



**First Report of
KSV Restructuring Inc.
as CCAA Monitor of
BioSteel Sports Nutrition Inc.**

September 19, 2023

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Court File No.:CV-23-00706033-00CL

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 BIOSTEEL SPORTS NUTRITION INC.

FIRST REPORT OF KSV RESTRUCTURING INC.

SEPTEMBER 19, 2023

1.0 Introduction

1. Pursuant to an order (the "Initial Order") issued by the Ontario Superior Court of Justice (Commercial List) (the "Court") on September 14, 2023 (the "Filing Date"), BioSteel Sports Nutrition Inc. (the "Applicant" or "BioSteel Canada") was granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Restructuring Inc. was appointed monitor of the Applicant (in such capacity, the "Monitor").
2. Pursuant to the Initial Order, the Court, among other things:
 - a) granted a stay of proceedings (the "Stay of Proceedings") in favour of the Applicant and two of its non-applicant US affiliates, being BioSteel Sports Nutrition USA, LLC and BioSteel Manufacturing LLC (jointly, the "Non-Applicant Stay Parties" and together with the Applicant, "BioSteel") and certain of their respective current and former directors and officers (collectively, the "Directors and Officers") to and including September 24, 2023 (the "Initial Stay Period");
 - b) granted a charge:
 - i. in the amount of US\$750,000 on all of the Applicant's current and future assets, property and undertaking (collectively, the "Property") to secure the fees and disbursements of the Applicant's legal counsel, legal counsel to a special committee of the Applicant's board of directors (the "Special Committee"), the Monitor and its independent legal counsel, Bennett Jones LLP ("Bennett Jones"), and the monthly fees of the Applicant's financial advisor, Greenhill & Co. Canada Ltd. (in such capacity, the "Financial Advisor") (the "Administration Charge"); and
 - ii. up to the maximum amount of US\$1.279 million on the Property in favour of the Directors and Officers (the "Directors' Charge");

- c) authorized BioSteel Canada to pay certain pre-filing obligations to essential suppliers of BioSteel, subject to first obtaining the Monitor's consent; and
 - d) authorized BioSteel Canada to act as the foreign representative in respect of these CCAA proceedings for the purpose of having orders issued in these CCAA proceedings from time to time recognized in any jurisdiction outside of Canada, including the United States pursuant to chapter 15 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code").
3. On September 17, 2023, the Applicant commenced proceedings in the United States Bankruptcy Court for the Southern District of Texas (the "US Court") seeking recognition of this CCAA proceeding as a foreign main proceeding under Chapter 15 of title 11 of the Bankruptcy Code. On September 19, 2023, the US Court entered an order granting provisional relief in aid of this CCAA proceeding.
4. The principal purpose of this CCAA proceeding is to create a stabilized environment to enable BioSteel Canada to temporarily hibernate its business while executing a sale and investment solicitation process for BioSteel's assets and business (the "SISP").
5. The comeback hearing is scheduled to be heard on September 21, 2023 (the "Comeback Hearing"). At the Comeback Hearing, the Applicant is seeking the following orders:
 - a) an order, among other things, approving the SISP to be conducted by the Applicant, with the assistance of the Financial Advisor and under the oversight of the Monitor (the "SISP Approval Order"); and
 - b) an Amended and Restated Initial Order (the "ARIO"), among other things:
 - extending the Stay of Proceedings to and including November 17, 2023;
 - approving the retention of the Financial Advisor, *nunc pro tunc*, pursuant to an agreement dated August 24, 2023 between the Applicant and the Financial Advisor (the "Greenhill Engagement Letter") and granting a charge on the Property in favour of the Financial Advisor to the maximum amount of US\$2.5 million to secure the payment of the transaction fee payable under the Greenhill Engagement Letter (the "Transaction Fee Charge" and together with the Administration Charge and the Directors' Charge, collectively, the "Charges");
 - increasing the quantum of the Administration Charge to US\$1 million; and
 - increasing the quantum of the Directors' Charge to US\$2.198 million.

