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Clerk's stamp:

COURT / ESTATE FILE NUMBERS 24-2946872  
24-2946871

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF DYNALEO  
INC.

AND IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF DYNALEO  
GROUP SERVICES INC.

DOCUMENT **AFFIDAVIT NO. 1 OF MICHAEL KRESTELL**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT MILLER THOMSON LLP  
Barristers and Solicitors  
3000, 700 – 9<sup>th</sup> Avenue SW  
Calgary, AB, T2P 3V4

Attention: James Reid

Phone: 403-298-2418  
E-mail: [jwreid@millerthomson.com](mailto:jwreid@millerthomson.com)

File No.: 0277934.0001

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**AFFIDAVIT NO 1. OF MICHAEL KRESTELL**

**Sworn on May 24, 2023**

I Michael Krestell, of the city of Thornhill, in the Province of Ontario, **MAKE OATH AND SAY THAT:**

1. This Affidavit is made in support of the application (the "**Application**") by Dynaleo Inc. ("**Dynaleo**") and Dynaleo Group Services Inc. ("**Dynaleo Services**" and together with Dynaleo, the "**Companies**") returnable May 30, 2023, before the Court of King's Bench (the "**Court**").
2. I am the Executive Chairman and director of each of the Companies. As such, I have personal knowledge of the Companies and matters to which I depose in this Affidavit. Where I have relied on other sources for information, I have so stated and I believe them to be true.
3. Unless otherwise stated, monetary figures in this Affidavit are expressed in Canadian dollars.

**NATURE OF APPLICATION AND OVERVIEW OF RELIEF SOUGHT**

4. On May 23, 2023, the Companies filed a notice of intention to make a proposal (the "**NOI**") under section 50.4(1) of *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").
5. As further testified to herein, the NOI is part of a planned restructuring process that the Companies determined, in consultation with their professional advisors, had to be undertaken in the best interests of the Companies and their stakeholders, and after identifying no viable alternative processes due to the Companies' insolvency (the "**Restructuring Process**").
6. Harris & Partners Inc. is the proposal trustee under the NOI (in such capacity, the "**Proposal Trustee**").
7. The Application before the Court seeks the following relief:
  - (a) abridging the time for service of this Application and the supporting materials, as necessary, and deeming service thereof to be good and sufficient;
  - (b) procedurally consolidating the Companies' respective proposal proceedings;

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- (c) pursuant to the BIA, extending the time by which the Companies may file a proposal to their creditors for a 45-day period from the date following the current deadline to do, such that the Companies may file a proposal up to and including 11:59 p.m. (local Calgary time) on August 5, 2023, or such other date as this Court may order;
- (d) granting an Administration Charge (as defined below) over the assets and property of Dynaleo only, in the amount of \$200,000, as security for the payment of professional fees and disbursements incurred and to be incurred by counsel for the Companies, the Proposal Trustee, and the Proposal Trustee's counsel;
- (e) authorizing the Companies to borrow under a credit facility from Travelers Capital Corp. (the "**Interim Lender**") on the terms and subject to the conditions set forth in the interim financing term sheet between the Companies and Interim Lender dated as of May 23, 2023 (the "**Interim Loan Agreement**");
- (f) granting an Interim Lender's Charge (as defined below) over the assets and property of Dynaleo only, in the amount of \$200,000, in favour of the Interim Lender as security for the amounts advanced pursuant to the Interim Loan Agreement;
- (g) granting a Directors' and Officers' Charge (as defined below) over the assets and property of Dynaleo only, to a maximum amount of \$75,000 in favour of the directors and officers of the Companies, as security for the Companies' obligations to indemnify such directors and officers for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct;
- (h) approving the proposed sale and investment solicitation process (the "**SISP**") and authorizing and directing the Companies and the Proposal Trustee to implement and carryout the SISP; and
- (i) granting such further and other relief as counsel may request and this Honourable Court may deem appropriate;

(collectively, the "**Relief Sought**").



**BACKGROUND**

***Operations and Organization***

- 8. The Companies are private companies in the business of producing and distributing cannabis infused gummies.
- 9. Dynaleo is incorporated pursuant to the *Business Corporations Act*, RSA 2000, c B-9. Its registered office is located at 2500-10175 101 Street NW, Edmonton, Alberta. An Alberta Corporate Profile Report for Dynaleo is attached **Exhibit "A"**.
- 10. Dynaleo Services' is incorporated pursuant to the *Canada Business Corporations Act*, RSC 1985, c C-44. Its registered office is located at 3365 11<sup>th</sup> Street #2, Nisku, Alberta. A Federal Corporate Profile for Dynaleo Services is attached as **Exhibit "B"**.
- 11. The Companies together are in the business of producing and distributing the highest quality cannabis-infused edible gummies (the "**Product**").
- 12. Dynaleo Services manages the production of the Product and at its peak employed approximately 65 full-time employees.
- 13. Dynaleo owns the equipment and supplies necessary for the production of the Product. Dynaleo also holds the lease in which the Companies operate out of and is responsible for distribution of the Product to the Companies' customers.
- 14. The Companies are insolvent and each filed a Notice of Intention to Make a Proposal with the Official Receiver on May 23, 2023. They seek to restructure their affairs for the benefit of their stakeholders.

***Directors and Officers***

- 15. The directors of Dynaleo and Dynaleo Services are each as follows:

Name
Michael Krestell
Peter C. H. Guo

16. The officer of Dynaleo is as follows:

Name	Title
Michael Krestell	Executive Chairman

17. Dynaleo Services does not have any officers.

***Financial Circumstances***

18. The Companies have been operating for more than 5 years, but at all times have operated with a negative net annual cash flow.
19. Following the construction of their facility in Nisku, Alberta, and the subsequent launch of three popular, nationally distributed house-brands, the Companies grew their business and number of products in the market.
20. Despite the success of its house-brand products, for the Companies to achieve their goal of operating at a net positive cash-flow and profitability, the Companies entered into discussions with a large brand leader of cannabis-infused edible gummies business (the “**Customer**”).
21. The Customer sought out Dynaleo because of its high quality products and significant output at a low unit cost profile.
22. On July 29, 2022, Dynaleo and the Customer entered into a Contract Manufacturing Agreement for the Companies to produce products for the Customer.
23. As part of the contract, Dynaleo needed to make significant capital expenditures to acquire specialized machinery to meet the volume and product specifications for the Customer.
24. In addition to Dynaleo making substantial capital investments in pursuit of the opportunity with the Customer, the Companies committed to months of product development work to properly formulate and manufacture the Customer’s product to satisfy the Customer’s requirements.

25. In pursuit of the opportunity with the Customer, Dynaleo had to raise additional funds to pay for the equipment, raw materials, packaging, and increased labour needs to meet the anticipated supply demand of the Customer.
26. After several months of ramping up its operations for the Customer contract, Dynaleo was advised by the Customer that, due to unforeseen changes to its strategic priorities, the Customer was unable to purchase the anticipated product volumes.
27. Without the substantial net positive revenue generation expected from the Customer, which would have resulted in monthly net profits exceeding \$100,000 per month, instead the Companies are operating at a net loss of nearly \$150,000 per month.
28. The Companies are no longer able to meet their short-term obligations as they become due. Dynaleo Services can no longer operate as it cannot meet its payroll and pay its source deduction obligations. Dynaleo is unable to continue meeting its monthly payment obligations on its lease with the landlord of the premises where the Companies operate, as well as the day-to-day costs of running the business.

### **Employees**

29. When its operations were in full production for the Customer, Dynaleo Services had over 65 employees (the "**Employees**"), all of whom were based in Alberta, with the exception of four employees based in Ontario and one in British Columbia.
30. On May 9, 2023, after being informed by the Customer of its reduced Product volume purchases, Dynaleo Services laid off 25 of its employees.
31. The remainder of the employees were terminated after filing the NOI. Five individuals have been retained on a contract basis to assist the Companies with carrying out the SISP and this proceeding.
32. Based on the Companies' records, Dynaleo Services owes its former employees \$62,825.23 in unpaid wages, plus \$56,981.89 in unpaid vacation pay. These amounts do not include any severance these employees may be entitled to.



## **ASSETS AND LIABILITIES**

### ***Financial Statements***

33. The most recent financial statements of Dynaleo are for the year ended December 31, 2021. These financial statements show the Company incurred a net and comprehensive loss of over \$10,000,000 in 2021, and a net and comprehensive loss of over \$5,300,000 in 2020.
34. Attached hereto and marked as **Exhibit "C"** is a copy of Dynaleo's annual financial statements for the year ended December 31, 2021 (the "**Financial Statements**").

### ***Assets***

35. According to the Financial Statements previously attached as **Exhibit "C"**, as at December 31, 2021, Dynaleo had total consolidated assets valued at \$19,844,986, over \$11,000,000 (net of depreciation) of which consisted of property and equipment.
36. As described above, Dynaleo had expended significant capital expenditures in the past year to accommodate the anticipated significant volume of orders of Product from the Customer.
37. In doing so, Dynaleo purchased a significant amount of additional equipment and supplies to support the anticipated increase in production. The expenditures of Dynaleo on the equipment, supplies, training, and services was over \$1,200,000.
38. Dynaleo Services, which primarily employed the staff to operate the business does not have any significant assets of value.

### ***Overview of Key Creditors***

39. Dynaleo has three primary secured and unsecured creditors groups described below.
40. The first secured creditors over the assets of Dynaleo are holders of Series A - 2022 Senior Secured Debentures (the "**Series A Noteholders**").
41. There are over 50 Series A Noteholders owed a total of \$7,495,000, which notes mature February 24, 2024.



42. The amounts owing by Dynaleo to the Series A Noteholders are secured by general security agreements over all of the present and after-acquired personal property of Dynaleo.
43. The Series A Noteholders have registered their security interests in the personal property of Dynaleo at the Alberta Personal Property Registry.
44. The second secured creditors of Dynaleo are the holders of Series B Subscription Units (the "**Series B Noteholders**") maturing two years from the date of issue.
45. There are eight Series B Noteholders who are owed \$3,190,527.
46. The amounts owing by Dynaleo to the Series B Noteholders are secured by general security agreements over all of the present and after-acquired personal property of Dynaleo, but such security is subordinate to the amounts owing the Series A Noteholders.
47. The Series B Noteholders have registered their security interests in the personal property of Dynaleo at the Alberta Personal Property Registry.
48. Attached as **Exhibit "D"** is a copy of the of the Alberta Personal Property Registry search result for Dynaleo showing the registrations of the Series A and Series B Noteholders.
49. Finally, there is a group of 14 unsecured debenture holders (the "**Unsecured Debenture Holders**") owed \$2,200,000 by Dynaleo.

#### **CRA Debt**

50. Dynaleo owes the CRA \$124,781.20 for unpaid GST/HST, and \$492,070.61 for unpaid excise taxes.
51. In addition to the amounts owing by Dynaleo Services to its former employees, Dynaleo Services owes \$131,881.00 to the Canada Revenue Agency (the "**CRA**") for unpaid source deductions.
52. Other than to its former employees and the CRA, Dynaleo Services does not have any other significant creditors. Attached as **Exhibit "E"** is a copy of the of the Alberta Personal Property Registry search result for Dynaleo Services.

