

District of: Manitoba
Division Number: 01 – Winnipeg Centre – In Bankruptcy
Court Number:
Estate Number: 21-2726056

IN THE MATTER OF THE BANKRUPTCY OF
PLAINS INDUSTRIAL HEMP PROCESSING LTD. (“the company”)
OF THE TOWN OF GILBERT PLAINS
IN THE PROVINCE OF MANITOBA

LICENSED INSOLVENCY TRUSTEE'S PRELIMINARY REPORT (“TRUSTEE”)

Stocks of merchandise, including raw materials, work in progress, finished goods, etc.:

The company's financial statements report \$27,295.71 of packaging inventory.

The company's financial statement reports the following fixed asset costs:

-	Building	\$2,128,593.67
-	Computer	\$5,662.52
-	Equipment Installation	\$1,610,460.86
-	Equipment Other	\$70,763.61
-	Equipment Production	\$4,645,017.36
-	Equipment R&D	\$93,787.00
-	Furniture & Fixtures	\$3,065.18
-	Vehicles	\$76,504.21

Plant machinery and equipment, office equipment, etc.: see above.

Building and real estate: The hemp plant is located at Lot 1 Plan 51178 Roll 175720 and 176200, Gilbert Plains, Manitoba.

Books and records: with the assistance of Jimmy Yu, company consultant, of the company's financial records have been provided to us for review.

Other assets: The Trustee received a cheque of \$10,000.00 from the company.

The Trustee closed out the Fusion Credit Union bank account and \$5,892.95 was realized.

An insurance refund of \$15,552.24 may still be owing for a fire claim from 2019. The Trustee has contacted the Insurance adjuster to ensure the funds are paid to our attention.

Property of the bankrupt not divisible amongst creditors: The Trustee has been served with a demand for repossession of hemp inventory (biological matter) claim to be owned by Organican Inc. (formerly 11535706 Canada Inc.). Organican Inc. is requesting permission to retrieve its property with such oversight and supervision that we deem appropriate. Laboratory test results have been provided to the RCMP in Dauphin, MB and the Trustee is prohibited from removing any inventory from the premises until Health Canada has provided its written consent to the Trustee. We anticipate Health Canada will conduct its own testing of the biological matter.

Conservatory and Protective Measures: the trustee attended the bankrupt's premises Lot 1 Plan 51178 Roll 175720 and 176200, Gilbert Plains, Manitoba on April 5, 2021. Inventory was taken by taking numerous photographs of the equipment and residual product inventory. All doors were locked and secured and the main entrance door re-keyed with a locksmith. Notice of the Bankruptcy was placed on the main entrances to the buildings. The Trustee is working diligently with Avant Insurance Brokers to obtain insurance for the bankrupt estate. The company has been without an insurance policy since February 15, 2020.

Property placed under the guardianship of the debtor: a trusted local farmer from Dauphin, Manitoba has one key to the property and provides ongoing site inspections as requested by the Trustee.

Carrying on Business: The Trustee is not operating the business.

Legal Proceedings: none taken to date.

Provable Claims: the following claims have been received:

Home Realty Ltd.	\$350,000.00
Agriculture & Agri-Food Canada	\$1,657,681.02
Royal Bank	\$297.32
Welch Materials (Canada) Inc.	\$1,859,924.59

Secured Creditor:

Welch Materials (Canada), Inc has a General Security Instrument on all the assets of the business. It has filed a claim totaling \$1,859,924.59 and has requested a release of its security. Welch Materials (Canada) may engage Lazer Grant Inc. as its Receiver to conduct a sales process of the plant.

Anticipated Realization and Projected Distribution:

If the sales process results in surplus funds (ie. greater receipts than the debt owed to the secured creditor and the costs of the Receivership & Bankruptcy) a distribution will be available to the unsecured creditors.

Reviewable Transactions and Preference Payments:

The Trustee has conducted a preliminary review of the books and records which review is ongoing.

In June & July 2020, Welch Materials (Canada), Inc. ("Welch") purchased the secured indebtedness of the Business Development Bank of Canada and the Fusion Credit Union and also injected funds into PHIP. The total amount paid for the security of BDC and Fusion and the investment is \$1,859,924.59 CDN.

The following creditors were paid in the three (3) months prior to bankruptcy:

- Zhang Chi (personal Loan) -	\$187,289.33
- Guo HuiZhe (personal Loan) -	\$155,246.58
- Wellink Intl (accounting fees) -	\$14,055.50

Legal advice will be sought regarding these preference payments.

Other Matters:

In September 2020 and October 2020, \$34,869.02 USD was paid to Qingdao Seaneol Industry and Trade Co. Ltd., a supplier in China to manufacture a hemp straw breaker for the bankrupt. Qingdao filed bankruptcy and PHIP believes nothing can be done to recover the funds or the equipment.

DATED at Winnipeg, this 15th day of April, 2021.

LAZER GRANT INC.

Per:

Licensed Insolvency Trustee

