



This is the 2nd Affidavit
of Suzanne Volkow in this case
and was made on October 24, 2022

No. S227894
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. C36, AS AMENDED

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, C. 57, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
GREAT PANTHER MINING LIMITED

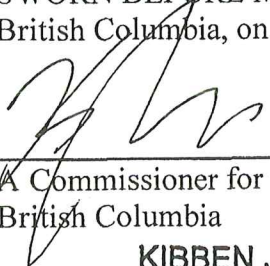
PETITIONER

AFFIDAVIT

I, Suzanne Volkow, of 2900 – 550 Burrard Street, Vancouver, British Columbia, SWEAR
THAT:

1. I am a legal assistant in the law firm of Fasken Martineau DuMoulin LLP, solicitors for the monitor Alvarez & Marsal Canada Inc., 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.
2. Attached hereto as **Exhibit "A"** is a copy of the body of the First Report of the Monitor, Ernst & Young Inc., filed in the CCAA proceeding of EncoreFX Inc. on May 19, 2021 in B.C. Supreme Court Action No. S212302, Vancouver Registry.

SWORN BEFORE ME at Vancouver,
British Columbia, on October 24, 2022


A Commissioner for taking Affidavits for
British Columbia

KIBBEN JACKSON

Barrister & Solicitor

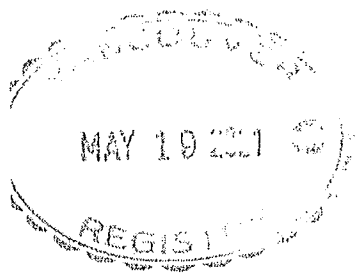
Fasken Martineau DuMoulin LLP

285937.00013/2900-550 Burrard Street

Vancouver, BC V6C 0A3


SUZANNE VOLKOW

No: S212302
Vancouver Registry



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

AND

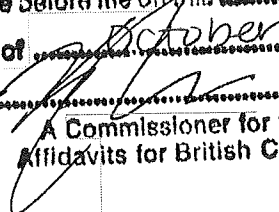
IN THE MATTER OF THE BANKRUPTCY AND INSOLVENCY ACT
R.S.C. 1985 c. B-3

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
ENCOREFX INC.

FIRST REPORT OF THE MONITOR

ERNST & YOUNG INC.,

May 18, 2021

This is Exhibit A referred to in the
affidavit of Suzanne Volkow
made before me on this 24th
day of October 2022

A Commissioner for taking
Affidavits for British Columbia

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**FIRST REPORT OF THE MONITOR
IN THE CCAA PROCEEDINGS OF
ENCOREFX INC.
Effective as at May 18, 2021**

INTRODUCTION AND PURPOSE OF THIS REPORT

1. On March 30, 2020 (the "**Bankruptcy Date**"), EncoreFX Inc. ("**EncoreFX**", the "**Petitioner**", or the "**Company**") filed an assignment into bankruptcy (the "**BIA Proceedings**"). Ernst & Young Inc. ("**EYI**") consented to act as the licensed insolvency trustee (the "**Trustee**") in the estate of EncoreFX (the "**Estate**").
2. Pursuant to s. 69.3(1) of the *Bankruptcy and Insolvency Act* (Canada), RSC 1985, c B-3 (the "**BIA**"), a stay of proceedings (the "**Stay**") has been in effect with respect to EncoreFX since the Bankruptcy Date.
3. A first meeting of creditors in the bankruptcy of EncoreFX occurred on May 7, 2020, at which point the creditors of EncoreFX, (a) affirmed the appointment of the Trustee, and (b) appointed inspectors in the Estate (the "**Inspectors**").
4. On March 30, 2021, the Supreme Court of British Columbia ("**Court**") granted an initial order ("**Initial Order**") in accordance with the provisions of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the legislation being the "**CCAA**" and the EncoreFX CCAA proceedings being the "**CCAA Proceedings**").
5. The Monitor has retained the services of MLT Aikins LLP ("**MLT Aikins**") to represent it in the CCAA Proceedings.
6. The Monitor has published copies of this First Report of the Monitor (the "**First Report**"), the Report of the Proposed Monitor dated March 10, 2021 and filed on March 11, 2021 (the "**Proposed Monitor's Report**"), the Initial Order, the additional Orders granted by this Honourable Court on April 8, 2021, and other relevant materials in these CCAA

Proceedings and the BIA Proceedings on a website it has set up at www.ey.com/ca/EncoreFX (the "**Website**"). The Monitor continues to make timely updates to the Website as these CCAA Proceedings progress to ensure all stakeholders have access to the most current information.