**RELIEF REQUESTED*****Extension of Time to File a Proposal***

53. Since filing the NOIs, the Companies have been diligently complying with the various requirements under the BIA, including:
- (a) preparing and analyzing the list of creditors;
  - (b) providing the Proposal Trustee with access to the Companies' senior employees and books and records;
  - (c) completing a cash flow forecast to the week ending August 18, 2023; and
  - (d) preparing the form of SISP.
54. The Companies are working in good faith with the Proposal Trustee to prepare a SISP that will maximize value for the Companies' creditors and other stakeholders.
55. I understand that in order to complete a SISP with the goal of working toward the formulation and filing of a proposal, the Companies require an extension of the time period within which they may file a proposal to their creditors. In this regard:
- (a) the Companies have acted and are acting in good faith and with due diligence both in the period prior to and since filing of the NOI; and
  - (b) an extension will allow the Companies to complete the SISP, which will enhance the Companies' ability to make a viable proposal.

***Administration Charge***

56. The Companies request that this Honourable Court grant a charge in favour of the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Companies (collectively, the "**Administrative Professionals**") to secure payment of their reasonable fees and disbursements, in each case, incurred by the Companies at their standard rates and charges as part of the costs of these proceedings.
57. I understand that given the insolvency of the Companies, providing such professionals with security for payment of their services will be necessary to effect the completion of the SISP and the restructuring of the Companies as a going concern.

58. Accordingly, the Companies seek to ensure that the Administrative Professionals are entitled to the benefit of and granted a charge (the "**Administrative Charge**") on all of Dynaleo's present and future assets, undertakings, and property of every nature and kind whatsoever and whatever situate, including all proceeds thereof (collectively, the "**Dynaleo Property**"), which charge shall not exceed an aggregate amount of \$200,000, as security for payment of their respective professional fees and disbursements incurred in respect of the NOI Proceeding.
59. The Companies request that the Administration Charge form a first priority charge on the Dynaleo Property in all security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured creditors statutory or otherwise, in favour of a Person (collectively, the "**Encumbrances**").
60. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the Administration Charge and I believe the Proposal Trustee is supportive.

***Interim Loan Facility and Interim Lender's Charge***

61. The Interim Loan Agreement to be entered into by Dynaleo and the Interim Lender provides for a non-revolving loan up to an aggregate principal amount of \$150,000 (the "**Interim Loan Facility**").
62. Under the Interim Loan Agreement Dynaleo will pay the Interim Lender:
- (a) a non-refundable commitment fee in an amount equal to 4.25% on the principal amount of \$150,000;
  - (b) a standby charge on the unused portion of the Interim Loan Facility equal to 3.5% per annum multiplied by the difference between (a) \$150,000, and (b) the amounts outstanding under the Interim Loan Facility, calculated daily and payable monthly in arrears on the last business day of each month; and
  - (c) a break fee in an amount equal to 5.0% of \$150,000 in the event that Dynaleo executes the Interim Loan Agreement and then Dynaleo obtains Court approval for an alternative financier of the Interim Loan Facility.



63. The amounts drawn and outstanding under the Interim Loan Facility will bear interest at a rate per annum equal to 12.25% and will be used during these proceedings to fund the Companies' working capital needs and restructuring costs.
64. The Interim Loan Agreement is not yet finalized, but is expected to be before the Application. A finalized copy of the Interim Loan Agreement will be provided to the Court in advance of the Application.
65. The Companies' cash flow forecasts indicate that the Companies urgently require the Interim Loan Facility to ensure that they have the liquidity required to meet their obligations for them to conduct the SISP during these proceedings. I understand the Companies' 13-week forecast ending on August 18, 2023 will be attached to the Proposal Trustee's Report.
66. The Interim Loan Agreement provides, among other things, that the Interim Loan Facility is contingent upon the granting of a priority charge over the property and assets of Dynaleo in favour of the Interim Lender, to secure the amounts borrowed under the Interim Loan (the "**Interim Lender's Charge**").
67. The proposed Interim Lender's Charge will secure all of the credit advanced under the Interim Loan Facility and will not secure obligations incurred prior to issuance of the Order.
68. The Interim Lender's Charge is proposed to rank ahead of and have priority over all of the other security interests and Court-ordered charges against Dynaleo only, with the exception of the Administration Charge.
69. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the Interim Lender's Charge and I believe the Proposal Trustee is supportive.

#### **D&O Charge**

70. The Companies are seeking a directors and officers charge over all the Dynaleo Property in an amount not to exceed \$75,000 (the "**D&O Charge**").
71. The D&O Charge is required to ensure that the directors and officers of the Companies will continue to serve in such capacity and have assurance that they will have



indemnification for liabilities, which they may incur in the fulfillment of their duties in these proceedings.

72. The D&O Charge would only be in respect of amounts not covered by the Companies' directors' and officers' insurance policy.
73. The Companies, with the support of the Proposal Trustee, are of the view that the quantum of the D&O Charge is appropriate.
74. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the D&O Charge and I believe the Proposal Trustee is supportive.

***The SISP and the Companies' Restructuring Efforts***

75. The Companies seek approval of the SISP, pursuant to which the property and assets of the Companies will be marketed for sale, or the Companies will be seeking a debt or equity investment in the Companies.
76. Due to the nature of the Companies' business, the pool of potential purchasers is very limited, which supports a truncated SISP in order to quickly identify and consummate a transaction from an interested party. Attached as **Exhibit "F"** is a copy of the of the proposed form of SISP.
77. The Companies, with the assistance of the Proposal Trustee, seek to implement the SISP in these proceedings, and to later return to this Court for approval of a transaction or transactions pursuant to the SISP.
78. The Proposal Trustee supports the proposed form of SISP in these proceedings.

***Procedural Consolidation***

79. The Companies request that their respective proceedings be procedurally consolidated to streamline the administration of their estates and filing of future Court materials.
80. I do not believe that the consolidation of actions for the Companies will prejudice any stakeholders.



**CERTIFICATE OF COMMISSIONER OF OATHS  
FOR REMOTE COMMISSIONING OF AFFIDAVIT**


I, Anna Kosa, Commissioner for Oaths in the Province of Alberta, certify that the enclosed Affidavit was commissioned remotely on May 24, 2023 using the process set out in the Alberta Court of King's Bench Notice to the Profession & Public: Remote Commissioning of Affidavits for use in Civil and Family Proceedings During the COVID-19 Pandemic, and that this process was necessary because it was impossible and unsafe, for medical reasons, for the deponent, Michael Krestell, and the commissioner to be physically present together.

A handwritten signature in cursive script that reads "Anna Kosa". The signature is written in black ink and is positioned above a solid horizontal line.

Anna Kosa  
Barrister & Solicitor

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
**Notary Public and Commissioner for Oaths**  
In and for the Province of Alberta

THIS IS EXHIBIT "A" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

  
\_\_\_\_\_  
A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
**Notary Public and Commissioner for Oaths**  
In and for the Province of Alberta





# Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2023/05/15  
 Time of Search: 07:31 AM  
 Service Request Number: 39736107  
 Customer Reference Number: 04556330-EDD3\_5\_3292574

Corporate Access Number: 2023577238  
 Business Number: 791677800  
 Legal Entity Name: DYNALEO INC.

Legal Entity Status: Active  
 Alberta Corporation Type: Named Alberta Corporation  
 Method of Registration: Continuance  
 Previous Canadian/Foreign Jurisdiction: BRITISH COLUMBIA  
 Date of Continuance into Alberta: 2021/06/24 YYYY/MM/DD  
 Date Of Formation in Home Jurisdiction: 2018/08/27 YYYY/MM/DD

Registered Office:  
 Street: 2500-10175 101 ST NW  
 City: EDMONTON  
 Province: ALBERTA  
 Postal Code: T5J0H3

Records Address:  
 Street: 2500-10175 101 ST NW  
 City: EDMONTON  
 Province: ALBERTA  
 Postal Code: T5J0H3

Email Address: EDMANNUALRETURNS@FIELDLAW.COM

**Primary Agent for Service:**

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
FUTORANSKY	BRIAN		FIELD LLP	2500-10175 101 ST NW	EDMONTON	ALBERTA	T5J0H3	EDMANNUALRETURNS@FIELDLAW.COM

**Directors:**

Last Name: GUO  
 First Name: PETER  
 Middle Name: C.H.  
 Street/Box Number: 2185 WEST 54 AVE  
 City: VANCOUVER  
 Province: BRITISH COLUMBIA  
 Postal Code: V6P1P7

Last Name: KRESTELL  
 First Name: MICHAEL

**Street/Box Number:** 73 ROSEDALE HEIGHTS DR  
**City:** THRONHILL  
**Province:** ONTARIO  
**Postal Code:** L4J4T8

**Voting Shareholders:**

**Last Name:** 2712286 ONTARIO INC.  
**Street:** 302-10 DIRECTOR CRT  
**City:** WOODBRIDGE  
**Province:** ONTARIO  
**Postal Code:** L4L7E8  
**Percent Of Voting Shares:** 9.4

**Last Name:** CASSIDY FUND 1 LP  
**Street:** 6 VESTA DR.  
**City:** TORONTO  
**Province:** ONTARIO  
**Postal Code:** M5P2Z3  
**Percent Of Voting Shares:** 9.7

**Last Name:** MMEDS CORPORATION  
**Street:** 73 ROSEDALE HEIGHTS DR  
**City:** THORNHILL  
**Province:** ONTARIO  
**Postal Code:** L4J4T8  
**Percent Of Voting Shares:** 5.8

**Last Name:** RIV CAPITAL  
**Street:** 40 KING STREET W SUITE 2504  
**City:** TORONTO  
**Province:** ONTARIO  
**Postal Code:** M5H3Y2  
**Percent Of Voting Shares:** 9.7

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

**Share Structure:** SEE SCHEDULE ATTACHED

**Share Transfers Restrictions:** NO SECURITY OF THE CORPORATION SHALL BE TRANSFERRED WITHOUT THE APPROVAL OF THE BOARD OF DIRECTORS, EVIDENCED BY A DIRECTORS' RESOLUTION.

**Min Number Of Directors:** 1

**Max Number Of Directors:** 10

**Business Restricted To:** NONE

**Business Restricted From:** NONE

**Other Provisions:** SEE SCHEDULE ATTACHED

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**Other Information:****Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2022	2022/07/21

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2021/06/24	Continuance Into Alberta
2021/06/24	Update Business Number Legal Entity
2022/07/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

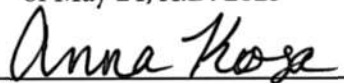
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
<a href="#">Share Structure</a>	ELECTRONIC	2021/06/24
<a href="#">Other Rules or Provisions</a>	ELECTRONIC	2021/06/24
Letter of Approval	10000707138340888	2021/06/24

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



ak

THIS IS EXHIBIT "B" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023



A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
Notary Public and Commissioner for Oaths  
In and for the Province of Alberta

AK






Government  
of Canada

Gouvernement  
du Canada

[Canada.ca](#) → [Innovation, Science and Economic Development Canada](#)

→ [Corporations Canada](#) → [Search for a Federal Corporation](#)

## Federal Corporation Information - 1361094-2

 Beware of scams and other suspicious activities. See [Corporations Canada's alerts](#).