1.1 Purposes of this Report

1. The purposes of this report (the "First Report") are to:
 - a) summarize the relief being sought by the Applicant at the Comeback Hearing;

- b) provide the Court with an update on the Monitor's activities since the granting of the Initial Order; and
- c) provide the Monitor's recommendations regarding the relief being sought by the Applicant at the Comeback Hearing.

1.2 Restrictions

1. In preparing this First Report, the Monitor has relied upon the Applicant's unaudited financial information, books and records, information available in the public domain and discussions with the Applicant's management, legal counsel and Financial Advisor.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Applicant's cash flow forecast from September 30, 2023 to November 17, 2023 (the "Cash Flow Forecast")¹ as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this First Report is based upon the Applicant's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency and Definitions

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.

2.0 Background

1. BioSteel products, including ready-to-drink sports drinks ("RTDs"), hydration mixes and supplements, are available at retailers across Canada, the United States and online.
2. Canopy Growth Corporation ("Canopy") owns 90.4% of the outstanding voting common shares of BioSteel Canada. As of the Filing Date, Canopy and an affiliate, 11065220 Canada Inc. ("110"), have made secured loans of approximately \$366 million, excluding interest and costs, to BioSteel Canada.

¹ The cash flow forecast attached to the Report to Court of the Proposed Monitor dated September 14, 2023 (the "Pre-Filing Report") is for the period September 13, 2023 to September 29, 2023.

3. The Affidavit of Sarah Eskandari, General Counsel of the Applicant, sworn September 13, 2023 in support of the CCAA application (the “First Eskandari Affidavit”), and the Report to Court of the Proposed Monitor dated September 14, 2023 (the “Pre-Filing Report”) both provide background information with respect to the Applicant’s business and operations, including the reasons for the commencement of these CCAA proceedings. Accordingly, that information is not repeated in this First Report.
4. Court materials filed in these proceedings, including the First Eskandari Affidavit and the Pre-Filing Report, are available on the Monitor’s website at the following link: www.ksvadvisory.com/experience/case/biosteel (the “Case Website”).

3.0 SISP²

3.1 Prior Sale Processes

1. Prior to these proceedings, the Applicant, with the assistance of two different investment banking advisors, conducted two separate marketing processes.
2. Beginning at the end of 2022, the Applicant retained Goldman Sachs & Co. LLC to conduct a marketing process which contemplated an investment in or a sale of the BioSteel business as a going concern (the “Initial Sale Process”). Despite dialogue with 24 potential buyers, no party submitted a formal offer.
3. At the conclusion of the Initial Sale Process, and with the former management group having advised that it was considering a buy-out offer, the Special Committee engaged the Financial Advisor to conduct a second, refreshed marketing process (the “Refreshed Sale Process”). Under the Refreshed Sale Process, proposals were to be submitted by September 5, 2023, on which date six (6) preliminary non-binding proposals were received, all of which were subject to due diligence and other conditions, and would have required significant time to be completed. Additionally, none of the bids submitted contemplated funding BioSteel during the contemplated diligence periods. Based on the Special Committee’s review, with the assistance of its legal and financial advisors, BioSteel determined that seeking the benefit of Court protection would provide the best opportunity to maximize the value of BioSteel for stakeholders.
4. Although the Initial Sale Process and Refreshed Sale Process did not produce a viable firm bid, the Applicant was successful in generating significant interest in a transaction. The interest these prior sale processes have generated will assist with conducting the Court-supervised SISP described below.

3.2 SISP

1. The purpose of the SISP is to market BioSteel’s business and assets for sale. The SISP will enable the Applicant, with the assistance of the Financial Advisor, and under the oversight of the Monitor, to test the market and pursue the possibility of a transaction that delivers the most value for its stakeholders.
2. Subject to Court approval, the Applicant, with the assistance of the Financial Advisor and under the supervision of the Monitor, will carry out the SISP.

² Capitalized terms in this section have the meaning provided to them in the SISP unless otherwise defined herein.