7. The stakeholders with the largest claims filed against the Estate of EncoreFX are as follows:
 - a) Gustavson Capital Corporation ("**GCC**") who has filed a secured claim against the Estate in the approximate amount of CAD \$35,887,159 (the "**GCC Secured Claim**"); and
 - b) Mr. Andreas Wrede ("**Mr. Wrede**") who filed a property claim in the amount of CAD \$28,966,893 (the "**Wrede Property Claim**").
8. The Proposed Monitor's Report describes that on or about November 10, 2020 the Trustee delivered a draft notice of disallowance of the Secured Proof of Claim to Jones Emery Hargreaves Swan LLP, counsel to GCC.
9. Inclusive of the Wrede Property Claim, a total of 84 property claims with a total approximate value of CAD \$46,166,442 had been filed and disallowed by the Trustee in the BIA Proceedings of the Company (the "**Property Claims**"). The categories of the types of Property Claims filed are described in the Proposed Monitor's Report at paragraphs 63 to 69.
10. A total twenty-two (22) claimants (the "**Appealed Property Claimants**") including Mr. Wrede, with a total of \$35,681,713 in Property Claims, appealed the Trustee's decision to disallow their Property Claims (the "**Appealed Property Claims**"). The Trustee settled three (3) of the Appealed Property Claims totalling of \$2,615,338; and 19 customers, with a total of \$33,066,375 in Property Claims, had outstanding appeals as of the date of the Initial Order.

11. Following extensive discussions with GCC and Mr. Wrede, an analysis by the Trustee of available legal remedies and continuous consultation with the Inspectors with respect to same, in early to mid January 2021, GCC and Mr. Wrede presented a term sheet which outlined the terms of a proposed settlement transaction (the "**Term Sheet**") that sought to achieve and expedite a global settlement and resolution of the various claims of creditors against EncoreFX ("**Claims**") through a proceedings to be commenced under the CCAA.
12. On January 15, 2021, the Inspectors in the Estate of the Bankruptcy of EncoreFX Inc. approved the Term Sheet which included the procedures noted above. The Trustee, GCC, and Mr. Wrede (the "**Term Sheet Parties**") formally executed the Term Sheet upon approval of same by the Inspectors.
13. On March 11, 2021, EYI, as the proposed Monitor in these CCAA proceedings, filed the Proposed Monitor's Report, the purpose of which was to advise this Honourable Court with respect to, *inter alia*, the following:
 - a) the proposed appointment of the Monitor;
 - b) a background of the BIA Proceedings;
 - c) the transition of insolvency proceedings from the BIA Proceedings to the CCAA Proceedings;
 - d) a general overview of the Plan (as defined below) that had been developed by the Monitor in consultation with the Term Sheet Parties and the Estate's Inspectors for the distribution of funds in the Estate to the Company's creditors;
 - e) the Proposed Monitor's commentary on the Plan, including in respect of the fairness to the General Unsecured Creditors (as defined below);
 - f) a summary of a "**Claims Process**" sought by the Proposed Monitor to determine the Claims of creditors and establish a claims bar date by which creditors must file a "**Proof of Claim**" in the CCAA Proceedings;

- g) a summary of a procedure sought by the Proposed Monitor for calling a "**Creditor's Meeting**" to consider and to vote on the Plan, which, if approved by the Requisite Majority (defined below) of creditors at the Creditors' Meeting and sanctioned by this Honourable Court, compromises the Proven Claims (as defined in the Plan) of Affected Creditors (defined below) against the Company. a summary of the Creditor's Meeting Order; and
 - h) the Proposed Monitor's recommendations with respect to the foregoing.
14. As the Monitor notes above, on March 30, 2021, this Honourable Court granted the Initial Order, which, among other things:
- a) approved the granting of the Initial Order¹;
 - b) appointed EYI as the monitor of EncoreFX (the "**Monitor**") in the CCAA Proceedings;
 - c) declared that all orders pronounced by this Honourable Court in the BIA Proceedings (the "**Bankruptcy Orders**") apply to and be continued under the within CCAA Proceedings (except as amended by the terms of the Initial Order);
 - d) authorized the filing of a Plan pursuant to the provisions of the CCAA;
 - e) provided the Monitor with enhanced powers to maintain possession and control of EncoreFX's property and to continue to carry on EncoreFX's business in a manner consistent with the preservation of the business and the property and other ancillary relief with respect to same; and
 - f) granted of a stay of proceedings (the "**Stay**") to April 9, 2021 (the "**Stay Period**").
15. The Monitor filed a Plan of Compromise and Arrangement (the "**Initial Plan**") with this Honourable Court on April 6, 2021.

¹ The Monitor notes that on March 30, 2021, this Honourable Court approved a "Conversion Order", but subsequently corrected the nomenclature of same to "Initial Order" in its written reasons dated April 22, 2021 (*EncoreFX (Re)*, 2021 BCSC 750 at paragraphs 63 to 68).