### Note

This information is available to the public in accordance with legislation (see [Public disclosure of corporate information](#)).

[Order copies of corporate documents](#)

#### Corporation Number

1361094-2

#### Business Number (BN)

759468705RC0001

#### Corporate Name

Dynaleo Group Services Inc.

#### Status

Active

#### Governing Legislation

*Canada Business Corporations Act - 2021-12-20*

[Order a Corporate Profile](#) [[View PDF Sample](#)] [[View HTML Sample](#)].

AK

## Registered Office Address

3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

### **i** Note

Active CBCA corporations are required to update this information within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

## Directors

**Minimum** 1

**Maximum** 10

Peter C. H. Guo  
3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

Michael Krestell  
3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

### **i** Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

AK

## Annual Filings

**Anniversary Date (MM-DD)**

12-20

**Date of Last Annual Meeting**

Not available

**Annual Filing Period (MM-DD)**

12-20 to 02-18

**Type of Corporation**

Not available

**Status of Annual Filings**

2023 - Not due

2022 - Overdue

## Corporate History

**Corporate Name History**

2021-12-20 to Present

Dynaleo Group Services Inc.

### Certificates and Filings

**Certificate of Incorporation**

2021-12-20

[Order copies of corporate documents](#)

[Start New Search](#)

[Return to Search Results](#)

AK

**Date Modified:**

2023-02-10

OK



THIS IS EXHIBIT "C" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

Anna Kosa

A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
Notary Public and Commissioner for Oaths  
In and for the Province of Alberta

AK

**DYNALEO INC.**

**Annual Financial Statements**

**Year Ended December 31, 2021**

*(Expressed in Canadian Dollars)*

Handwritten signature or initials in black ink, appearing to be 'AK'.

**DYNALEO INC.**  
**Index to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

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Statement of Changes in Equity .....6  
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Suite 1500, 9888 Jasper Avenue NW  
Edmonton, Alberta T5J 5C6  
T. 780.424.3000 | F. 780.429.4817 | W. krpgroup.com

May 25, 2022  
Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Dynaleo Inc.

### **Opinion**

We have audited the financial statements of Dynaleo Inc. (the Company), which comprise the , and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and the financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report to the Shareholders of Dynaleo Inc. *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants





**DYNALEO INC.**  
**Statement of Comprehensive Loss**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>REVENUE</b>	<b>\$ 3,817,579</b>	<b>\$ -</b>
Less excise taxes:	297,397	-
Net Revenues	3,520,182	-
<b>COST OF GOODS SOLD</b>	<b>2,716,434</b>	<b>-</b>
<b>GROSS PROFIT</b>	<b>803,748</b>	<b>-</b>
<b>EXPENSES</b>		
Salaries and wages (Note 18)	4,610,092	2,520,047
Selling, general, & administrative expenses	4,254,817	2,167,281
Interest on loans and borrowings (Note 13)	509,230	834,979
Interest on lease liability	257,576	253,885
Share-based payments (Note 14)	2,175,006	468,102
Depreciation and Amortization	1,027,178	573,433
	<b>12,833,899</b>	<b>6,817,727</b>
<b>LOSS FROM OPERATIONS</b>	<b>(12,030,151)</b>	<b>(6,817,727)</b>
<b>INTEREST AND OTHER INCOME</b>	<b>10,000</b>	<b>34,583</b>
<b>LOSS BEFORE TAXES</b>	<b>(12,020,151)</b>	<b>(6,783,144)</b>
<b>DEFERRED TAXES (Note 5)</b>	<b>1,972,235</b>	<b>1,460,845</b>
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ (10,047,916)</b>	<b>\$ (5,322,299)</b>

**DYNALEO INC.**  
**Statement of Changes in Equity**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	Share Capital (Note 14)	Warrant Reserves (Note 14)	Compound Financial Instruments (Note 14)	Other Capital Reserve (Note 14)	Accumulated Deficit	Total Equity
<b>As at January 1, 2020</b>	\$ 3,041,159	\$ 1,411,557	\$ 315,755	\$ -	\$ (1,108,485)	\$ 3,659,986
Share issuance (Note 14)	11,471,886	139,684	-	-	-	11,611,570
Net and comprehensive loss for the year	-	-	-	-	(5,322,299)	(5,322,299)
Compound financial instruments (Note 14)	-	-	(141,042)	-	-	(141,042)
Stock based compensation	-	-	-	233,602	-	233,602
Transaction costs (Note 14)	(26,250)	-	-	-	-	(26,250)
<b>As at December 31, 2020</b>	\$ 14,486,795	\$ 1,551,241	\$ 174,713	\$ 233,602	\$ (6,430,784)	\$ 10,015,567
<b>As at January 1, 2021</b>	\$ 14,486,795	\$ 1,551,241	\$ 174,713	\$ 233,602	\$ (6,430,784)	\$ 10,015,567
Share issuance (Note 14)	6,659,327	-	-	-	(10,047,916)	(3,388,589)
Net and comprehensive loss for the year	-	-	-	-	-	-
Compound financial instruments (Note 14)	-	-	-	-	-	-
Stock based compensation (Note 14)	-	-	-	883,673	-	883,673
Transaction costs (Note 14)	(12,500)	-	-	-	-	(12,500)
<b>As at December 31, 2021</b>	\$ 21,133,622	\$ 1,551,241	\$ 174,713	\$ 1,117,275	\$ (16,478,700)	\$ 7,498,151

**DYNALEO INC.**  
**Statement of Financial Position**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 107,081	\$ 41,431
Trade and other receivables (Note 11)	464,493	26,250
Goods and Services Tax receivable	17,985	42,724
Prepaid expenses	-	513,840
Inventory (Note 15)	1,244,338	621,297
Funds in trust (Note 6)	-	535,344
	<b>1,833,897</b>	<b>1,780,886</b>
PROPERTY AND EQUIPMENT (Note 7)	11,313,440	11,893,731
INTANGIBLE ASSETS (Note 8)	692,072	303,224
DEFERRED INCOME TAXES (Note 5)	3,806,882	1,834,646
RIGHT OF USE ASSETS (Note 9)	2,198,695	2,345,275
	<b>\$ 19,844,986</b>	<b>\$ 18,157,762</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Trade and other payables (Note 10)	\$ 2,518,351	\$ 1,082,168
Lease Liability (Note 12)	268,275	489,802
Current portion of interest bearing loans and borrowings (Note 13)	4,629,598	2,091,624
	<b>7,416,224</b>	<b>3,663,610</b>
LONG TERM LEASE LIABILITY (Note 12)	2,323,948	2,071,863
INTEREST BEARING LOANS AND BORROWINGS (Note 13)	2,606,663	2,406,722
	<b>12,346,835</b>	<b>8,142,195</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 14)	21,133,622	14,486,795
Warrant reserves (Note 14)	1,551,241	1,551,241
Other capital reserves (Note 14)	1,117,275	233,602
Compound financial instruments	174,713	174,713
Accumulated Deficit	(16,478,700)	(6,430,784)
	<b>7,498,151</b>	<b>10,015,567</b>
	<b>\$ 19,844,986</b>	<b>\$ 18,157,762</b>

**DYNALEO INC.****Statement of Cash Flow**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>OPERATING ACTIVITIES</b>		
Cash paid to suppliers and employees	\$ (10,919,419)	\$ (7,308,638)
Cash receipts from operations	3,902,819	24,584
Interest paid	(506,501)	(216,987)
Cash flow used by operating activities	<u>(7,523,101)</u>	<u>(7,501,041)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (Note 7)	(178,435)	(3,400,593)
Purchase of intangible assets (Note 8)	(510,719)	(95,238)
Cash flow used by investing activities	<u>(689,154)</u>	<u>(3,495,831)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of Class A common shares (Note 14)	5,820,005	3,776,500
Issuance of term debt	2,450,400	2,000,000
Transaction costs	(12,500)	(26,250)
Canada Emergency Business Account loan (Note 10)	20,000	40,000
Issuance of convertible debt and warrants (Note 14, 16)	-	4,993,025
Repayment/Redemption of convertible debt	-	(307,500)
Cash flow from financing activities	<u>8,277,905</u>	<u>10,475,775</u>
<b>INCREASE/(DECREASE)/INCREASE IN CASH FLOW</b>	<b>65,650</b>	<b>(521,097)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>41,431</b>	<b>562,528</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 107,081</b>	<b>\$ 41,431</b>



**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 1. DESCRIPTION OF OPERATIONS

Dynaleo Inc. (the "Company") is incorporated provincially under the Business Corporations Act of British Columbia. The Company's principal business activity is the manufacturing of edible cannabis products intended for both the recreational and bioceutical markets. The head office is located at unit 2, 3365 11 Street, Nisku, Alberta, T9E 1K7.

## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. The functional and presentation currency of the Company is the Canadian dollar.

The financial statements of the Company for the year ended December 31, 2021 were authorized for issue by the Board of Directors in accordance with a resolution of the Company on May 25, 2022.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Significant accounting policies observed in the preparation of the financial statements are summarized below.

Revenue recognition

The Company recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Interest income is accrued on a timely basis, based on the principal outstanding and at the applicable interest rate.

Income taxes*Current income taxes*

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

*Deferred income taxes*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

*Sales tax*

Revenues, expenses, assets, and liabilities are recognized net of the amounts of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is presented separately in the Statement of Financial Position.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit less cheques issued and outstanding.

Property and equipment

Property and equipment are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, and equipment.

When significant parts of property and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The Company provides for depreciation using the following methods at rates designed to amortize the cost of the property and equipment over its estimated useful life. Depreciation is taken upon designation of the capital assets as available for use. No depreciation is recorded in the year of disposal. The annual amortization rates and methods are as follows:

Building improvements	20 years	straight-line method
Manufacturing equipment	15 years	straight-line method
Packaging equipment	10 years	straight-line method
Security equipment	10 years	straight-line method
Computer equipment	3 years	straight-line method
Shipping and receiving equipment	10 years	straight-line method

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment acquired during the year but not available for use are not depreciated until they are available for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's intangible asset at December 31, 2021 consists of license costs, computer software and trademarks to be amortized over three years.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

Financial instruments

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified as measured at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus or minus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

The Company's financial assets include cash and cash equivalents, trade and other receivables and funds in trust.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. The Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

The Company has not designated financial assets as at fair value through profit or loss.

Amortized cost

Financial assets are measured at amortized cost if the two following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has designated cash and cash equivalents, trade and other receivables and funds in trust at amortized cost.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has not designated any financial assets at fair value through other comprehensive income.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Company applies the simplified approach, which requires expected credit losses to be recognized from initial recognition of the financial asset. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets. At December 31, 2021 the identified impairment losses were not significant or material and therefore no changes in loss allowances were recognized (2020 -\$nil).