3. The proposed SISP was developed by the Applicant in consultation with the Financial Advisor, the Applicant’s legal counsel, the Monitor and the Monitor’s legal counsel.
4. The key aspects of the proposed SISP are summarized below; however, interested parties are strongly encouraged to review the full terms of the SISP attached as Schedule “A” to the proposed SISP Approval Order.
5. A summary of the SISP timeline is as follows:

Milestone	Deadline ³
Court approval of SISP to be sought no later than	September 21, 2023
Latest date for Applicant to commence solicitation process	September 25, 2023
Qualified Bid Deadline	October 16, 2023
Deadline to Select Successful Bid (if any)	October 23, 2023
Approval and Vesting Order hearing ⁴	November 3, 2023
Outside Date for Closing of Successful Bid	November 15, 2023

6. Each milestone in the table above can be extended by the Applicant in consultation with the Monitor.

3.3 Solicitation of Interest

1. The Applicant and the Financial Advisor, under the oversight of the Monitor, will prepare marketing materials and solicit interest from parties potentially interested in pursuing a transaction (each, a “Potential Bidder”).
2. In particular, the Applicant and the Financial Advisor will, under the oversight of the Monitor:
 - a) prepare and disseminate marketing materials and a process letter to Potential Bidders identified by the Applicant and the Financial Advisor, including a form of non-disclosure agreement (an “NDA”);
 - b) provide Potential Bidders who have executed an NDA in a form acceptable to the Applicant with access to a virtual data room containing diligence information. It will not be necessary for Potential Bidders who have already executed an NDA with the Applicant to execute a further confidentiality agreement under this SISP, provided that such NDA is not expired and/or will not expire during the SISP; and
 - c) advise any parties wishing to submit a binding bid that such binding bid must comply with the requirements for a Qualified Bid (as described below), which includes being submitted by 5:00 p.m. (Eastern Time) on October 16, 2023, being the Qualified Bid Deadline.
3. The Qualified Bid Deadline may be extended by: (i) the Applicant in consultation with the Monitor; or (ii) further order of the Court.

³ To the extent any dates would fall on a non-business day, they shall be deemed to be the first business day thereafter.

⁴ The Court dates are subject to Court availability.

3.4 Qualified Bids

1. To be a “Qualified Bid”, a bid must, among other things, meet the following requirements:
 - a) provide the aggregate consideration payable in full on closing (the “Consideration Value”), along with a detailed sources schedule that identifies with specificity the composition of the Consideration Value and any assumed or included liabilities that could alter the Consideration Value;
 - b) the Consideration Value must provide for cash consideration sufficient to pay: (i) any obligations in connection with the Charges and any obligations in priority thereto; and (ii) \$2 million to fund a wind-up of these CCAA proceedings and any further proceedings or wind-up costs;
 - c) provide for a closing date of not later than November 15, 2023, with such date being the “Outside Date”;
 - d) include:
 - i. duly executed and binding definitive transaction documents, including a redline of the submitted transaction document against a template asset purchase agreement that will be made available in the virtual data room;
 - ii. the legal name and identity (including jurisdiction of existence) and contact information of the bidder, full disclosure of its direct and indirect principals, and the name(s) of its controlling equityholder(s);
 - iii. evidence of authorization and approval from the Qualified Bidders’ board of directors or equityholders, if applicable;
 - iv. disclosure of any connections or agreements with BioSteel or any of their affiliates; and
 - v. such other information reasonably requested by the Applicant or the Monitor;
 - e) include a letter stating that the bid is submitted in good faith, is binding and is irrevocable until closing of the Successful Bid;
 - f) confirm that the bid will serve as the next highest and best Qualified Bid (the “Back-Up Bid”) if it is not selected as the Successful Bid and if selected as the Back-Up Bid, it will remain irrevocable until the earlier of: (i) closing of the Successful Bid; or (ii) closing of the Back-Up Bid;
 - g) provide evidence of the bidder’s ability to finance the transaction prior to the Outside Date and satisfy the obligations under the transaction documents;
 - h) not include any request for a break fee, expense reimbursement or similar type of payment/bid protections;