16. On April 8, 2021 this Honourable granted the following Orders approving (collectively the **"April 8 Orders"**):
- a) the proposed Claims Process (the **"Claims Process Order"**);
 - b) the proposed procedure for the Creditors' Meeting (the **"Creditor's Meeting Order"**);
 - c) the form of notice and materials to be distributed to the Affected Creditors of the Plan (the **"Claims Process Materials"** and **"Creditor's Meeting Materials"**); and
 - d) an extension of the Stay Period to June 22, 2021.
17. On April 27, 2021, the Monitor amended the Initial Plan in accordance with the terms of the Initial Plan and the provisions of the Creditor's Meeting Order as further detailed below (the **"Amended Plan"** and together with the Initial Plan, the **"Plan"**).
18. The purpose of this First Report is to provide this Honourable Court with information pertaining to, *inter alia*:
- a) the Monitor's compliance with statutory duties under the CCAA;
 - b) creditor notification of the Claims Process and Creditors' Meeting (as defined in the Plan);
 - c) the Plan;
 - d) the claims against EncoreFX;
 - e) the conduct and the results of the vote at the Creditors' Meeting;
 - f) the conditions that must be satisfied in order for this Honourable Court to sanction the Plan;
 - g) the conditions that must be satisfied or waived in order to achieve implementation of the Plan;
 - h) the Monitor's view on the fairness of the Plan; and
 - i) the Monitor's recommendations.

TERMS OF REFERENCE

19. In preparing this First Report, the Monitor has been provided with, and in making the comments herein relied upon, unaudited financial information, the Company's books and records, financial information prepared by the Company, and discussions with key individuals within the Company. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this First Report.
20. Certain information referred to in this First Report consists of forecasts and projections. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.
21. Future oriented financial information referred to in this First Report was prepared based on estimates and probable and hypothetical assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not readily and currently ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be material.
22. This First Report has been prepared for the use of this Honourable Court and EncoreFX's stakeholders as general information relating to the Company. Accordingly, the reader is cautioned that this First Report may not be appropriate for any other purpose. The Monitor assumes no responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this First Report contrary to the provisions of this paragraph.

23. Capitalized terms not defined in this First Report have the meaning ascribed to them in the Plan or any other Order referenced in the Proposed Monitor's Report and this First Report.
24. All references to dollars are in Canadian Currency unless otherwise noted.

CONDENSED BACKGROUND INFORMATION

25. A thorough discussion on the background pertaining to EncoreFX is provided in paragraphs 26 to 53 of the Proposed Monitor's Report; and accordingly, the discussion below is provided on a summary basis only.
26. EncoreFX is a Federal Corporation incorporated under the *Canada Business Corporations Act*, RSC 1985, c C-44. EncoreFX Ltd., EncoreFX (Australia) Pty Ltd., and EncoreFX (NZ) Limited are wholly owned foreign subsidiaries of EncoreFX. EYI, in its capacity as the Trustee of EncoreFX in the BIA Proceedings, attached a copy of a corporate organization chart provided by EncoreFX management in its First Report, which was filed within the BIA Proceedings.
27. EncoreFX was incorporated on September 15, 2014. EncoreFX's head office was located in Victoria, British Columbia and with numerous branch offices across Canada. EncoreFX employed a workforce of approximately 150 personnel as at the Bankruptcy Date.
28. EncoreFX also established subsidiaries in Australia and New Zealand due to those countries having similar economic conditions to Canada and it carried on significant operations in those countries. EncoreFX, via its subsidiaries, carried on significant operations in those countries.
29. EncoreFX was in the business of providing foreign exchange ("FX") risk management and cross-border payment services predominantly to small and mid-size enterprise clients that import or export products from/to foreign markets and base their pricing on foreign currencies. The Company sold the following FX risk management services to its clients to

mitigate their exposure to fluctuating FX rates: FX spot transactions and FX derivative contracts (including forward contracts and options) (the "**EncoreFX Derivatives**"). It should be noted that to the best of the knowledge of EncoreFX, EncoreFX's primary client base entered into foreign exchange contracts with EncoreFX to manage the foreign exchange exposures in their business and not for speculation on the movement of FX rates.

30. The EncoreFX Derivatives are referred to as "over-the-counter" derivatives, because they are not traded on a market or securities exchange, but rather negotiated with each counterparty (EncoreFX and its client) at the time they are consummated.
31. The 'market value' of all of the EncoreFX Derivatives products sold to clients fluctuates every second of every day once entered into due to movements in underlying FX rates; and at any given time, the market value is out-the-money ("**OTM**"), in-the-money ("**ITM**") or at-the-money ("**ATM**"). In simplistic terms:
 - a) an OTM position means that the FX rate and other factors moved against the client and if the contract were to be liquidated, the client would owe EncoreFX an amount equal to the dollar value of the OTM position;
 - b) an ITM position means that the FX rate and other factors moved in favour of the client and if the contract were to be liquidated, EncoreFX would owe the client an amount equal to the dollar value of the ITM position; and
 - c) an ATM position means there was little to no change in FX rates and neither party owes the other.
32. Beginning in March 2020, global FX markets began to observe atypical levels of volatility mainly driven by the impact that COVID-19 was having on the global economy. In particular, the US Dollar (USD) strengthened in a significant way against some of the world's most traded currencies, including against the Canadian, Australian and New Zealand dollars in which the majority of the EncoreFX Derivatives were booked.