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus or minus, in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings, advances from shareholders and obligations from lease liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows: Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities measured at fair market value and financial liabilities initially designated at fair value through profit or loss.

Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in the statement of comprehensive income.

The Company has not designated financial liabilities at fair value through profit or loss.

Amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance costs in the statement of comprehensive income.

The Company has designated trade and other payables, interest-bearing loans and borrowings, advances from shareholders, and obligations from lease liabilities at amortized cost.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose to asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - a) The Company has the right to operate the asset; or
  - b) The Company designed the asset in a way that predetermines how and for what purpose it will be used.
  - c) This policy is applied to contracts entered into on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A right of use asset is amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term. Right of use assets are amortized over the lease term of 18 years.

The Company has elected to recognize the lease payments associated with short terms leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

Revenue from contracts with customers

The Company has determined that goods and services rendered are capable of being distinct and it recognizes revenue when the customer receives and continuously uses the benefits of the goods and services provided. The transaction price is based on specified contract rates and does not contain variable consideration or significant financing components.

Share-based payment transactions

The Company has a stock-based compensation plan that provides for the issuance of stock options to key employees and directors, which is described in Note 14. Any consideration paid by key employees or directors on the exercise of stock options or purchase of common shares is credited to share capital.

If common shares or stock options are repurchased from key employees or directors by the Company, the excess of the consideration paid over the carrying value of the common shares or stock options cancelled is charged to deficit or retained earnings.

Equity settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model which is described in Note 14.

That cost is recognized in share based payments, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expenses are recognised for equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments which will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
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Foreign currency translation

The primary currency of transactions is Canadian dollars. Foreign currency transactions during the year are translated in Canadian dollars at the rate of exchange prevailing on the date of the transactions. Assets and liabilities denominated in other currencies are translated into Canadian dollars at the rates of exchange existing at the balance sheet date. Gains and losses on exchange transactions are included in the statement of income and comprehensive income.

**Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Leased assets

The Company is required to make judgments and assumptions on incremental borrowing rates and lease terms. The carrying amount of the Right of Use (ROU) assets, lease liabilities, interest and depreciation expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates are based on the Company's borrowing rate at the commencement date of the lease, the security of the asset and market conditions. Lease terms are based on management's assumptions of future market conditions and operational decisions.

Fair value of share-based warrants, stock options, and compound financial instruments

In estimating the fair value of the value of share-based warrants and stock options the Company uses the Black Scholes options pricing model with inputs such as expected life, expected forfeiture rate, and volatility of the stock option, based on their best estimate. The Company uses the residual method in determining the value of the compound financial instruments. The assumptions used for estimating the fair value are disclosed in Note 14.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Managements estimates include valuation of compound financial instruments, valuation of stock-based warrants and options, valuation of right of use assets and liabilities, accrual of payables, collection of accounts receivable, utilization of deferred income taxes and estimated useful life of capital assets, intangibles and right of use assets.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
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Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Inventory

Raw materials, work in progress, and finished goods are stated at the lower of the cost and net realizable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory on the base of first in, first out. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Government Assistance

The Company received government assistance in the form of the Canada Emergency Business Account (CEBA) in connection with the Covid-19 pandemic. This is recognized as other income during the year.

Share-based payment transactions and compound financial instruments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions and compound financial instruments requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The assumptions and models used for estimating fair value for share-based payment transactions and compound financial instruments are disclosed in Note 14.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 17).

Statement of Cash Flow

The Company is using the direct method in its presentation of the Statement of Cash Flow.

## 4. INCOME TAXES

The income provision recorded differs from the income tax obtained by applying the statutory income tax rate of 23% (2020 – 24%) to the income for the year and is reconciled as follows:

	2021	2020
Loss before income taxes	(\$ 12,020,151)	(\$ 6,783,144)
Income tax expense at the combined basic federal and provincial tax rate:	(\$ 2,764,636)	(\$ 1,627,955)
Increase (decrease) resulting from:		
Amortization in excess of capital cost allowance	236,251	137,488
Non-deductible expenses	503,954	119,923
Non-capital loss carried forward	2,024,431	1,370,544
Effective tax expense	\$ -	\$ -

**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 5. DEFERRED INCOME TAXES

The deferred tax credit represents the following categories of temporary differences multiplied by (1) the statutory income tax rate of 23.00% (2020 - 23.00%) and (2) an additional 50% for capital loss carryforwards.

	2021	2020
Non capital loss carryforwards	<b>\$ 1,908,724</b>	\$ 1,260,370
Lease Liability	<b>36,285</b>	38,125
Net book value of equipment and intangible assets in excess of undepreciated capital cost	<b>27,226</b>	162,350
	<b>\$ 1,972,235</b>	\$ 1,460,845

Temporary differences comprising the deferred income tax asset are as follows:

	2021	2020
Non capital loss carryforwards	<b>\$ 3,530,840</b>	\$ 1,622,116
Lease Liability	<b>86,055</b>	49,770
Net book value of equipment and intangible assets in excess of undepreciated capital cost	<b>189,987</b>	162,760
	<b>\$ 3,806,882</b>	\$ 1,834,646

It is management assessment that there will be future taxable profits, where the deferred tax asset will be utilized.

## 6. FUNDS IN TRUST

Funds in trust relate to prior years share offering described in Note 14. All funds in trust were received by the Company during the year ended December 31, 2021.

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
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## 7. PROPERTY AND EQUIPMENT

Cost	2020 Cost	Additions	Disposals	2021 Cost
Building improvements	\$ 7,298,368	\$ -	\$ -	\$ 7,298,368
Manufacturing equipment	3,636,387	178,435	-	3,814,822
Packaging equipment	909,726	-	-	909,726
Security equipment	273,594	-	-	273,594
Computer equipment	60,137	-	-	60,137
Shipping and receiving equipment	90,691	-	-	90,691
	\$ 12,268,903	\$ 178,435	\$ -	\$ 12,447,338

Accumulated Depreciation	2020 Balance	Amortization Expense	Accumulated Depreciation on Disposals	2021 Balance
Building improvements	\$ 323,405	\$ 429,316	-	752,721
Manufacturing equipment	15,125	188,424	-	203,549
Packaging equipment	7,851	92,593	-	100,444
Security equipment	16,086	27,359	-	43,445
Computer equipment	7,114	12,028	-	19,142
Shipping and receiving equipment	5,591	9,006	-	14,597
	\$ 375,172	\$ 758,726	\$ -	\$ 1,133,898

Cost	2019 Cost	Additions	Disposals	2020 Cost
Building improvements	\$ 4,595,610	\$ 2,702,758	\$ -	\$ 7,298,368
Manufacturing equipment	3,472,484	163,903	-	3,636,387
Packaging equipment	593,592	316,134	-	909,726
Security equipment	133,900	139,694	-	273,594
Computer equipment	62,131	-	(1,994)	60,137
Lab equipment	27,295	-	(27,295)	-
Furniture and fixtures	7,938	-	(7,938)	-
Shipping and receiving equipment	43,707	46,984	-	90,691
	\$ 8,936,657	\$ 3,369,473	\$ (37,227)	\$ 12,268,903

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
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Accumulated Depreciation	2019 Balance	Amortization Expense	Accumulated Depreciation on Disposals	2020 Balance
Building improvements	\$ -	\$ 323,405	\$ -	\$ 323,405
Manufacturing equipment	-	15,125	-	15,125
Packaging equipment	-	7,851	-	7,851
Security equipment	-	16,086	-	16,086
Computer equipment	1,095	6,019	-	7,114
Lab equipment	-	-	-	-
Furniture and fixtures	422	-	(422)	-
Shipping and receiving equipment	-	5,591	-	5,591
	\$ 1,517	\$ 374,077	\$ (422)	\$ 375,172

Net Book Value	2021	2020
Building improvements	\$ 6,545,647	\$ 6,974,963
Manufacturing equipment	3,611,273	3,621,262
Packaging equipment	809,282	901,875
Security equipment	230,149	257,508
Computer equipment	40,995	53,023
Shipping and receiving equipment	76,094	85,100
	\$ 11,313,440	\$ 11,893,731

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 8. INTANGIBLE ASSETS

Cost	2020 Cost	Additions	Disposals	2021 Cost
License costs	\$ 230,601	\$ -	\$ -	\$ 230,601
Trademarks	95,238	-	-	95,238
Computer software	31,120	510,719	-	541,839
	\$ 356,959	\$ 510,719	\$ -	\$ 867,678

Accumulated Amortization	2020 Balance	Amortization Expense	Accumulated Amortization on Disposals	2021 Balance
License costs	\$ 38,434	\$ 76,867	\$ -	\$ 115,301
Trademarks	8,658	34,632	-	43,290
Computer software	6,643	10,373	-	17,016
	\$ 53,735	\$ 121,872	\$ -	\$ 175,607

Cost	2019 Cost	Additions	Disposals	2020 Cost
License costs	\$ 230,601	\$ -	\$ -	\$ 230,601
Trademarks	-	95,238	-	95,238
Computer software	-	31,120	-	31,120
	\$ 230,601	\$ 126,358	\$ -	\$ 356,959

Accumulated Amortization	2019 Balance	Amortization expense	Accumulated Amortization on Disposals	2020 Balance
License costs	\$ -	\$ 38,434	\$ -	\$ 38,434
Trademarks	-	8,658	-	8,658
Computer software	-	6,643	-	6,643
	\$ -	\$ 53,735	\$ -	\$ 53,735

Net Book Value	2021	2020
License costs	\$ 115,301	\$ 192,167
Trademarks	51,948	86,580
Computer software	524,823	24,477
	\$ 692,072	\$ 303,224

The Company's intangible asset at December 31, 2021 consists of license costs, software, and trademarks to be amortized over the three year life of the license beginning in June 2020.

