flow Forecast to be paid prior to the comeback hearing is necessary in the circumstances.
44. RBC has consented to the terms of the DIP Facility and the ranking of its priority as set out in the Proposed Initial Order. Accordingly, the Proposed Monitor is of the view that the Applicants' request for approval of the DIP Facility Agreement and the DIP Lender Charge is required and reasonable in the circumstances prior to the comeback hearing.

DIRECTORS' CHARGE

45. The Proposed Initial Order provides for a charge in an amount not to exceed \$150,000 (the "**Directors' Charge**") to secure an indemnity in favour of the current director and officers of the Applicants (the "**Director and Officers**") against obligations and liabilities that they may incur as director or officers of the Applicants after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct.
46. The Director 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, to the extent such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.
47. The Proposed Monitor reviewed the calculation of the Directors' Charge taking into consideration the estimated payroll-related costs, the timing of such payroll related costs, the estimated peak vacation accrual, and an estimate of costs related to harmonized sales taxes ("**HST**") based on potential upcoming payments of HST.
48. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable under the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

49. The Proposed Monitor has reviewed the Applicants' CCAA application materials and has consented to act as the Monitor of the Applicants, should this Court grant the Proposed Initial Order.
50. For the reasons stated herein, the Proposed Monitor believes it is appropriate for the Applicants to be granted protection under the CCAA and respectfully request that the Court grants the Proposed Initial Order.

All of which is respectfully submitted this 24th day of March, 2022.

**BDO CANADA LIMITED, in its capacity
as Proposed Monitor of the Applicants, and
not in its corporate or personal capacity.**

**Stephen N. Cherniak, CPA, CA, CIRP
Senior Vice President
Licensed Insolvency Trustee**

Appendix “A”
Cash Flow Forecast

**Eve & Co Incorporated /
Natural Medco Ltd.**
Cash Flow Forecast for the period
March 21, 2022 to August 27, 2022
(CAD \$)

		1	2	3	4	5	6	7	8	9	10	11	12	13	14
WEEK ENDING		3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25
Beginning cash (deficit)		68,739	(950,451)	(1,134,258)	(1,353,473)	(1,219,669)	(1,482,020)	(1,687,224)	(1,828,232)	(1,655,206)	(1,804,840)	(1,786,816)	(2,066,374)	(2,039,295)	(2,212,020)
Receipts	Note														
Provincial sales collected	1	15,533	45,349	41,286	9,815	2,864	28,322	43,143	300,701	3,819	91,122	81,312	64,754	5,729	9,975
Bulk (International) sales	2	-	62,150	3,750	351,250	-	65,900	44,100	-	-	61,250	150,000	-	15,000	800,000
Other receipts	3				40,000				40,000					40,000	
Total Receipts		15,533	107,499	45,036	401,065	2,864	94,222	87,243	340,701	3,819	152,372	231,312	64,754	60,729	809,975
Disbursements															
Salaries & Wages	4	114,336	-	101,154	6,592	101,154	-	101,154	6,592	101,154	-	101,154	6,592	101,154	-
Employee benefits	5	31,712	16,000				16,000					16,000			
Production costs & supplies	6	76,321	26,583	25,100	24,583	23,100	44,583	19,100	24,583	22,100	24,583	42,100	24,583	19,100	28,583
Utilities	7	90,000	-	50,000	-	60,000	-	50,000	-	-	40,000	40,000	-	-	40,000
Property taxes							4,000								
Insurance	8	45,497		45,497				45,497				45,497			
Laboratory charges	9	99,864	5,000	12,500	5,000	12,500	15,000	12,500	5,000	12,500	5,000	12,500	5,000	12,500	5,000
Communications & Admin.	10	\$12,849	\$467	\$0	\$700	\$2,000	\$2,467	\$0	\$0	\$2,700	\$2,000	\$467	\$0	\$700	\$8,800
Purchased product	11				88,987										
Capital expenditures	12		99,800	30,000	9,900										
Audit, AGM and filing fees	13	42,613	-	-	31,500	18,000	-	-	31,500	15,000	-	-	1,500	-	-
Government remittances	14														
HST/Health Canada		73,075					23,919				12,764				43,878
Excise tax		-				48,461						109,696			
Mortgagee loan payments	15														
RBC		130,956	130,956				130,956					130,956			
Vanengelen		12,500	12,500				12,500					12,500			
BDO and legal fees	16	155,000			100,000				100,000					100,000	
Restructuring costs	17	150,000					50,000				50,000				25,000
Total Disbursements		1,034,723	291,306	264,251	267,262	265,215	299,425	228,251	167,675	153,454	134,347	510,870	37,675	233,454	151,261
Net Cash Flow		(1,019,190)	(183,807)	(219,215)	133,803	(262,351)	(205,204)	(141,008)	173,026	(149,635)	18,025	(279,558)	27,079	(172,725)	658,714
Closing cash (deficit)	18	(950,451)	(1,134,258)	(1,353,473)	(1,219,669)	(1,482,020)	(1,687,224)	(1,828,232)	(1,655,206)	(1,804,840)	(1,786,816)	(2,066,374)	(2,039,295)	(2,212,020)	(1,553,307)