33. Due to this extreme market volatility, a number of EncoreFX's clients (and its subsidiaries' clients) were OTM on their transactions; and as a consequence, EncoreFX was left OTM with its Liquidity Providers. Under the terms of its ISDA Agreements, EncoreFX was required to pay significant additional margin to its Liquidity Providers to cover the value of OTM contracts.
34. Many of EncoreFX's clients had exceeded the OTM thresholds outlined in their Credit Facility Agreements and were subject to margin calls (the "**OTM Clients**"). The Trustee was advised that EncoreFX attempted to work with many of the OTM Clients to address margin calls owing however many clients' businesses had been negatively impacted by COVID-19 and they were unable to honour the terms of their Credit Facility Agreements.
35. As the Monitor notes above, on March 30, 2020, EncoreFX filed an assignment in bankruptcy. EYI was appointed as the Trustee of EncoreFX.
36. Also, on March 30, 2020, the Australian and New Zealand subsidiaries were also placed into Voluntary Administration (formal insolvency proceedings in those countries). EYI is acting as the Administrator in insolvency proceedings of the Australia and New Zealand entities.

CONSENSSED SUMMARY OF THE PLAN

37. As the Monitor notes above, various Claims including a Secured Claim and a number of Appealed Property Claims had been asserted against EncoreFX which are potentially subject to extensive and uncertain litigation in the BIA Proceedings. A description of these Claims is provided in the Proposed Monitor's Report.
38. The Plan sought to avoid depletion of the Estate's assets resulting from extensive and uncertain litigation and to achieve a balance of the equities of the stakeholders of EncoreFX. The Plan aimed to achieve this by providing a global resolution of the Affected

Claims as against the Estate of EncoreFX by way of the distribution of all funds and other assets recovered by the Trustee, and that may be recovered by the Monitor.

39. The terms of the Plan contemplated that the Affected Creditors of EncoreFX will receive a partial payment of their Proven Claims in full satisfaction of their Proven Claims.
40. For voting and distribution purposes, the Plan had three (3) classes ("**Classes**" or "**Affected Creditor Classes**") of creditors (collectively, the "**Affected Creditors**"):

Class	Initial Proposed Settlement
General Unsecured Creditors	<ul style="list-style-type: none"> Each General Unsecured Creditor with a Proven Claim, the amount of which is <u>equal to or less than \$5,000</u>, shall receive a cash distribution in an amount equal to 100% of their Proven Claim ("Convenience Creditors"). Each General Unsecured Creditor with a Proven Claim, the amount of which is <u>greater than \$5,000 but below \$31,250</u>, shall receive a cash distribution of: <ul style="list-style-type: none"> a) an <u>amount equal to \$5,000</u> if it has filed a Convenience Creditor Form with the Monitor before the Claims Bar Date; or b) a Percentage Distribution in an amount <u>equal to 16% of their Proven Claim</u>. <p>In the event that a General Unsecured Creditor with a Proven Claim greater than \$5,000 but less than \$31,250 fails to file a Convenience Creditor Form with the Monitor on or before the Election Deadline, the General Unsecured Creditor shall be deemed to have elected to receive a Percentage Distribution.</p> Each General Unsecured Creditor with a Proven Claim, the amount of which is greater than \$31,250, shall receive a cash distribution in an amount equal to 16% of their Proven Claim. The Class of General Unsecured Creditors includes Affected Creditors with Claims regarding Margin Deposits.
Property Claimants¹	<ul style="list-style-type: none"> Each Property Claimant with an accepted Property Claim, shall receive a cash distribution in an amount equal to 66.67% of their respective Property Claim.
Secured Creditor	<ul style="list-style-type: none"> \$12,000,000.

(1) "**Property Claimants**" are comprised of Affected Creditors with outstanding Property Claims that properly filed in the BIA and are currently under appeal by the Claimant. A list of the Property Claims is posted to the Website. **The Plan does not allow for new Property Claims to be filed and does not include Affected Creditors with Claims regarding Margin Deposits as Property Claimants.**

41. Should any funds be available following the payments summarized in the table above, any "**Remaining Funds**" realized by the Monitor in completing the administration of the within proceedings shall be distributed as follows:
- a) first, to the Secured Creditor in an amount of \$4,944,475; and
 - b) second, proportionately to the Secured Creditor and the Property Claimants.

MONITOR'S COMPLIANCE WITH STATUTORY OBLIGATIONS

42. Within five days of the date of the Initial Order, the Monitor completed the following notice and service requirements:
- a) published in the Vancouver Sun, the Globe & Mail (National Edition) and the Victoria Times Colonist on April 8, 2021 and April 15, 2021, a notice containing the prescribed information under the CCAA and pursuant to both the Claims Process Order and the Creditor's Meeting Order (the "**CCAA Newspaper Notices**");
 - b) made the Initial Order publicly available by posting a copy on the Monitor's Website;
 - c) sent, by mail, notice to every known creditor advising them of the conversion from BIA Proceedings to CCAA Proceedings and that the Initial Order is publicly available on the Monitor's website (the "**CCAA Creditor Mailing Notice**"); and
 - d) prepared a list of creditors including the names, addresses, and estimated amounts owed and made the list publicly available on the Monitor's Website.

43. Copies of the CCAA Newspaper Notices are attached as **Appendix "A"** to this First Report. A copy of the CCAA Creditor Mailing Notice is attached as **Appendix "B"** to this First Report.

