



This is the 1st Affidavit
of Nicole Chetwynd in this case
and was made on January 6, 2025

District of British Columbia
Court No.: VER-S-B-240540
Estate No.: 11-3145114
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANNGROUP DEVELOPMENT CORP.

AFFIDAVIT

I, Nicole Chetwynd, of 8434 Needles Drive, Whistler, British Columbia, V8E 0G1,
Businesswoman, SWEAR, THAT:

1. I am a director and former chief financial officer of CannGroup Development Corp. (“CannGroup”) and as such have personal knowledge of the facts hereinafter deposed to except where stated to be on information and belief, in which case I verily believe them to be true. I am authorized to swear this affidavit of behalf of CannGroup.

2. I swear this affidavit in support of CannGroup’s application for orders:

- (a) extending the time for CannGroup to file a proposal to February 21, 2025; and
- (b) approving an interim financing facility to fund CannGroup’s operations through these restructuring proceedings.

A. BACKGROUND

3. CannGroup commenced the within proceedings pursuant to the Notice of Intention to Make a Proposal filed with the Official Receiver of the Superintendant of Bankruptcy on October 25, 2024 under Estate No. 11-3145114 (the “**NOI Proceedings**”).

4. On November 18, 2024, the Honourable Justice Milman granted:

- (a) an order, among other things, approving a charge on the assets, property and undertakings of CannGroup in the maximum aggregate amount of \$150,000 to secure the fees and disbursements of the Crowe MacKay & Company Ltd., in its capacity as proposal trustee of CannGroup (the “**Proposal Trustee**”), its counsel, and counsel to CannGroup (the “**Administration Charge**”), and granting an extension of the period for filing a proposal until 11:59 p.m. on January 7, 2025 (the “**Stay Period**”); and
- (b) an order (the “**Sale Approval Order**”) approving the sale transaction contemplated by the Contract of Purchase and Sale dated November 5, 2024 (as amended, the “**Sale Agreement**”) between CannGroup, as vendor, and Brandt Rock Investments Corporation, as purchaser (the “**Proposed Purchaser**”), for the sale of the lands and premises located at 56 Hadow Road, Enderby, British Columbia (the “**Lands**”).

5. The Proposed Purchaser failed to pay a deposit of \$50,000 (“**Deposit**”) to the Proposed Purchaser’s solicitor on or before November 27, 2024, as required by the Sale Agreement and the Sale Approval Order. As such, the transaction contemplated by the Sale Agreement did not close.

6. I am advised by Marlin Tobias, the president of CannGroup, and verily believe that he has been in continued communications with the principal of the Proposed Purchaser, who has advised that the funds for the Deposit and the purchase price for the Lands are forthcoming, but have been delayed as a result of the processing time involved with transferring such funds from an international bank to a domestic bank.

7. CannGroup is actively working with the Proposed Purchaser to enter into an agreement amending the Sale Agreement once the Proposed Purchaser’s funds have cleared in an account in a domestic bank, which is expected to occur within the next two weeks.

8. I believe the sale of the Lands to the Proposed Purchaser on the terms of the Sale Agreement is in the best interests of CannGroup and its stakeholders as the Sale Agreement was the best offer received for the Lands, which are CannGroup’s primary asset. Details of the extensive marketing process for the Lands and CannGroup’s business are summarized in the affidavit #1 of Marlin Tobias sworn November 13, 2024.

9. The Lands have continued to be marketed pursuant to the listing agreement between CannGroup and Nick Renton of William Wright Commercial, dated July 3, 2024, however, I am not aware of any additional offers received for the Lands as of the date of this affidavit.

B. EXTENSION OF STAY OF PROCEEDINGS

10. CannGroup seeks an extension of the Stay Period by an additional 45 days to February 21, 2025 to allow CannGroup to, among other things, enter into and obtain approval of an amended contract of purchase and sale with the Proposed Purchaser, complete the transaction contemplated thereby (the “**Transaction**”), and seek court approval of a distribution plan with respect to the net proceeds arising from the Transaction.