**DYNALEO INC.**  
**Notes to Financial Statements**  
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9. RIGHT OF USE ASSETS

Cost	2020	Additions	Disposals	2021
Buildings	\$ 2,540,714	\$ -	\$ -	\$ 2,540,714

Accumulated Amortization	2020 Balance	Amortization expense	Accumulated Amortization on Disposals	2021 Balance
Buildings	\$ 195,439	\$ 146,580	\$ -	\$ 342,019

Cost	2019	Additions	Disposals	2020
Buildings	\$ 2,540,714	\$ -	\$ -	\$ 2,540,714

Accumulated Amortization	2019 Balance	Amortization expense	Accumulated Amortization on Disposals	2020 Balance
Buildings	\$ 49,818	\$ 145,621	\$ -	\$ 195,439

Net Book Value	2021	2020
Buildings	\$ 2,198,695	\$ 2,345,275

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 10. TRADE AND OTHER PAYABLES

	2021	2020
Accounts payable	\$ 2,254,582	\$ 897,344
Accrued Liabilities	223,769	-
Canadian Emergency Business Account loan	40,000	30,000
Wages payable	-	57,500
Source deductions payable	-	97,324
<b>Total</b>	<b>\$ 2,518,351</b>	<b>\$ 1,082,168</b>

	Total	Current	< 30 days	30-60 days	60-90 days	>90 days
2021	\$ 2,518,351	\$ 1,017,987	\$ 175,408	\$ 110,242	\$ 175,495	\$ 1,039,219
2020	\$ 1,082,168	\$ -	\$ 1,019,732	\$ 4,687	\$ -	\$ 57,749

## 11. TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables	\$ 381,159	\$ -
Other receivables	83,334	26,250
<b>Total</b>	<b>\$ 464,493</b>	<b>\$ 26,250</b>

	Total	< 30 days	30-60 days	60-90 days	>90 days
2021	\$ 464,493	\$ 461,745	\$ -	\$ -	\$ 2,748
2020	\$ 26,250	\$ 26,250	\$ -	\$ -	\$ -

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**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 12. OBLIGATIONS UNDER LEASE LIABILITY

	2021	2020
The Company has a right of use lease on buildings bearing an implicit interest rate of 10.00% per annum due between January 1, 2021 and December 31, 2026 in repayable monthly payments ranging, in order of payment terms, \$20,578 to \$27,722 exclusive of GST. The Company assumes two consecutive 5-year renewal terms (total of 10 years) during the 2026 and 2031 fiscal years.	<b>\$ 2,592,223</b>	\$ 2,561,665
Amounts payable within one year	<b>(268,275)</b>	(489,802)
	<b>\$ 2,323,948</b>	\$ 2,071,863

Future minimum right of use lease payments are approximately:

2022	\$ 268,275
2023	289,737
2024	311,199
2025	311,199
2026	304,939
Thereafter	<u>3,822,363</u>
Total minimum lease payments	5,307,712
Less: amount representing interest at 10% net of accrued interest	<u>2,715,489</u>
Present value of minimum lease payments	2,592,223
Less: current portion of lease liability	268,275
Long term lease liability	<u>\$ 2,323,948</u>



**DYNALEO INC.**  
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13. INTEREST BEARING LOANS AND BORROWINGS

	2021	2020
Promissory notes bearing simple interest at 3% per annum, calculated quarterly, and are due on demand by the lender.	<b>\$1,965,847</b>	\$ -
Short term loan agreement bearing simple interest at 12% per annum, calculated quarterly, and matures on May 1, 2022. The loan includes warrants to purchase 1,250,187 additional Class A common shares at a price of \$2.00 per share (Note 14).	<b>2,663,751</b>	2,091,640
Convertible debt bearing simple interest at 6% per annum, calculated quarterly, and matures on March 1, 2024. The principal and accrued interest is convertible into Class A common shares at a price of \$0.80 per share. The convertible debt includes warrants to purchase 1,375,000 additional Class A common shares at a price of \$1.4245 per share (Note 14). The convertible debt may be converted by the lender at any time prior to maturity. After maturity, the Company may convert or repay the debenture at its discretion.	<b>2,606,663</b>	2,406,722
	<b>7,236,261</b>	4,498,362
Current portion of interest bearing loans and borrowings	<b>4,629,598</b>	2,091,640
	<b>\$ 2,606,663</b>	\$ 2,406,722

During the year, promissory notes with proceeds of \$1,965,847 (2020 \$nil) was issued. Total promissory notes in the amount of \$1,950,000 (2020 - \$nil) was issued by the Company to related parties. See Note 18 for a description of the relationship.

During the year, short term loans issued in 2020 were extinguished and reissued for proceeds of \$2,500,375.

**DYNALEO INC.**  
**Notes to Financial Statements**  
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## 14. SHARE CAPITAL

	2021	2020
Issued and fully paid:		
12,055,701 Common share Class A	\$ 18,316,033	\$ 11,669,206
2,777,318 Preferred shared Class D	2,817,589	2,817,589
	<b>\$ 21,133,622</b>	<b>\$ 14,486,795</b>

	2021		2020	
	Shares	Amount	Shares	Amount
<b>Class A Common Shares</b>				
Shares outstanding at the beginning of the year	8,677,962	\$ 11,669,206	1,262,044	223,570
Issued	3,377,739	6,659,327	7,415,918	11,471,886
Transaction costs	-	(12,500)	-	(26,250)
	<b>12,055,701</b>	<b>\$ 18,316,033</b>	<b>8,677,962</b>	<b>11,669,206</b>

	2021		2020	
	Shares	Amount	Shares	Amount
<b>Class D Preferred Shares</b>				
Shares outstanding at the beginning of the year	2,777,318	\$ 2,817,589	2,777,318	\$ 2,817,589
Issued	-	-	-	-
	<b>2,777,318</b>	<b>\$ 2,817,589</b>	<b>2,777,318</b>	<b>\$ 2,817,589</b>

	2021		2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
<b>Warrant Reserves</b>				
Outstanding at the beginning of the year	8,276,598	\$ 1.4656	2,360,098	\$ 1.8158
Issued	1,250,187	1.4245	5,916,500	1.3265
	<b>9,526,785</b>	<b>\$ 1.3140</b>	<b>8,276,598</b>	<b>\$ 1.4656</b>

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**DYNALEO INC.**  
**Notes to Financial Statements**  
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	2021		2020	
	Number of warrants	Fair Value	Number of warrants	Fair Value
<b>Warrant Reserves</b>				
Outstanding at the beginning of the year	8,276,598	\$ 1,551,241	2,360,098	\$ 1,411,557
Issued	1,250,187	-	5,916,500	139,684
	<b>9,526,785</b>	<b>\$ 1,551,241</b>	<b>8,276,598</b>	<b>\$ 1,551,241</b>

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Other Capital Reserves</b>				
Outstanding at the beginning of the year	190,841	\$ 1.2563	-	\$ -
Options exercised	(16,666)	1.4300	-	-
Options forfeited	(110,000)	1.4300	-	-
Options vested	671,659	2.0000	190,841	1.2563
	<b>735,834</b>	<b>\$ 1.9147</b>	<b>190,841</b>	<b>\$ 1.2563</b>

	2021		2020	
	Number of options	Fair Value	Number of options	Fair Value
<b>Other Capital Reserves</b>				
Outstanding at the beginning of the year	190,841	\$ 233,602	-	\$ -
Options exercised	(16,666)	(18,333)	-	-
Options forfeited	(110,000)	-	-	-
Options vested	671,659	902,006	190,841	233,602
	<b>735,834</b>	<b>\$ 1,117,275</b>	<b>190,841</b>	<b>\$ 233,602</b>

Class A Common Shares

During the fiscal year, the Company issued 2,670,168 Class A shares, for total proceeds of \$5,364,168. An additional 636,500 Class A common share were issued for \$nil proceeds as part of board resolution and compensation \$1,273,000 was recognized for services rendered. 54,405 Class A common shares were issued on conversion of Round D convertible debt and 16,666 Class A common shares were issued on stock options exercised during the year.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
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Class D Preferred Shares

The preferred shares are entitled to identical voting rights as Class A shares, and are entitled to cumulative cash dividends of 6%, or an equivalent amount of Class A shares at an exercise price of \$1.4245 per share, payable at the Board's discretion. The preferred shareholders can convert into common shares at any time prior to July 31, 2024. During the fiscal year, no dividends were declared by the Company. The amount of cumulative preference dividends not recognized was \$237,376 (2020 - \$237,376).

Employee Stock Options

November 2019, the Company established an employee stock option plan. The plan permits eligible persons, as designated from time to time by the Board, to be granted at the sole discretion of the Board, options to purchase common stock. The options once granted are exercisable at a price subject to the Board's discretion, at any time over a period of 5 years. The options were valued based on the Black-Scholes model with the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Option Value	\$ 1.10	\$ 1.53	\$ 1.33	\$ 1.47
Dividend Rate	-	-	-	-
Volatility	105.65%	105.65%	95.62%	98.12%
Risk-free interest rate	1.46%	0.38%	0.38%	1.03%
Expected life	5.00	5.00	4.00	4.00
Expiration Date	2024-11-01	2025-10-26	2024-12-18	2024-12-18

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
<b>Outstanding at 1 January</b>	<b>934,167</b>	<b>\$ 1.8065</b>	-	\$ -
Granted during the year	50,000	2.0000	934,167	1.8065
Forfeited during the year	(110,000)	1.4300	-	-
Exercised during the year	(16,666)	1.4300	-	-
<b>Outstanding at 31 December</b>	<b>857,500</b>	<b>1.8065</b>	934,167	1.8065
Exercisable at 31 December	735,834	\$ 1.8392	190,841	\$ 1.6404

The options granted will vest in equal instalments over three years: one-third on each of the first, second- and third-year anniversaries following the date of the grant of the option(s). During the year, there was 16,666 options exercised, and 110,000 options forfeited. No options expired during the year. \$902,006 was recognized related to employee services rendered during the year.



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## 15. INVENTORY

	2021	2020
Raw materials (at cost)	<b>\$ 876,001</b>	\$ 571,710
Work in progress (at cost)	<b>122,261</b>	49,587
Finished goods (at cost)	<b>246,076</b>	-
<b>Total inventory</b>	<b>\$ 1,244,338</b>	<b>\$ 621,297</b>

## 16. CASH FLOW SUPPLEMENTARY INFORMATION

The following transactions have been excluded from the Statement of Cash Flow as they did not require the use of cash or cash equivalents.

	2021	2020
Share based payments ( <i>Note 14</i> )	<b>\$2,175,006</b>	\$468,102
Interest on term loan	<b>13,961</b>	91,640
Interest accrued on convertible debt ( <i>Note 13</i> )	<b>215,788</b>	694,848
Interest accrued on promissory loan	<b>15,847</b>	-
Convertible debt converted into Class A common shares ( <i>Note 14</i> )	-	7,082,138
Funds in trust received ( <i>Note 6</i> )	-	412,000
	<b>\$ 2,420,602</b>	<b>\$ 8,748,728</b>

**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, funds in trust, trade and other payables, advances from shareholders, interest-bearing loans and borrowings, and obligations from lease liability are classified as measured at amortized cost. The carrying amounts of these instruments at December 31, 2021 approximate fair value.

***Risk Management***

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

**Liquidity Risk**

Liquidity risk is the risk that the company may not have cash to meet financial liabilities as they come due.

The Company's liquidity requirements are met through the cash generated from operations. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets.

At December 31, 2021 the contractual obligations related to financial liabilities are as follows:

	Trade and other payables (Note 10)	Short Tem Loans	Obligations from lease liability (Note 12)	Interest bearing loans and borrowing (Note 13)	Total
Carrying amount	\$ 2,518,351	\$ 4,629,598	\$2,592,223	\$ 2,606,663	\$12,346,835
Contractual cash flow	2,518,351	4,629,598	5,307,712	2,606,663	15,062,324
Less than 1 year	2,518,351	4,629,598	268,275	-	7,416,224
1-2 years	-	-	289,737	-	289,737
2-3 years	-	-	311,199	-	311,199
3-4 years	-	-	311,199	2,606,663	2,917,862
4-5 years	-	-	304,939	-	304,939
Thereafter	-	-	3,822,363	-	3,822,363

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions. Key management includes directors and executives of the Company. The compensation paid or payable (including share-based payments) to key management are outlined below.