- i) contain no conditions with respect to:
 - i. approval from the Qualified Bidder's board of directors or equityholders;
 - ii. the outcome of any unperformed due diligence by the bidder; or
 - iii. the Qualified Bidder obtaining financing;
- j) include acknowledgments and representations that the bidder:
 - i. has had an opportunity to conduct its due diligence and relied solely on its independent review;
 - ii. is not relying upon any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express or implied (by operation of law or otherwise), made by any person or party, including the Applicant, the Financial Advisor, the Monitor and their respective employees, officers, directors, agents, advisors and other representatives, regarding the proposed transaction(s), this SISP, or any information (or the completeness of any information) provided in connection therewith, except as expressly stated in the proposed transaction documents;
 - iii. is making its bid on an "as is, where is" basis;
 - iv. is bound by this SISP and the SISP Approval Order; and
 - v. is subject to the exclusive jurisdiction of the Court with respect to any disputes with the SISP or its bid;
- k) document any regulatory or other third-party approvals, and timing for same, the party anticipates would be required to complete the transaction;
- l) be accompanied by a cash deposit equal to at least 10% of the Consideration Value (the "Deposit"), which Deposit shall be paid to and held by the Monitor in an interest-bearing trust account, to be applied or returned in accordance with the SISP, as the case may be;
- m) include a statement that the bidder will bear its own costs and expenses (including legal and advisor fees) in connection with the proposed transaction, without request for reimbursement;
- n) The highest Qualified Bid may not necessarily be accepted by BioSteel Canada. BioSteel Canada, with the written consent of the Monitor and Canopy, reserves the right not to accept any Qualified Bid or to otherwise terminate the SISP; and

- o) In the event that: (a) no Qualified Bid is received by the Qualified Bid Deadline; (b) BioSteel Canada, in consultation with the Monitor, determines that no Qualified Bid should be accepted; (c) definitive agreement(s) with respect to the Successful Bid have not been finalized before the Definitive Agreement Deadline; or (d) the Qualified Bids, in aggregate, do not provide for the timely repayment of the secured loan and credit facility provided to the Applicant by Canopy and 110, in full in cash and Canopy does not consent to any Qualified Bid(s) being selected as the Successful Bid, the SISP shall terminate.

3.5 SISP Recommendation

1. The Monitor recommends that this Court issue the SISP Approval Order substantially in the form requested for the following reasons:
 - a) the SISP provides for a marketing of BioSteel's business by the Financial Advisor, which is a highly qualified financial advisory and investment banking firm with extensive experience in the mergers and acquisitions sector and knowledge of BioSteel's business by virtue of having conducted the Refreshed Sale Process;
 - b) the SISP provides an opportunity to complete a transaction that will benefit all stakeholders;
 - c) in the Monitor's view, while expedited, the duration of the SISP is sufficient to allow interested parties to perform the required diligence and submit Qualified Bids. The business of BioSteel was marketed broadly and extensively over the past year through the Initial Sale Process and then again in the Refreshed Sale Process occurring immediately prior to the filing. In addition, the commencement of a SISP was telegraphed to the market in the Applicant's CCAA materials since September 14, 2023, which effectively adds approximately one additional week to the SISP period. In this regard, the Monitor and the Applicant have already received several enquiries from prospective purchasers immediately following the initial application and have forwarded all such enquiries to the Financial Advisor. The Monitor also notes that the duration of the SISP reflects a balance between ensuring that sufficient time is available to attempt to identify a value-maximizing transaction and ensuring that there is cash available to fund these proceedings, noting that no DIP financing facility is contemplated. Further, the Monitor notes that the Qualified Bid Deadline can be extended by the Applicant, in consultation with the Monitor, based on the activity levels generated by the SISP and whether sufficient cash is available;
 - d) Canopy and its affiliate, as the Applicant's fulcrum secured creditors, have advised that they are unwilling to support an extended SISP. Canopy and its affiliate are the only creditors with an economic interest in this proceeding and they continue to pay the cost of BioSteel's remaining employees necessary to maintain the business during the pendency of the SISP;

- e) the number of potential purchasers for BioSteel's business is limited because of its specialized nature, and the vast majority of these potentially interested parties were engaged in the Initial Sale Process and/or the Refreshed Sale Process;
- f) the SISP provides bidders with flexibility in determining which assets would be included and excluded in a transaction; and
- g) as at the date of this First Report, the Monitor is not aware of any objections to the SISP.