ADVERTISEMENT OF THE CLAIMS PROCESS AND CREDITOR'S MEETING

44. Concurrent with the CCAA Newspaper Notices, the Monitor, as required by the Claims Process Order and Meeting Order, published the Notice of Claims Process and the Notice of the Meeting of Creditors in the Vancouver Sun, the Globe & Mail (National Edition) and the Victoria Times Colonist on April 15, 2021.
45. On April 9, 2021, the Monitor posted copies of the Claims Process Order, the Claims Process Materials, the Creditor's Meeting Order, the Creditor's Meeting Materials and the Plan on the Website.

MAILING OF THE CCAA CLAIMS PROCESS AND MEETING MATERIALS

46. On April 13, 2021 the Monitor (by ordinary pre-paid mail) mailed to the last known address of each creditor either listed in the Petitioner's books and records or who previously had filed a proof of claim in the BIA Proceedings, the information required pursuant to the Claims Process Order and the Creditor's Meeting Order, which included the following:
- a) the Claims Package (as defined in the Claims Process Order);
 - b) the Notice of Meeting to Affected Creditors;
 - c) a Proxy and Voting Letter; and
 - d) the Plan Information Letter (collectively, the **"CCAA Mailout Materials"**).
47. A copy of the Affidavit of Mailing of the CCAA Mailout Materials is attached as **Appendix "C"** to this First Report.

AMENDMENT TO THE PLAN

48. As the Monitor notes above, on April 27, 2021, the Monitor as authorized by the Creditor's Meeting Order obtained the consent of GCC and Wrede to amend the Plan to clarify that that Convenience Creditors (i.e. creditors with Claims less than \$5,000 that would be paid in full) were deemed to vote in favour of the Plan (the "**Amendment**") and not required to complete a proxy or attend the Creditor's Meeting. A copy of the Amended Plan is attached hereto as **Appendix "D"**.
49. On or about April 27, 2021 MLT Aikins distributed a copy of the Amended Plan to parties who had requested notice of service in the within CCAA Proceedings; and a copy of the Amended Plan was filed with this Honourable Court on April 27, 2021.
50. The Monitor also provided written notice to all Convenience Creditors of the Amended Plan (by email or mail) and posted a copy of this written notice to the Website (a copy of which is attached hereto as **Appendix "E"**).
51. The Monitor tabled and discussed the Plan in detail at the Creditor's Meeting and prior to convening a vote on the Plan.

CLAIMS ESTABLISHED AGAINST THE COMPANY

Overview of Claims Process

52. As is described above, the Claims Process Order established a procedure to determine the Claims of Creditors and establish Claims Bar Dates by which creditors must file a Proof of Claim in these CCAA Proceedings.
53. In accordance with the Claims Process Order, the Monitor, *inter alia*:
- a) notified known creditors of the amounts owed to them as of the CCAA filing date (as reflected in the books and records of the Petitioner) and the characterization of such amounts (the "**Claim Amount Notice**"); and

b) provided an opportunity for creditors that did not agree with the amount or characterization of the indebtedness or for which no amount of the claim is stated to file a Proof of Claim by no later than 4:00PM PDT on Wednesday, May 5, 2021 (the "**Claims Bar Date**").

54. In the Proposed Monitor's Report, the Monitor advised this Honourable Court that in preparing for the CCAA Proceedings, the Monitor undertook significant efforts to verify the financial records of EncoreFX and that the Monitor was satisfied that EncoreFX's books and records were materially accurate.
55. A summary of the Claims received by the Monitor in accordance with the Claims Process Order is provided below.
56. A summary of the Claims allowed by the Monitor is provided in the table below:

	In Number		In Value (in \$CAD)	
	Admitted	Disputed	Admitted	Disputed
Secured Creditor Claims	1	-	\$35,887,159	-
Property Claimant Claims	14	-	\$31,327,646	-
General Unsecured Creditor Claims	398	3	\$28,241,761	\$18,443,915

57. Currently, (3) three General Unsecured Creditor Claims remain in dispute (the "**Disputed Claims**"). The "**Disputed Claimants**" are listed below:

No.	Creditor Name	Claimed Amount
1.	EncoreFX (Australia) Pty Ltd.	\$17,076,627
2.	Traveland Leisure Vehicles Ltd.	\$499,800
3.	AgraCity Crop and Nutrition Ltd.	\$867,487
Total Disputed Claims as Filed		\$18,443,915

58. The Proofs of Claim, the Notices of Disallowance prepared by the Monitor and the Notice of Dispute filed by the Disputed Claimants are attached hereto as **Appendix "F"**.

59. In the event that the Disputed Claims are not resolved by the date of the Initial Distribution, the Plan requires the Monitor to hold-back a reserve (the "**Disputed Claims Reserve**") (further discussed below) until the Disputed Claims are settled or resolved.