	2021		2020
Key Management Compensation			
Short-term employee benefits	\$ 670,339	\$	229,910
Other Related Parties			
<i>(Related to key management and directors)</i>			
Share-based compensation	\$ 1,150,000	\$	234,500
Interest on short term loan	\$ 209,086	\$	78,045
Interest on convertible debt	\$ 45,100	\$	224,517
Interest on promissory notes	\$ 15,847	\$	-

19. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, and to always ensure adequate liquidity and financial flexibility, while maintaining prudent levels of financial risk. The Company is not subject to any externally imposed capital requirements. The Company manages and maintains its capital structure based on current economic conditions. In order to maintain the capital structure, the Company may attempt to raise additional funds by issuing equity or assuming additional debt. The Company believes that the a fore mentioned objectives are appropriate in the context of the Company's business.

Capital is comprised of equity and any debt the Company may issue. As at December 31, 2021, equity was \$7,498,151 (2020 - \$10,015,567) and outstanding debt of \$12,346,835 (2020 - \$8,142,195), which includes \$2,592,223 (2020 - \$2,071,863) of obligations from lease liability.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to current year's presentation.

**DYNALEO INC.****Notes to Financial Statements**

Year Ended December 31, 2021

(Expressed in Canadian Dollars)

## 21. COVID-19

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Company's business, financial condition or results of operations. Specifically, government enactment of emergency protocol for the purposes of restricting travel and other business-related activities. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

## 22. SUBSEQUENT EVENTS

Subsequent to year-end the Company had laid off several employees to reflect current sales levels. The terminations resulted in annualized savings of \$500,000 after termination costs. In addition, the Company raised additional term debt of \$7,680,527 bearing simple interest of 12.0% per annum and matures 24 months from issuance. Proceeds of \$1,000,000 was used to pay off a portion of the short-term debt that matured in 2022.



THIS IS EXHIBIT "D" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

*Anna Kosa*

A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
**Notary Public and Commissioner for Oaths**  
In and for the Province of Alberta

*AK*

Search ID #: Z16158795

**Transmitting Party**

MILLER THOMSON LLP  
Attention: Accounts Payable  
2700, 10155 102 STREET  
EDMONTON, AB T5J 4G8

Party Code: 50000066  
Phone #: 780 429 1751  
Reference #: 0277934.0001

Search ID #: Z16158795

Date of Search: 2023-May-16

Time of Search: 16:24:47

**Business Debtor Search For:**

DYNALEO INC.

Both Exact and Inexact Result(s) Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.  
Be sure to read the reports carefully.



ak

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21011601806

Registration Date: 2021-Jan-16

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2026-Jan-16 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block**

1 DYNALÉO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Status**  
Current

**Secured Party / Parties****Block**

1 LO, JANICE  
10 DALE AVENUE  
TORONTO, ON M4W 1K4  
Email: janice.lo@utoronto.ca

**Status**  
Current

**Collateral: General****Block**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

**Status**  
Current

AK

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21011601815

Registration Date: 2021-Jan-16

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2026-Jan-16 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block**

1 DYNALIO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Status**

Current

**Secured Party / Parties****Block**

1 DULNY, MARY-FRANCES  
50 PRENNAN AVENUE  
ETOBICOKE, ON M9B 4C1  
Email: mfdulny@yahoo.ca

**Status**

Current

**Collateral: General****Block****Description**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

**Status**

Current

AK



Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21112404044

Registration Date: 2021-Nov-24

Registration Type: LAND CHARGE

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**

Current

1 DYNALÉO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Secured Party / Parties****Block****Status**

Current

1 RENVEST MERCANTILE BANCORP. INC.  
100 KING STREET W, SUITE 7010, PO BOX 70  
TORONTO, ON M5X 1B1  
Email: dcohen@renvestcapital.com

AK

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21112404850

Registration Date: 2021-Nov-24

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2024-Nov-24 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**

1 DYNALCO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

Current

**Secured Party / Parties****Block****Status**

1 RENVEST MERCANTILE BANCORP. INC.  
100 KING STREET W, SUITE 7010, PO BOX 70  
TORONTO, ON M5X 1B1  
Email: dcohen@renvestcapital.com

Current

**Collateral: General****Block****Description****Status**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Current

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 22021015575

Registration Date: 2022-Feb-10

Registration Type: SECURITY AGREEMENT

Registration Status: Current

Expiry Date: 2026-Feb-10 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

22021515662	Amendment	2022-Feb-15
22022430358	Amendment	2022-Feb-24
22110222386	Amendment	2022-Nov-02
22112209536	Amendment	2022-Nov-22
22121419835	Amendment	2022-Dec-14
23032928128	Amendment	2023-Mar-29
23040617054	Amendment	2023-Apr-06

**Debtor(s)****Block**

1 DYNALÉO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Status**  
Current**Secured Party / Parties****Block**

1 2712286 ONTARIO INC.  
302-10 DIRECTOR COURT  
VAUGHAN, ON L4L 7E8  
Email: jgrauman@kevescapital.com

**Status**  
Current**Block**

2 2646525 ONTARIO INC.  
302-10 DIRECTOR COURT  
VAUGHAN, ON L4L 7E8

**Status**  
Current by  
22021515662

Search ID #: Z16158795

Email: jgrauman@kevescapital.com

**Block**

3 1604591 ONTARIO INC.  
523 ST. GERMAIN AVENUE  
TORONTO, ON M5M 1X3  
Email: lmoskovic@rogers.com

**Status**

Current by  
22022430358

**Block**

4 ADAM WAGMAN PROFESSIONAL CORPORATION  
570 ST. CLEMENTS AVENUE  
TORONTO, ON M5M 1M6  
Email: adamwagman@hshlawyers.com

**Status**

Current by  
22022430358

**Block**

5 MUROFF, ANDREW  
598 CASTLEFIELD AVENUE  
TORONTO, ON M5N 1L8  
Email: drew@strainprint.ca

**Status**

Current by  
22022430358

**Block**

6 GRIFFIN, ANTHONY  
198 GLENCAIRN AVENUE  
TORONTO, ON M4R 1N2  
Email: tgtoca@outlook.com

**Status**

Current by  
22022430358

**Block**

7 TAN, BRENDA, P  
2185 W, 54 AVENUE  
VANCOUVER, BC V6P 1P7  
Email: bptan88@hotmail.com

**Status**

Current by  
22022430358

**Block**

8 CASSIDY FUND 1 LP  
6 VESTA DRIVE  
TORONTO, ON  
Email: rick@cassidyam.com

**Status**

Current by  
22022430358

**Block**

9 COLLA, DAVID  
1 HIGHBOURNE ROAD  
TORONTO, ON M5P 2J1  
Email: davidcolla@yahoo.com

**Status**

Current by  
22022430358

OK



Search ID #: Z16158795

**Block**

10 JANSON HOLDING COMPANY  
73 HILLCREST DRIVE  
TORONTO, ON M6G 2E5  
Email: rj@westcourtcapital.com

**Status**

Current by  
22022430358

**Block**

11 KORNBLUM, JOEL  
10 OLD YORK MILLS ROAD TH7  
NORTH YORK, ON M2P 2G9  
Email: jkornblum@rogers.com

**Status**

Current by  
22022430358

**Block**

12 JRMS HOLDINGS INC.  
171 EAST LIBERTY STREET, SUITE 305  
TORONTO, ON M6K 3P6  
Email: jeremy@gladstonemedia.ca

**Status**

Current by  
22022430358

**Block**

13 TANENBAUM, KENNETH  
51 HILLHOLM ROAD  
TORONTO, ON M5P 1M4  
Email: kmt@kilmergroup.com

**Status**

Current by  
22022430358

**Block**

14 ALLEN, LEIGH-ANN  
74 FALLINGBROOK DRIVE  
SCARBOROUGH, ON M1N 1B6  
Email: allen.leigh.ann@gmail.com

**Status**

Current by  
22022430358

**Block**

15 MICHAEL KRESTELL 2018 FAMILY TRUST  
73 ROSEDALE HEIGHTS DRIVE  
THORNHILL, ON L4J 4T8  
Email: michaelkrestell@gmail.com

**Status**

Current by  
22022430358

**Block**

16 VIRA, PARAS AND RITU  
92 BROWN ROAD  
SCARSDALE, NY 10583  
Email: paras.vira@gmail.com

**Status**

Current by  
22022430358

Search ID #: Z16158795

**Block**

17 RICK MESLIN 2018 FAMILY TRUST  
6 VESTA DRIVE  
TORONTO, ON  
Email: rick@cassidyam.com

**Status**

Current by  
22022430358

**Block**

18 COOPER, ROBERT  
17 OVERDALE ROAD  
TORONTO, ON M6B 3E9  
Email: robbie@cooperlawfirm.ca

**Status**

Current by  
22022430358

**Block**

19 SHLAGBAUM FAMILY HOLDINGS  
324 RUSHTON ROAD  
YORK, ON M6C 2X9  
Email: dshlag@lennard.com

**Status**

Current by  
22022430358

**Block**

20 DEA, THOMAS  
58 RIDGE DRIVE  
TORONTO, ON M4T 1B7  
Email: tom@kickinghorsecapital.com

**Status**

Current by  
22022430358

**Block**

21 CHANG, WINNIE  
138 EAST 38TH AVENUE  
VANCOUVER, BC V5W 1H1  
Email: winnie.chiang604@gmail.com

**Status**

Current by  
22022430358

**Block**

22 UNIMAR CAPITAL HOLDINGS INC.  
7 GLENAYR ROAD  
TORONTO, ON M5P 3B7  
Email: mruscetta@trichomefinancial.com

**Status**

Current by  
22022430358

**Block**

23 1698833 ONTARIO INC.  
131 CITATION DRIVE, #22-24  
CONCORD, ON L4K 2R3  
Email: david@boomerangmarketing.ca

**Status**

Current by  
22022430358

Search ID #: Z16158795

**Block**

24 HUEN FAMILY TRUST  
50 PRENNAN AVENUE  
ETOBICOKE, ON M9B 4C1  
Email: huen@rogers.com

**Status**

Current by  
22022430358

**Block**

25 HERMMANN, JEFFREY  
16234 VILLARREAL DE AVILA  
TAMPA, FL 33613  
Email: hermannjeffrey@gmail.com

**Status**

Current by  
22110222386

**Block**

26 GOGUO INVESTMENTS LTD.  
2185 W. 54TH AVENUE  
VANCOUVER, BC V6P 1P7  
Email: peter.c.h.guo88@gmail.com

**Status**

Current by  
22110222386

**Block**

27 JULMI CAPITAL CORPORATION  
582 ST. CLAIR AVENUE W, SUITE 406  
TORONTO, ON M6C 1A6  
Email: daniel@sensiproperties.com