4.0 Financial Advisor⁵

4.1 Greenhill

1. The Applicant is seeking the Court's approval to retain Greenhill as its financial advisor, *nunc pro tunc*, to assist in running the proposed SISP. The Financial Advisor will be responsible for marketing and selling BioSteel's business and assets pursuant to the proposed SISP, if approved. The Monitor will oversee the conduct of the SISP.
2. The Financial Advisor is a globally recognized investment bank and an experienced financial advisor headquartered in New York, although the Greenhill team responsible for the SISP is located in Toronto.
3. The Financial Advisor was initially retained by the Special Committee on behalf of the Applicant in August 2023 to assist with the Refreshed Sale Process. While the Refreshed Sale Process did not result in an unconditional bid, the Financial Advisor has demonstrated an ability to generate interest in BioSteel's business and assets. The Financial Advisor has extensive knowledge of BioSteel's business and assets, which it has gained since the since initiating the Refreshed Sale Process.
4. The Financial Advisor has prepared marketing materials in connection with its proposed mandate and is ready to launch the SISP process immediately, subject to Court approval. The Monitor has scheduled regular meetings with the Financial Advisor to oversee the SISP, including feedback from, and diligence being performed by, Potential Bidders.

4.2 Financial Advisor Agreement

1. A copy of the Greenhill Engagement Letter is attached as Exhibit "F" to the First Eskandari Affidavit. The relevant financial terms of the Greenhill Engagement Letter are as follows:
 - a) **Initial Fee:** The Financial Advisor is entitled to an initial advisory fee of US\$500,000, paid on execution of the Greenhill Engagement Letter. In connection with the significant work performed on the Refreshed Sale Process, this amount has already been paid;

⁵ Capitalized terms in this section have the meaning provided to them in the Financial Advisor Agreement, unless otherwise defined herein.

- b) **Monthly Fee:** The Financial Advisor is entitled to a fixed cash monthly fee of US\$150,000 (the “Monthly Fee”) payable monthly from the effective date of the Greenhill Engagement Letter.
 - c) **Transaction Fee:** In the event of a Restructuring or an M&A Transaction, the Financial Advisor will earn a fee equal to US\$3 million (the “Transaction Fee”), provided however that the payment of the Initial Fee and any of the Monthly Fees paid shall be credited against any Transaction Fee, subject to certain conditions.
 - d) **M&A Incentive Fee:** In the event a transaction is consummated with a transaction value that exceeds US\$200 million, the Financial Advisor shall be compensated as the difference between the Transaction Fee and certain formulas set out in Schedule B of the Greenhill Engagement Letter (the “M&A Fee”).
- 2. Pursuant to the terms of the Greenhill Engagement Letter, the implementation and completion of the SISP would result in the Transaction Fee being earned and payable, subject to the crediting described herein.
 - 3. The Financial Advisor’s Monthly Fee is secured by the Administration Charge, whereas any Transaction Fee or M&A Fee (together, the “Additional Fees”) are not. The ARIO sought by the Applicant at the Comeback Hearing proposes to increase the quantum of the Administration Charge to the maximum amount of US\$1 million to provide additional security for the Monthly Fee and proposes a Transaction Fee Charge of US\$2.5 million (representing the Transaction Fee less the Initial Fee already paid) to secure the Transaction Fee (which charge, is proposed to rank subordinate to the Administration Charge and the Directors’ Charge).
 - 4. The Monitor recommends that the Court approve the Greenhill Engagement Letter and grant the Transaction Fee Charge for the following reasons:
 - a) the Financial Advisor is highly qualified and has extensive knowledge of BioSteel's business as a result of its prior mandate;
 - b) in the Monitor’s view, the Monthly Fee of US\$150,000 is reasonable and consistent with the market, and the Transaction Fee payable to the Financial Advisor of US\$3 million is commercially reasonable;
 - c) given its prior mandate, the Financial Advisor is ready to launch the SISP immediately, which will help reduce the costs and timeline associated with the SISP and the CCAA proceeding;
 - d) Canopy and its affiliate – the Applicant's fulcrum creditors and the only creditors with an economic interest in the Applicant – support the retention of Greenhill pursuant to the Greenhill Engagement Letter; and
 - e) in the Monitor’s view, it is appropriate for the Financial Advisor to have the benefit of a Court-approved charge to secure both its Monthly Fee and the Transaction Fee.