MEETING OF CREDITORS

Conduct of the Meeting

60. Pursuant to the Creditor's Meeting Order, the Monitor was authorized on behalf of EncoreFX to convene, hold, and conduct the Creditor's Meeting on Tuesday, May 11, 2021 at 3:00PM PDT (the "**Meeting Date**") to consider and to vote on the Plan.
61. Due to COVID-19 pandemic and to promote and maintain safe social distancing, the Creditor's Meeting was held by video-conferencing technology (Microsoft Teams) and in accordance with the electronic meeting protocol (the "**Protocol**").
62. The Creditor's Meeting was called to order at 3:03 pm PDT on the Meeting Date.
63. Mr. Michael Bell, Senior Vice President of EYI, acted as the chairperson (the "**Chair**") of the Meeting. Mr. Jason Eckford of EYI acted as secretary and scrutineer at the Meeting. A total of 24 of Affected Creditors (or their representatives) attended the Creditor's Meeting in person or by proxy (excluding the proxies held by the Monitor). The Monitor's legal counsel, MLT Aikins, was also present and available to respond to any questions, if and as they arose.
64. As more than one Affected Creditor was in attendance at the Creditor's Meeting, in person or by proxy, quorum as set out in the Creditor's Meeting Order was established and the Creditor's Meeting was properly constituted to consider and to vote on the Plan.
65. The Chair advised the Affected Creditors in attendance that the purpose of the Creditor's Meeting was, *inter alia*, to:
- a) consider the background to these CCAA Proceedings;
 - b) consider the purpose and terms of the Plan;

- c) consider the Monitor's recommendations pertaining to the Plan;
- d) vote on the Plan;
- e) report on the results of the vote on the Plan; and
- f) outline the procedural next steps based on the results of the vote on the Plan.

Voting Results

66. The voting results on the Plan by Class is summarized below:

General Unsecured Creditors

Votes Cast	General Unsecured Creditors			
	By Number		By Value	
	Amount	%	Amount	%
<u>Approval:</u>				
Convenience Creditors ¹	137	40%	\$313,245	1%
Convenience Creditor Electors ²	122	36%	\$1,784,321	7%
General Unsecured Creditors ³	78	23%	\$23,055,162	92%
Total in Favour	337	99%	\$25,152,728	100%
Against	1	1%	\$19,818	0%
Total	338	100%	\$25,172,546	100%
Notes:				
1. The Amendment to the Plan provided that the Affected Creditors with general unsecured claims equal to or less than \$5,000 CAD (the " Convenience Creditors ") were deemed to vote in favour of the Plan.				
2. Affected Creditors with general unsecured claims greater than \$5,000 but less than \$31,250 who filed a completed Convenience Creditor Form and elected the fixed distribution amount of \$5,000 (qualifying as a Convenience Creditor) were deemed to have voted in favour of the Plan. Note: The creditors who did not vote or who did not file a Creditor Convenience Form electing the fixed distribution amount of \$5,000 will receive a distribution of 16% of their Proven Claim.				
3. Creditors with general unsecured claims greater than \$31,250 who voted either in person or by Proxy at the Meeting.				

67. The Monitor notes that no creditor with a Disputed Claim voted on the Plan. As such, the results of the vote of the General Unsecured Creditor Class on the resolution to approve the Plan, remains the same and is not impacted when the Disputed Claims are considered.

Property Claimants

68. The results of the vote of the Property Claimants on the resolution to approve the Plan was as follows:

Votes Cast	Property Claimants			
	By Number		By Value	
	Amount	%	Amount	%
In Favour ¹	12	100%	\$31,311,534	100%
Total in Favour	12	100%	\$31,311,534	100%
Against	0	0%	\$0	0%
Total	12	100%	\$31,311,534	100%
1. Consists of Property Claimants who voted in person or by Proxy at the Meeting.				

Secured Creditor

69. The results of the vote of the Secured Creditor on the resolution to approve the Plan was as follows:

Votes Cast	Secured Creditor			
	By Number		By Value	
	Amount	%	Amount	%
In Favour ¹	1	100%	\$35,887,159	100%
Total in Favour	1	100%	\$35,887,159	100%
Against	0	0%	\$0	0%
Total	1	100%	\$35,887,159	100%
1. Consists of the Secured Creditor who voted by Proxy at the Meeting.				

Monitor's Comments

70. Pursuant to the foregoing, the requisite majorities as stipulated in the CCAA were achieved by each Affected Creditor Class (General Unsecured Creditors, Property Claimants and the Secured Creditor).

- a) The number of affirmative votes exceeded fifty percent (50%) of the Votes Cast:
 - i. General Unsecured Creditors – 99%
 - ii. Property Claimants – 100%
 - iii. Secured Creditor – 100%
 - b) The value of the Proven Voting Claims attributable to affirmative votes equals or exceeds sixty-six and two-thirds percent (66 2/3%) of the value of the Proven Voting Claims attributable to the votes cast:
 - i. General Creditor Class – 100%²
 - ii. Property Claimants – 100%
 - iii. Secured Creditor – 100%
71. Based on the foregoing, the Chair declared that the Plan obtained the requisite approval of Affected Creditors to approve the Plan, and as such a condition precedent for the implementation of the Plan has been satisfied.

Reporting on the Meeting

72. Pursuant to the terms of the Creditor's Meeting Order, the Monitor posted a post-creditor meeting report to the Website on May 12, 2021, a copy of which is attached hereto as **Appendix "G"**.