**Status**

Current by  
22110222386

**Block**

28 RILEY, MIKE  
24 OLD FARM ROAD  
WESTON, CT 06883  
Email: mikefriley@hotmail.com

**Status**

Current by  
22110222386

**Block**

29 WEINSTEIN, RICH  
240 RIVER BIRCH ST.  
KITCHENER, ON N2C 2V4  
Email: weinstri@yahoo.com

**Status**

Current by  
22110222386

**Block**

30 EISEN, ANDREW  
66 FRANKLIN ST. #5D  
NEW YORK, NY 10013  
Email: Andrew.Eisen@ihsmarkit.com

**Status**

Current by  
22110222386

Search ID #: Z16158795

**Block**

31 ISENBERG, RITA  
75 WATERLOO AVE  
TORONTO, ON  
Email: si@mpartners.ca

**Status**

Current by  
22110222386

**Block**

32 KCA INVESTMENTS LTD.  
366 ELGIN STREET  
OTTAWA, ON K2P 1M8  
Email: kages@paramountaps.com

**Status**

Current by  
22110222386

**Block**

33 AMPERSAND INVESTMENTS LTD.  
2856 W. 10TH AVE  
VANCOUVER, BC V6K 2K4  
Email: Philip.hoy@gmail.com

**Status**

Current by  
22110222386

**Block**

34 CHEN, BO NING  
66 PETER SCHNEIDER DRIVE  
AURORA, ON L0G 1V0  
Email: anniechen.cbn@gmail.com

**Status**

Current by  
22110222386

**Block**

35 DR. BRIAN ABRAMS OPTOMETRY PC  
392 DOUGLAS AVE  
NORTH YORK, ON M5M 1H4  
Email: drbrianabrams@gmail.com

**Status**

Current by  
22110222386

**Block**

36 KOFMAN, KAREN  
15 SANIBEL CRES  
THORNHILL, ON L4J 8G9  
Email: KARENKOFMAN@ROGERS.COM

**Status**

Current by  
22110222386

**Block**

37 LIVERMAN, LAUREN  
507 MELROSE AVE  
NORTH YORK, ON M5M 2A1  
Email: dglazerman@evansic.com

**Status**

Current by  
22110222386



Search ID #: Z16158795

**Block**

38 LIONEL ROBINS MANAGEMENT LIMITED  
22 ST. CLAIR AVENUE EAST, SUITE 1010  
TORONTO, ON M4T 2S3  
Email: mlevcovich@levrob.com

**Status**

Current by  
22110222386

**Block**

39 SPRING, OLIVER  
15 AVA RD.  
TORONTO, ON M5P 1X8  
Email: oliverhspring@gmail.com

**Status**

Current by  
22110222386

**Block**

40 SPRING, SHANE  
15 AVA RD.  
TORONTO, ON M5P 1X8  
Email: shanespring@mac.com

**Status**

Current by  
22110222386

**Block**

41 WRIGHT, BRANDON  
9511-124 AVENUE N.W.  
EDMONTON, AB T5G 0V8  
Email: allwrightbyme@gmail.com

**Status**

Current by  
22112209536

**Block**

42 GIARRUSSO, CARLO  
367 GLENGROVE AVENUE WEST  
TORONTO, ON  
Email: carlo.giarrusso@bmo.com

**Status**

Current by  
22112209536

**Block**

43 STEPHEN LASSMAN STUDIOS LTD.  
27 HEATHDALE ROAD  
TORONTO, ON M6C 1M7  
Email: garry@lassmanstudios.com

**Status**

Current by  
22112209536

**Block**

44 SPRING, RISA  
46 MARKDALE AVENUE  
TORONTO, ON M6C 1T4  
Email: phillip.spring@mnp.ca

**Status**

Current by  
22121419835

Search ID #: Z16158795

**Block**

45 LEVISON, ANDREW  
280 WINONA DRIVE  
YORK, ON M6C 3S7  
Email: andrew@abovebeyond.ca

**Status**

Current by  
22121419835

**Block**

46 XIE, JIA  
14131 HOLLOWMILL LANE  
HOUSON, TX 77082  
Email: jkxie1@gmail.com

**Status**

Current by  
22121419835

**Block**

47 LEVISON, TRACEY  
50 MOUNT ROYALE AVE  
TORONTO, ON M6H 2S4  
Email: tracey@abovebeyond.ca

**Status**

Current by  
23032928128

**Block**

48 TONE, DAVID, ANDREW  
3343 CALDER AVENUE  
NORTH VANCOUVER, BC V7N 3R6  
Email: andrewtone@outlook.com

**Status**

Current by  
23040617054

**Block**

49 TONE, EVA  
3343 CALDER AVENUE  
NORTH VANCOUVER, BC V7N 3R6  
Email: evatone@outlook.com

**Status**

Current by  
23040617054

**Collateral: General**

<b><u>Block</u></b>	<b><u>Description</u></b>	<b><u>Status</u></b>
1	ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.	Current

Search ID #: Z16158795

**Note:**

The following is a list of matches closely approximating your Search Criteria,  
which is included for your convenience and protection.

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 5126 WINDERMERE BOULEVARD SW EDMONTON, AB T6W 0H8	15012734799
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200, 23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16081228911
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI GROUP 33 LETT AVE COLLINGWOOD, ON L9Y 0Z5	21060815676
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENILLE INDUSTRIES LTD. 14440 YELLOWHEAD TRAIL EDMONTON, AB T5L 3C5	04042313892
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>

AK

Search ID #: Z16158795

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL  
EDMONTON, AB T5L 3C5

13041530922

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21041314718

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TR NW  
EDMONTON, AB T5L3C5

**Reg.#**

23030707531

**SECURITY AGREEMENT**

Result Complete



THIS IS EXHIBIT "E" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023  
Anna Kosa  
A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
Notary Public and Commissioner for Oaths  
In and for the Province of Alberta

AK

Search ID #: Z16158800

**Transmitting Party**

MILLER THOMSON LLP  
Attention: Accounts Payable  
2700, 10155 102 STREET  
EDMONTON, AB T5J 4G8

Party Code: 50000066  
Phone #: 780 429 1751  
Reference #: 0277934.0001

Search ID #: Z16158800

Date of Search: 2023-May-16

Time of Search: 16:25:47

**Business Debtor Search For:**

DYNALEO GROUP SERVICES INC.

Inexact Result(s) Only Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.  
Be sure to read the reports carefully.

*AK*

Search ID #: Z16158800

**Note:**

The following is a list of matches closely approximating your Search Criteria,  
which is included for your convenience and protection.

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 5126 WINDERMERE BOULEVARD SW EDMONTON, AB T6W 0H8	15012734799
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200, 23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16081228911
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI GROUP 33 LETT AVE COLLINGWOOD, ON L9Y 0Z5	21060815676
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENILLE INDUSTRIES LTD. 14440 YELLOWHEAD TRAIL EDMONTON, AB T5L 3C5	04042313892
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>

Search ID #: Z16158800

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL  
EDMONTON, AB T5L 3C5

13041530922

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21041314718

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TR NW  
EDMONTON, AB T5L3C5

**Reg.#**

23030707531

**SECURITY AGREEMENT**
**Debtor Name / Address**

DYNALEO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Reg.#**

21011601806

**SECURITY AGREEMENT**
**Debtor Name / Address**

DYNALEO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Reg.#**

21011601815

**SECURITY AGREEMENT**
**Debtor Name / Address**
**Reg.#**



Search ID #: Z16158800

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

21112404044

**LAND CHARGE**

**Debtor Name / Address**

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Reg.#**

21112404850

**SECURITY AGREEMENT**

**Debtor Name / Address**

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Reg.#**

22021015575

**SECURITY AGREEMENT**

Result Complete

AK

THIS IS EXHIBIT "F" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24 A.D. 2023

Anna Kosa  
A Commissioner for Oaths  
In and for the Province of Alberta

**Anna Elizabeth Kosa**  
*Barrister & Solicitor*  
Notary Public and Commissioner for Oaths  
In and for the Province of Alberta

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## Sale and Investment Solicitation Process

### Introduction

1. On May 23, 2023, each of Dynaleo Inc. ("**Dynaleo**") and Dynaleo Group Services Inc. ("**Dynaleo Services**") and collectively, the "**Companies**") filed a Notice of Intention to Make a Proposal (each, an "**NOI**") pursuant s. 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") in Estate Nos 24-2946871 and 24-2946872 (the "**NOI Proceedings**").
2. Harris & Partners Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. On May 30, 2023, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**") granted an Order (the "**SISP Order**") in the NOI Proceedings, among other things, authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of or investment in their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Companies and with the approval of the Court pursuant to the SISP Order.
5. The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
6. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**", respectively).
7. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a "**Business Day**") shall be deemed to occur on the next Business Day.

### Opportunity

8. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one or more components of the Companies' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.
9. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders,

to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

### Timeline

10. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	June 2, 2023
Phase 1 Bid Deadline	June 23, 2023
Phase 2 Bid Deadline	July 7, 2023
Transaction Approval Application Hearing	July 14, 2023
Closing Date Deadline	July 21, 2023

The dates set out in the SISP may be extended by the Proposal Trustee.

### SOLICITATION OF INTEREST: NOTICE OF THE SISP

11. As soon as reasonably practicable, but in any event by no later than June 2, 2023:
- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
    - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
    - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,
 (collectively, "**Known Potential Bidders**");
  - (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "**Notice**") to be published in Insolvency Insider and any industry publication, website, newspaper or journal as the Proposal Trustee, in consultation with the Companies, considers appropriate, if any; and
  - (c) the Companies, in consultation with the Proposal Trustee, will prepare:
    - (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
    - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an "**NDA**").



12. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than June 2, 2022, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

#### **PHASE 1: NON-BINDING LOIS**

##### ***Qualified Bidders***

13. Any party who wishes to participate in the SISP (each, a “**Potential Bidder**”) must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
  - (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
  - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
  - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
14. If the Companies, in consultation with the Proposal Trustee, determine that a Potential Bidder has:
  - (a) delivered the documents contemplated in paragraph 13 above; and
  - (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,then such Potential Bidder will be deemed to be a “**Phase 1 Qualified Bidder**”. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.
15. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.



***Due Diligence***

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

***Non-Binding Letters of Intent from Phase 1 Qualified Bidders***

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an “**LOI**”) to the Companies and the Proposal Trustee at the addresses specified in Schedule “1” hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on June 23, 2023 (the “**Phase 1 Bid Deadline**”).
20. Subject to paragraph 45, an LOI will only be considered a qualified LOI (a “**Qualified LOI**”) if:
  - (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
  - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
    - (i) acquire all, substantially all or a portion of the Property (a “**Sale Proposal**”); or
    - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an “**Investment Proposal**”);
  - (c) in the case of a Sale Proposal, it identifies or contains the following:
    - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
    - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
    - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
    - (iv) a description of the conditions and approvals required for a final and binding offer;

- (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
  - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
- (d) in the case of an Investment Proposal, it identifies or contains the following:
- (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
  - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
  - (iii) the underlying assumptions regarding the *pro forma* capital structure;
  - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
  - (v) a description of the conditions and approvals required for a final and binding offer;
  - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
  - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and
  - (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

***Preliminary Assessment of Phase 1 Bids and Subsequent Process***

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:
- (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
  - (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a “**Phase 2 Qualified Bidder**”, provided that the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to



Phase 2 of the SISP. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee.