**Eve & Co Incorporated /
Natural Medco Ltd.
Cash Flow Forecast for the period
March 21, 2022 to August 27, 2022
(CAD \$)**

		15	16	17	18	19	20	21	22	23	
WEEK ENDING		7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	Total
Beginning cash (deficit)		(1,553,307)	(1,676,373)	(1,683,202)	(1,256,020)	(1,333,628)	(1,566,479)	(1,516,862)	(1,147,024)	(1,178,657)	
Receipts	Note										
Provincial sales collected	1	129,528	64,754	5,729	9,975	203,692	6,650	91,434	6,650	126,199	1,388,335
Bulk (International) sales	2	150,000	-	625,000	-	11,250	138,750	481,250	-	286,250	3,245,900
Other receipts	3			40,000				40,000			200,000
Total Receipts		279,528	64,754	670,729	9,975	214,942	145,400	612,684	6,650	412,449	4,834,235
Disbursements											
Salaries & Wages	4	101,154	-	107,746	-	101,154	-	107,746	-	90,577	1,249,413
Employee benefits	5	16,000				16,000					111,712
Production costs & supplies	6	41,100	26,583	21,100	30,583	41,100	26,583	21,100	30,583	21,100	684,834
Utilities	7	-	40,000	-	40,000	-	40,000	-	-	40,000	530,000
Property taxes						4,000					8,000
Insurance	8	87,917				45,497					315,402
Laboratory charges	9	12,500	5,000	12,500	15,000	12,500	5,000	12,500	5,000	12,500	312,364
Communications & Admin.	10	\$467	\$0	\$700	\$2,000	\$2,467	\$0	\$0	\$2,700	\$2,000	43,484
Purchased product	11										88,987
Capital expenditures	12						24,200				163,900
Audit, AGM and filing fees	13	-		1,500	-	-	-	1,500	-	-	143,113
Government remittances	14										-
HST/Health Canada						16,177				41,368	211,181
Excise tax		-		-		40,442		-		103,419	302,019
Mortgagee loan payments	15										-
RBC		130,956				130,956					785,736
Vanengelen		12,500				12,500					75,000
BDO and legal fees	16			100,000				100,000			655,000
Restructuring costs	17					25,000				25,000	325,000
Total Disbursements		402,594	71,583	243,546	87,583	447,793	95,783	242,846	38,283	335,964	6,005,145
Net Cash Flow		(123,066)	(6,830)	427,183	(77,608)	(232,851)	49,617	369,838	(31,633)	76,485	
Closing cash (deficit)	18	(1,676,373)	(1,683,202)	(1,256,020)	(1,333,628)	(1,566,479)	(1,516,862)	(1,147,024)	(1,178,657)	(1,102,172)	

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
EVE & CO INCORPORATED, NATURAL MEDCO LTD. AND
EVE & CO INTERNATIONAL HOLDINGS LTD.
(each an “Applicant” and collectively the “Applicants”)**

Notes to the Unaudited cash flow forecast of the Applicants

In preparing this cash flow forecast (the “**Cash Flow Forecast**”) the Applicants have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional information discussed below with respect to the requirements of a Companies Creditors Arrangements Act (“**CCAA**”) filing. Since the Cash Flow Forecast is based upon assumptions of future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurances that any of the estimates, forecasts or projections will be realized.