CONSIDERATIONS PRIOR TO SANCTIONING OF THE PLAN

73. The CCAA provides certain statutory requirements must be considered by the Court prior to the sanctioning of any plan of compromise and arrangement. These statutory compliance considerations (and the Monitor's comments on the applicability of each in these CCAA proceedings) include the following:

² Rounded to 100% from 99.9%.

- a) achieving a requisite vote of the creditors on a plan of compromise and arrangement representing a majority of the creditors and two thirds in value of the creditors present and voting either personally or by proxy at the meeting of creditors:

i. **Monitor's Comment:** The Monitor advises this Honourable Court, that as outlined above, the requisite majority of Affected Creditors for each Affected Creditor class was achieved.

- a) the plan of compromise or arrangement provides for payment in full to the Crown or province within six months of sanctioning of the compromise or arrangement of all amounts that were outstanding at the date of the making of the Initial Order (in this case, the Bankruptcy Date) and are of a kind that could be subject to: (1) demand under s. 224(1.2) of the *Income Tax Act* (Canada) (the "ITA"); (2) any provision in the *Canada Pension Plan* (the "CPP") or *Employment Insurance Act* (the "EIA") that refers to ITA s. 224(1.2) and provides for collection of a contribution under the CPP, an employee's premium or employer's premium under the EIA and related interest and penalties; and (3) any provision in provincial legislation that has a similar purpose to ITA s. 224(1.2) and provided for collection of a sum (including related interest and penalties) and such amount has been withheld or deducted from a payment to a person and is of a nature similar to the income tax imposed under the ITA and/or is in the same nature of a contribution under the CPP (with conditions):

i. **Monitor's Comment:** The Monitor advises this Honourable Court that Article 4.7 of the Plan provides for payment of the Crown Claims within six months of the sanctioning of the Plan.

b) if the Initial Order has the effect of staying the Crown, then at the time the Court hears the application for sanction of the plan of compromise and arrangement, the debtor shall not be in default of any remittance that became due to the Crown after the making of the Initial Order:

i. **Monitor's Comment:** The Monitor advises this Honourable Court that the Petitioner is not in default of any remittance in favour of the Crown in respect of the period commencing after both the Bankruptcy Date and, the making of the Initial Order, to and inclusive of the date of this First Report.

c) the plan of compromise and arrangement provides for, and the Court is satisfied that the debtor can make payment to employees and former employees of the debtor immediately after sanctioning of: (1) amounts at least equal to the amounts they would have been qualified to receive under s. 136 of the BIA if the debtor had become bankrupt on the day on which the proceeding commenced; and (2) wages and other compensation earned during the tenure of the CCAA Proceedings:

i. **Monitor's Comment:** The Monitor advises this Honourable Court that all amounts in respect of wages and/or other amounts that would be deemed payable pursuant to the above outlined provisions will be paid on the Plan Implementation Date.

d) The plan of compromise and arrangement provides for, and the Court is satisfied that the debtor can make (with exceptions) payment in respect of pension plans of all amounts deducted from the employees remuneration and: (i) an amount equal to the normal cost payments that were required to be paid by the employer (in the case of a defined benefit pension plan); or (ii) the sum of all amounts that were to be contributed by an employer (in the case of a defined contribution plan):

- i. **Monitor's Comment:** The Monitor advises this Honourable Court that the Petitioner did not administer a pension plan and accordingly this statutory requirement is not considered relevant.

e) the plan of compromise and arrangement shall not provide for payment of an equity claim until all claims that are non-equity are paid in full:

- i. **Monitor's Comment:** The Monitor advises this Honourable Court that Section 4.10 of the Plan does not provide for payment of equity claims.

74. Generally, the Monitor is not aware of any fact that would indicate that the Petitioner is not acting in good faith in respect of the Plan.

CONDITIONS TO IMPLEMENTING THE PLAN

75. Pursuant to Article 9 of the Plan, the major conditions for implementation of the Plan and the anticipated satisfaction date for such conditions include (capitalized terms not defined herein are as defined in the Plan) the following:

	Event	Anticipated Date
1.	Plan approved by the Required Majority of Creditors in each of the three (3) Affected Creditor Classes.	Satisfied
2.	Sanction Order granted by this Honourable Court in a form acceptable to the Monitor, Wrede and the Gustavson Parties and shall be in full force and effect and not reversed, stayed, varied, modified, or amended.	Hearing to approve Sanction Order on May 21, 2021
3.	Satisfaction of Conditions Precedent as defined in the Plan including expiration of the Appeal Period	Week of June 21, 2021
4.	Estate funds available for distribution on the Plan Implementation Date shall be sufficient to pay at least \$30,000,000 on account of the Secured Claim Distribution and the Property Claim Distributions.	Week of June 21, 2021 (further discussed below)
5.	Plan Implementation Date (Monitor to file its certificate upon satisfaction of Conditions Precedent)	Week of June 21, 2021
6.	Subsequent Distributions (Timing of payment of any Subsequent Distributions depends on timing and outcome of future recoveries).	TBD