5.0 Cash Flow Forecast

1. A copy of the Cash Flow Forecast prepared by the Applicant, and reviewed and discussed with the Monitor, along with Management's Report on Cash Flow is attached as Appendix "A". The Cash Flow Forecast is extended from the forecast appended to the Pre-Filing Report and covers the period from September 30, 2023 to November 17, 2023 (the "Forecast Period"). The Cash Flow Forecast contemplates that the Applicant is able to fund its business through the Forecast Period without the need for debtor-in-possession ("DIP") financing. A copy of the Monitor's Report on Cash Flow is attached as Appendix "B".
2. A summary of the Cash Flow Forecast⁶ for the Forecast Period is below.

(unaudited; \$000s)		
	Note	Total
Receipts	A	6,700
Disbursements		
Payroll	B	-
Professional fees	C	(13,947)
Other operating expenses	D	(9,164)
Contingency		(400)
Subtotal		(23,511)
Net Cash Flow		(16,811)
Opening Cash Balance		17,425
Net Cash Flow		(16,811)
Ending Cash Balance		614

3. The Monitor notes the following regarding the Cash Flow Forecast:
 - A. *Receipts*: represents the collection of pre-filing accounts receivable. Excludes any receipts related to the sale of inventory post-filing.
 - B. *Payroll*: BioSteel employees are employed and paid by Canopy, and accordingly, payroll obligations are not included in the projection. While BioSteel is obligated to pay Canopy for such amounts, no reimbursements are contemplated during the Forecast Period.
 - C. *Professional fees*: represents professional fees of the Monitor, the Monitor's legal counsel, BioSteel's Canadian and US legal counsel, counsel to the Special Committee, and the Financial Advisor.
 - D. *Other operating expenses*: includes payments for inventory warehousing, rent, utilities, security, sundry items, director and officer runoff liability insurance and HST remittances.

⁶ The Cash Flow Forecast represents a combination of the forecast attached to the Pre-Filing Report and the First Report. The notes to the Cash Flow Forecast provide the underlying assumptions, including a description of each line item.

6.0 Stay Extension and Related Relief

1. Pursuant to the Initial Order, the Court granted the Initial Stay Period to and including September 24, 2023. The Applicant is requesting an extension of the Stay of Proceedings to November 17, 2023, to align the expiry of the Stay of Proceedings with the timeline of the SISP.
2. The Monitor supports the request for an extension of the Stay of Proceedings and believes that it is appropriate in the circumstances for the following reasons:
 - a) the Applicant is acting in good faith and with due diligence;
 - b) the proposed extension will allow the Applicant time to conduct the SISP;
 - c) the Monitor does not believe that any creditor will be materially prejudiced by the proposed extension of the Stay of Proceedings;
 - d) Canopy supports the extension of the Stay of Proceedings;
 - e) as of the date of this First Report, the Monitor is not aware of any party opposed to an extension of the Stay of Proceedings; and
 - f) the Cash Flow Forecast reflects that the Applicant is projected to have sufficient liquidity to fund its operations and the costs of these CCAA proceedings.
3. The Applicant is also requesting a provision be included in the ARIO which restricts setoff of pre-filing obligations against post-filing obligations without the consent of the Applicant and the Monitor, or further order of the Court.
4. The Monitor believes the proposed setoff provision in the ARIO is appropriate in the circumstances to provide clarity to suppliers, customers and other stakeholders regarding their rights of setoff in these CCAA proceedings, with a view to ensuring that BioSteel can continue to sell inventory and that no setoff rights will be exercised in a manner that may disrupt the business or the SISP. In addition, the Cash Flow Forecast does not contemplate any setoff of pre-filing obligations owing by the Applicant, and accordingly, if any such set off were to occur, the Applicant may require additional funding.