Overview

The Cash Flow Forecast includes the receipts and disbursements of all of the Applicants during the Cash Flow Forecast period. The Applicants, with the assistance of BDO Canada Limited in its capacity as the proposed monitor of the Applicants (the “**Proposed Monitor**”) have prepared the Cash Flow Forecast based primarily on estimated disbursements related to the CCAA proceedings and on the ongoing operations.

Assumptions

Cash Receipts

1	Provincial sales collected	Based on purchase orders for the next 60 days from Provincial cannabis distributors and retailers, with future monthly sales maintained at this level. Cash is collected in 60 days from the Ontario Cannabis Store and in 30 days from all other Provincial customers.
2	Bulk (International) Sales	Based on management’s best estimate of future purchase orders and subsequent cash receipts from international customers with whom supply agreements have been executed, taking into account negotiations to date, estimated timing for issuance of import/export permits and customer payment terms.
3	Other receipts	Rent payments from greenhouse tenants.

Payments/Disbursements

4	Salaries and Wages	Gross bi-weekly payroll, including employee source deductions and employer portion payable to CRA, based on current staffing levels. Payments include a bi-weekly doubling-up of salary paid to Melinda Rombouts until wages postponed over the period August 2021 to March 2022 are caught up. Also includes external financial consultant to assist with TSX-V filings.
5	Employee benefits	Continuation of employee group benefit plan with Great West Life.
6	Production costs & supplies	Payments for fertilizer, freight, supplies, packaging and miscellaneous expenses, either directly to the supplier, or through credit cards, are based on recent experience.
7	Utilities	NMC is current on Hydro One charges and the bulk of arrears to Enbridge were recently satisfied by Enbridge applying a deposit on file to outstanding amounts. Cash flow forecast is based on post-filing usage, estimated from prior year experience, being paid as it is due.
8	Insurance	Current insurance policy premiums are paid as scheduled and policy is renewed on July 4, 2022 at the same premium and payment schedule as 2021-2022 policy.
9	Laboratory charges	Payment of laboratory Certificate of Analysis fees required for international shipments, including \$83,944 of pre-filing arrears.
10	Communications & admin	Telephone, internet, website and software costs.
11	Purchased product	Purchase of a specific cannabis strain from another licensed producer in order to fill requirements of an international customer included in the Bulk Sales forecast,
12	Capital expenditures	Payments for upgrades to HVAC, ventilation hardware and electrical necessary to meet Ministry of Labour requirements and improve product quality and potency as required by certain forecasted international customers included in the Bulk Sales forecast.
13	Audit, AGM & filing fees.	Costs of Dec. 31, 2021 financial statement audit, Annual General Meeting and public company filing fees.

14	Government remittances	Remittance of post-filing HST collected and Excise Tax assessed on post-filing gross Provincial sales as these amounts are due. Includes payment of outstanding Health Canada regulatory licensing fees.
15	Mortgagee payments	Mortgagee payments are comprised of: 1) March 1, 2022 term loan payment arrears due to RBC and regular payment of \$130,956 paid on the first of each month thereafter. 2) Interest payable on private loan obtained in December 2020.
16	BDO and legal fees	Outstanding invoices of BDO and RBC's legal counsel from July 1, 2021 to the date of filing, plus ongoing costs of the Monitor and the Monitor's legal counsel.
17	Restructuring Costs	Costs of the Applicant's legal counsel to the date of filing and monthly amounts thereafter.
18	Projected cash deficit	Cash deficit is funded by DIP Facility in two tranches of: \$1.2 million upon issuance of the Proposed Initial Order; and \$1.0 million in the week ending 4/9.