76. As is noted above, the major outstanding condition to implementing the Plan is that \$30 million CAD (the "**Minimum Estate Funds**") is available for distribution to the Secured Creditor and Property Claimants after:

- a) payment of the distribution to the General Unsecured Creditors;
- b) payment of the Priority Payables;
- c) an "**Administration Reserve**" of \$4 million is deposited into a separate account to fund the Monitor to administer the balance of the administration including incremental recovery efforts;
- d) the Disputed Claim Reserve is maintained, which the Monitor estimates as follows:

Creditor Name	Estimated Proven Claim Amount
EncoreFX (Australia) Pty Ltd.	\$17,076,627
Traveland Leisure Vehicles Ltd.	\$499,800
AgraCity Crop and Nutrition Ltd. (Note 1)	\$282,689
Total Estimated Claim Amount	17,859,116
Distribution %	x16%
Total Estimated Disputed Claim Reserve	\$2,857,459
<i>Note 1 – Agracity adjusted to \$282,689 to reflect net ITM Position owing assuming the Double Dip Payments are to be deducted from their revised ITM Position.</i>	

- e) any reserve for any amount ordered by this Honourable Court or any court of competent jurisdiction or any amount determined by the Monitor as being necessary and advisable to reserve in order to facilitate the orderly and efficient administration of the Plan (the "**Additional Reserve**").

77. The Monitor is not aware of any factors that require an Additional Reserve.

78. Based on the foregoing, the Monitor estimates Minimum Estate Funds will be in excess of \$30 million at the date of the Initial Distribution as depicted in the table below:

In the CCAA Proceedings of EncoreFX Inc.**Estimated Funds Available to Property Claimants and Secured Creditor**

	\$ CAD
Cash on Hand, as at May 10, 2021	42,767,119
OTM Collections - Approved settlements to be received	221,557
Total Estimated Cash Receipts	42,988,676
Administration Reserve	(4,000,000)
Disputed Claim Reserve	(2,857,459)
Additional Reserve	-
Estimated Total Funds Available for Initial Distributions	36,131,217
Estimated Distribution to General Unsecured Creditors, Inclusive of Priority Payables	(5,110,185)
Estimated Funds Available to Property Claimants and Secured Creditor	31,021,032
Minimum Estate Funds per Amended Plan section 9.2 (a)(vii)	30,000,000
Total Estimated Excess Cash / (Shortfall)	1,021,032

FAIRNESS OF THE PLAN

79. The Monitor is of the view that the Plan is fair and reasonable based on the following factors:

- a) the Affected Creditors overwhelmingly supported the Plan;
- b) the Inspectors in the BIA Proceedings prior to the Initial Order approved the Term Sheet which formed the basis of the Plan;
- c) the Plan provides a global resolution to all outstanding matters and enhancing the funds available for distribution by avoiding depletion of funds from litigation in the BIA Proceedings; and
- d) the Plan guarantees and provides a superior return to the General Unsecured Creditors, which is otherwise uncertain in the BIA Proceedings.

OVERSIGHT COMMITTEE

80. Upon the granting of the Initial Order, the Inspectors were deemed to have resigned. Should this Honourable Court approve the sanctioning of the Plan, each of GCC and Wrede shall nominate one person who, together with the Monitor, will form an oversight committee (the "**Oversight Committee**").
81. The purpose of the Oversight Committee shall be, *inter alia*, to review and approve settlements in respect of the Estate Claims (as defined in the Plan), Claims regarding EFT Reversals, Property Claims, and generally deal with the continued realization of the assets of EncoreFX.
82. The Oversight Committee shall not incur any liability with respect to any steps and actions taken in fulfilling their mandate except for gross negligence or willful misconduct.
83. The Monitor is of the view that the creation and composition of the Oversight Committee is appropriate as GCC and Mr. Wrede represent the overwhelming majority of the value of the GCC Secured Claim and Property Claims. Accordingly, GCC and Mr. Wrede should be entitled to oversee the administration of the Estate within the CCAA Proceedings going forward.

MONITOR'S RECOMMENDATIONS

84. The Monitor recommends sanctioning the Plan on the basis that:
- a) The Plan was approved by the requisite majority of each Affected Creditor Class in accordance with the provisions of the CCAA;
 - b) The Petitioner has maintained compliance with the statutory provisions of the CCAA that would permit this Honourable Court to sanction the Plan;
 - c) The Plan achieves a return to the General Creditor Class that is superior to that achievable in the BIA Proceedings; and

d) The conditions precedent to the sanctioning of the Plan by this Honourable Court will be satisfied.

85. Based on the foregoing, the Monitor recommends that this Honourable Court grant the following orders:

- a) an order approving and sanctioning the Plan; and
- b) an order approving the Proposed Monitor's Report, this First Report, and the activities of the Monitor as set out therein.

All of which is respectfully submitted this 18th day of May, 2021.

ERNST & YOUNG INC.

In its capacity as the Monitor of
EncoreFX Inc. and not in its personal capacity

Per:



Mike Bell, CPA, CA, CIRP, LIT
Senior Vice President



Peter Venetsanos, CPA, CA, CIRP, LIT
Vice President