7.0 Court Ordered Charges

7.1 Proposed Charges and Priority of the Charges

1. As detailed below, the Applicant is seeking increases to the quantum of the Administration Charge and the Directors' Charge and also seeking approval of the Transaction Fee Charge.
2. Each of the Charges previously granted in this CCAA proceeding rank in priority to all other encumbrances against the Property, other than any Person that was not served with notice of the application for the Initial Order. At the Comeback Hearing, the Applicant is seeking to have all of the Charges rank in priority to any encumbrances in respect of the Property.

- If the Court grants the ARIO and approves the Transaction Fee Charge and the proposed increases to the other Charges, the priority and amount of the Charges as among them would be as follows:

Priority	Charge	Current (US\$)	Proposed (US\$)
First	Administration Charge	750,000	1,000,000
Second	Directors' Charge	1,279,000	2,198,000
Third	Transaction Fee Charge	-	2,500,000

7.2 Administration Charge Increase

- The Initial Order granted an Administration Charge in an amount not to exceed US\$750,000 to secure the fees and disbursements of the Monitor, Bennett Jones, Cassels, Akin Gump Strauss Hauer & Feld LLP (the Applicant's US legal counsel), Chaitons LLP (legal counsel to the Special Committee) and the Financial Advisor (excluding any Transaction Fees) from the date of the Initial Order to the Comeback Hearing.
- The Applicant is seeking to increase the Administration Charge to US\$1 million. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the Applicant's CCAA proceedings and the services to be provided by the professionals, each of whom is necessary to further the restructuring efforts of the Applicant.
- The Cash Flow Forecast has been prepared on the basis of weekly payments of professional fees, and accordingly, there should be no exposure to the professionals with the proposed increased Administration Charge.

7.3 Directors' Charge Increase

- The Initial Order approved a Directors' Charge in the amount of US\$1.279 million to secure the indemnity in favour of the Directors and Officers in the Initial Order based on potential exposure for the Directors and Officers during the initial 10-day stay period. The Applicant is now seeking to increase the Directors' Charge to US\$2.198 million.
- As provided in the table below, the amount of the Directors' Charge was estimated by the Applicant in consultation with the Monitor, taking into consideration the current vacation pay liability plus the estimated maximum amount at any point in time of the Directors' and Officers' exposure for unpaid payroll, environmental reclamation obligations and sales taxes, all in accordance with applicable provincial or state legislation, as the case may be.

(unaudited)	Amount (US\$000s)
Payroll, including source deductions	525
Termination pay	403
Vacation pay	300
Environmental obligations	156
Unremitted HST	789
US sales tax	25
Total Directors' Charge	2,198

3. The Monitor has reviewed the backup provided by the Applicant in respect of the potential obligations to be covered by the Directors' Charge and is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances as the continued involvement of the Directors and Officers is beneficial to the Applicant and these proceedings. The basis of these obligations, including the calculation of the Directors' Charge, was described in the Pre-Filing Report.
4. The Monitor is not aware of any objection to the proposed increases to the Administration Charge or the Directors' Charge as of the date of this First Report.

8.0 Monitor's Activities since the Filing Date

1. Since the Filing Date, the Monitor has, among other things:
 - a) corresponded regularly with the Applicant's legal counsel, Financial Advisor and management team and its own legal counsel regarding all aspects of these CCAA proceedings, including developing the terms of the SISP;
 - b) worked with the Applicant and its advisors to develop and execute a stakeholder communication strategy;
 - c) monitored the Applicant's proceeding under chapter 15 of the Bankruptcy Code;
 - d) attended calls with representatives of the Applicant and the Special Committee regarding the commencement of these CCAA proceedings and the SISP;
 - e) mailed the CCAA notice to the Applicant's known creditors and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA and the Initial Order, as applicable;
 - f) posted the CCAA notice, list of creditors and other Court materials on the Case Website;
 - g) arranged for notice of these CCAA proceedings to be published in the *National Post* as required under the Initial Order;
 - h) monitored the Applicant's receipts and disbursements and worked with management to develop a daily cash management monitoring process;
 - i) reviewed the Cash Flow Forecast and the components of the Directors' Charge;
 - j) reviewed and commented on the Applicant's materials filed in support of the relief to be sought at the Comeback Hearing;
 - k) responded to service list addition requests; and
 - l) drafted this First Report.