11. I am not aware of any creditors who would be prejudiced by an extension of the stay of proceedings through to February 21, 2025. The cash flow forecast prepared by CannGroup with the assistance of the Proposal Trustee (the “**Cash Flow Forecast**”), a copy of which is attached to the Second Report of the Proposal Trustee dated January 3, 2025 (the “**Second Report**”) as Appendix “C”, reflects that CannGroup will have sufficient liquidity to meet its obligations, including its restructuring costs throughout the proposed extension of the stay of proceedings, provided that the Interim Financing Term Sheet, as defined and described in greater detail below, is approved.

12. CannGroup has acted in good faith and with due diligence both prior to the commencement of, and during these NOI Proceedings.

C. INTERIM FINANCING

13. CannGroup requires interim financing to provide stability and fund its operations and restructuring efforts while it seeks to complete the Transaction.

14. During the course of the NOI Proceedings, CannGroup intends to make payments for goods and services supplied post-filing in the ordinary course, which are estimated to amount to approximately \$10,000 per month, as set out in the Cash Flow Forecast. CannGroup also intends to make payments to the professionals of amounts owing to them.

15. CannGroup has entered into an Interim Lending Facility Term Sheet (the “**Interim Financing Term Sheet**”) dated January 3, 2025, with 5352 Investments Ltd. (the “**DIP Lender**”) pursuant to which the Interim Lender has agreed to fund a loan in the amount of \$100,000 (the “**Interim Lending Facility**”). A copy of the Interim Lending Facility is attached to the Second Report as Appendix “D”.

16. Based on discussions with the Proposal Trustee and the Cash Flow Forecast, the Interim Lending Facility is expected to provide CannGroup with sufficient liquidity to continue its business operations through to at least February 21, 2025.

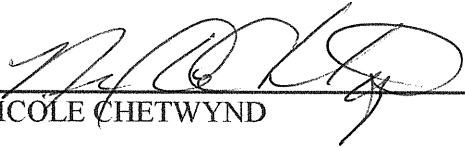
17. The Interim Financing Term Sheet includes the following commercial terms:

- (a) **Loan size:** \$100,000 single-draw non-revolving loan facility.
- (b) **Interest:** 15% per annum.
- (c) **Fees:** \$5,000 up-front fee, plus \$1,000 for legal fees.
- (d) **Maturity Date:** the earlier of: (a) July 10, 2025 (or such later date as the Interim Lender in its sole discretion may agree to in writing with the Borrower); (b) the implementation of a proposal within the NOI Proceedings which has been approved by the requisite majorities of the Borrower’s creditors and by an order entered by the Court; (c) the NOI Proceedings are terminated for any reason; (d) the date upon which a transaction for the sale of substantially all of the business and/or assets of the Borrower is completed; or (e) the occurrence of an Event of Default (as defined in the Interim Financing Term Sheet), provided that the Interim Lending Facility may not be paid out prior to April 15, 2025 unless interest through to such date is included in such payout.
- (e) **Conditions Precedent to the Advance:** among other things, Court-approval of the Interim Financing Term Sheet by January 7, 2025, which order shall, among other things approve the Interim Financing Term Sheet and the Interim Loan under the Interim Lending Facility and grant the Interim Lender a charge which shall rank in priority to Encumbrances (as defined therein) except the Administration Charge.

18. The Interim Financing Term Sheet was prepared in consultation with the Proposal Trustee. I believe that the terms and conditions of the Interim Financing Term Sheet are reasonable in the circumstances.

SWORN BEFORE ME at ^{Whistler} ~~Vancouver~~,)
British Columbia, on January 6, 2025)
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A Commissioner for taking Affidavits for)
British Columbia)

Greg Diamond, Lawyer & Notary
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NICOLE CHETWYND

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AFFIDAVIT OF NICOLE CHETWYND

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