9.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Applicant at the Comeback Hearing.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS MONITOR OF
BIOSTEEL SPORTS NUTRITION INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

BioSteel Sports Nutrition Inc.

Projected Statement of Cash Flows

For the Period Ending November 17, 2023

(Unaudited; C\$000s)

	Note	06-Oct-23	13-Oct-23	20-Oct-23	27-Oct-23	03-Nov-23	10-Nov-23	17-Nov-23	Total
Receipts	1								
Collection of Accounts Receivable	2	1,000	1,000	1,000	1,000	1,000	1,000	700	6,700
Total Receipts		1,000	1,000	1,000	1,000	1,000	1,000	700	6,700
Disbursements									
Payroll	3	-	-	-	-	-	-	-	-
Other operating expenses	4	1,154	801	801	801	3,154	801	1,651	9,164
Contingency		100	50	50	50	50	50	50	400
Total Operating disbursements		1,254	851	851	851	3,204	851	1,701	9,564
Net Cash Flow before the Undernoted		(254)	149	149	149	(2,204)	149	(1,001)	(2,864)
Professional Fees	5	1,555	1,351	1,351	1,351	1,555	1,351	5,431	13,947
Net Cash Flow		(1,809)	(1,202)	(1,202)	(1,202)	(3,759)	(1,202)	(6,432)	(16,811)
Opening Cash balance	6	17,425	15,616	14,413	13,211	12,008	8,249	7,046	17,425
Net Cash Flow		(1,809)	(1,202)	(1,202)	(1,202)	(3,759)	(1,202)	(6,432)	(16,811)
Closing cash balance		15,616	14,413	13,211	12,008	8,249	7,046	614	614

The above financial projections are based on management's assumptions detailed in Appendix "1-1".

The note references correspond to the assumption numbers shown in Appendix "1-1".

Notes to Projected Statement of Cash Flows

For the Period Ending November 17, 2023

(Unaudited; C\$000s)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of BioSteel Sports Nutrition Inc. ("BioSteel") for the period September 30, 2023 to November 17, 2023 (the "Period").

Hypothetical

2. Represents projected collections of accounts receivables.

Most Probable

3. BioSteel employees are employed by Canopy Growth Corporation ("Canopy") and, accordingly, payroll obligations are not included in the projection.
4. Other expenses include payments for sundry, utilities, rent, inventory warehousing, director and officer runoff liability insurance and HST remittance.
5. Represents professional fees of the Monitor, the Monitor's legal counsel, BioSteel's Canadian and US legal counsel, counsel to the Special Committee and the Applicant's Financial Advisor.
6. Opening cash reflects actual cash balances as of September 19, 2023.

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 BIOSTEEL SPORTS NUTRITION INC.

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The management of BioSteel Sports Nutrition Inc. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 19th day September, 2023 for the period September 30, 2023 to November 17, 2023 ("Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow Forecast as described in Note 1 to the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow Forecast.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Rochester, NY this 19th day of September, 2023.

BIOSTEEL SPORTS NUTRITION INC.



Per: Tom Stewart

Appendix “B”

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 BIOSTEEL SPORTS NUTRITION INC.

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of BioSteel Sports Nutrition Inc. (the "Applicant") as of the 19th day September, 2023, consisting of a projected cash flow statement for the period September 30, 2023 to November 17, 2023 (the "Cash Flow Forecast") has been prepared by the management of the Applicant's for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicant. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 19th day of September, 2023.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
in its capacity as monitor of
BioSteel Sports Nutrition Inc.
and not in its personal capacity**