22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:
  - (a) the number of Qualified LOIs received;
  - (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
  - (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
  - (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.
23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may either terminate this SISP, or extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall not apply, or may be extended by the Proposal Trustee as it deems necessary in consultation with the Companies.
24. If the Proposal Trustee, in consultation with the Companies, is of the view there is only one Qualified LOI worth the Company pursuing a transaction with, the Proposal Trustee, in consultation with the Companies, may terminate this SISP and bypass the steps set out in Phase 2 of this SISP, and the Companies, in consultation with the Proposal Trustee, may enter into exclusive negotiations with such Phase 1 Qualified Bidder for a transaction. In such circumstances, any finalized and binding bid by the Phase 1 Qualified Bidder may be selected as the Successful Bid (defined below), and the Phase 1 Qualified Bidder as the Successful Bidder (defined below), for the purposes of the Transaction Approval Application (defined below).
25. If the Proposal Trustee, in consultation with the Companies, elect to bypass Phase 2, the timelines set out in these SISP Procedures shall be proportionally accelerated.
26. Subject to paragraphs 24 and 25 above, following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee and with the approval of the Proposal Trustee, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be (a) sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline, and (b) posted by the Proposal Trustee on the website the Proposal Trustee maintains in respect of the NOI Proceedings.

## **PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER**

27. Paragraphs 28 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 26, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

*Formal Binding Offers*

28. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to Companies and the Proposal Trustee at the addresses specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on July 7, 2023, or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
  - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
  - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
  - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
  - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
  - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;
  - (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
  - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a "**Deposit**") in the amount of not less than 15% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
  - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 15% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;



- (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
    - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
    - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
    - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
  - (k) the bid is received by the Phase 2 Bid Deadline; and
  - (l) the bid contemplates closing the transaction set out therein on or before July 21, 2023.
29. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).
30. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
31. If the Company, in consultation with the Proposal, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, elect to (i) extend the Phase 2 Bid Deadline; or (ii) seek Court approval to formally amend to the SISP.
32. The Companies may, in consultation with the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

***Evaluation of Competing Bids***

33. The Companies, in consultation with the Proposal Trustee, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
  - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
  - (c) the proposed transaction documents;

- (d) factors affecting the speed, certainty and value of the transaction;
- (e) the assets included or excluded from the bid;
- (f) any related restructuring costs; and
- (g) the likelihood and timing of consummating such transaction.

#### *Selection of Successful Bid*

34. The Companies, in consultation with the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
  - (b) identify the highest or otherwise best bid (the “**Successful Bid**”, and the Phase 2 Qualified Bidder making such Successful Bid, the “**Successful Bidder**”) for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee, shall be subject to approval by the Court.
35. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee, to reject any or all Phase 2 Qualified Bids.

#### *Transaction Approval Application Hearing*

36. At the hearing of the application to approve any transaction with a Successful Bidder (the “**Transaction Approval Application**”), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

#### *Confidentiality and Access to Information*

37. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
38. The Proposal Trustee may consult with any parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 37 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in



a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

### ***Deposits***

39. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at a financial institution in Canada.
40. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
41. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid or the Court declares a Successful Bid.
42. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Companies have in respect of such breach or default.
43. If the Companies are unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

### ***Supervision of the SISP***

44. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
45. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
  - (a) deem a non-compliant LOI to be a Qualified LOI; and
  - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
46. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
47. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1

Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, or any creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.

48. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
49. Subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
50. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

***Further Orders***

45. At any time during the SISP, the Proposal Trustee or the Companies may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.



**Schedule "1"****To the Companies**

Dynaleo Inc. and Dynaleo Group Services Inc.  
3365-11th Street #2  
Nisku, Alberta T9E 8M8

**Attention: Michael Krestell**

Email: [michael.krestell@dynaleo.com](mailto:michael.krestell@dynaleo.com)

with a copy to

Miller Thomson LLP  
3000, 700 - 9th Avenue SW  
Calgary, Alberta T2P 3V4

**Attention: James Reid**

Email: [jwreid@millერთhompson.com](mailto:jwreid@millერთhompson.com)

**To the Proposal Trustee:**

Harris & Partners Inc.  
500 4th Avenue SW, Unit 1910  
Calgary, Alberta T2P 2V6

**Attention: Jill Strueby**

Email: [jill@harrispartners.ca](mailto:jill@harrispartners.ca)

with a copy to

MLT Aikens LLP  
2100, 222 3 Ave SW  
Calgary, AB T2P 0B4

**Attention: Ryan Zahara**

Email: [rzahara@mltaikins.com](mailto:rzahara@mltaikins.com)

Clerk's stamp:

COURT / ESTATE FILE NUMBERS 24-2946872  
24-2946871

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANTS IN THE MATTER OF THE *BANKRUPTCY AND  
INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF DYNALEO  
INC.

AND IN THE MATTER OF THE NOTICE OF  
INTENTION TO MAKE A PROPOSAL OF DYNALEO  
GROUP SERVICES INC.

DOCUMENT **AFFIDAVIT NO. 1 OF MICHAEL KRESTELL**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS DOCUMENT MILLER THOMSON LLP  
Barristers and Solicitors  
3000, 700 – 9<sup>th</sup> Avenue SW  
Calgary, AB, T2P 3V4

Attention: James Reid

Phone: 403-298-2418  
E-mail: [jwreid@millerthomson.com](mailto:jwreid@millerthomson.com)

File No.: 0277934.0001



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## AFFIDAVIT NO 1. OF MICHAEL KRESTELL

Sworn on May 24, 2023

I Michael Krestell, of the city of Thornhill, in the Province of Ontario, **MAKE OATH AND SAY THAT:**

1. This Affidavit is made in support of the application (the "**Application**") by Dynaleo Inc. ("**Dynaleo**") and Dynaleo Group Services Inc. ("**Dynaleo Services**" and together with Dynaleo, the "**Companies**") returnable May 30, 2023, before the Court of King's Bench (the "**Court**").
2. I am the Executive Chairman and director of each of the Companies. As such, I have personal knowledge of the Companies and matters to which I depose in this Affidavit. Where I have relied on other sources for information, I have so stated and I believe them to be true.
3. Unless otherwise stated, monetary figures in this Affidavit are expressed in Canadian dollars.

### NATURE OF APPLICATION AND OVERVIEW OF RELIEF SOUGHT

4. On May 23, 2023, the Companies filed a notice of intention to make a proposal (the "**NOI**") under section 50.4(1) of *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**").
5. As further testified to herein, the NOI is part of a planned restructuring process that the Companies determined, in consultation with their professional advisors, had to be undertaken in the best interests of the Companies and their stakeholders, and after identifying no viable alternative processes due to the Companies' insolvency (the "**Restructuring Process**").
6. Harris & Partners Inc. is the proposal trustee under the NOI (in such capacity, the "**Proposal Trustee**").
7. The Application before the Court seeks the following relief:
  - (a) abridging the time for service of this Application and the supporting materials, as necessary, and deeming service thereof to be good and sufficient;
  - (b) procedurally consolidating the Companies' respective proposal proceedings;





- (c) pursuant to the BIA, extending the time by which the Companies may file a proposal to their creditors for a 45-day period from the date following the current deadline to do, such that the Companies may file a proposal up to and including 11:59 p.m. (local Calgary time) on August 5, 2023, or such other date as this Court may order;
- (d) granting an Administration Charge (as defined below) over the assets and property of Dynaleo only, in the amount of \$200,000, as security for the payment of professional fees and disbursements incurred and to be incurred by counsel for the Companies, the Proposal Trustee, and the Proposal Trustee's counsel;
- (e) authorizing the Companies to borrow under a credit facility from Travelers Capital Corp. (the "**Interim Lender**") on the terms and subject to the conditions set forth in the interim financing term sheet between the Companies and Interim Lender dated as of May 23, 2023 (the "**Interim Loan Agreement**");
- (f) granting an Interim Lender's Charge (as defined below) over the assets and property of Dynaleo only, in the amount of \$200,000, in favour of the Interim Lender as security for the amounts advanced pursuant to the Interim Loan Agreement;
- (g) granting a Directors' and Officers' Charge (as defined below) over the assets and property of Dynaleo only, to a maximum amount of \$75,000 in favour of the directors and officers of the Companies, as security for the Companies' obligations to indemnify such directors and officers for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct;
- (h) approving the proposed sale and investment solicitation process (the "**SISP**") and authorizing and directing the Companies and the Proposal Trustee to implement and carryout the SISP; and
- (i) granting such further and other relief as counsel may request and this Honourable Court may deem appropriate;

(collectively, the "**Relief Sought**").

## **BACKGROUND**

### ***Operations and Organization***

8. The Companies are private companies in the business of producing and distributing cannabis infused gummies.
9. Dynaleo is incorporated pursuant to the *Business Corporations Act*, RSA 2000, c B-9. Its registered office is located at 2500-10175 101 Street NW, Edmonton, Alberta. An Alberta Corporate Profile Report for Dynaleo is attached **Exhibit "A"**.
10. Dynaleo Services' is incorporated pursuant to the *Canada Business Corporations Act*, RSC 1985, c C-44. Its registered office is located at 3365 11<sup>th</sup> Street #2, Nisku, Alberta. A Federal Corporate Profile for Dynaleo Services is attached as **Exhibit "B"**.
11. The Companies together are in the business of producing and distributing the highest quality cannabis-infused edible gummies (the "**Product**").
12. Dynaleo Services manages the production of the Product and at its peak employed approximately 65 full-time employees.
13. Dynaleo owns the equipment and supplies necessary for the production of the Product. Dynaleo also holds the lease in which the Companies operate out of and is responsible for distribution of the Product to the Companies' customers.
14. The Companies are insolvent and each filed a Notice of Intention to Make a Proposal with the Official Receiver on May 23, 2023. They seek to restructure their affairs for the benefit of their stakeholders.

### ***Directors and Officers***

15. The directors of Dynaleo and Dynaleo Services are each as follows:

Name
Michael Krestell
Peter C. H. Guo

16. The officer of Dynaleo is as follows:

Name	Title
Michael Krestell	Executive Chairman

17. Dynaleo Services does not have any officers.

***Financial Circumstances***

18. The Companies have been operating for more than 5 years, but at all times have operated with a negative net annual cash flow.
19. Following the construction of their facility in Nisku, Alberta, and the subsequent launch of three popular, nationally distributed house-brands, the Companies grew their business and number of products in the market.
20. Despite the success of its house-brand products, for the Companies to achieve their goal of operating at a net positive cash-flow and profitability, the Companies entered into discussions with a large brand leader of cannabis-infused edible gummies business (the “**Customer**”).
21. The Customer sought out Dynaleo because of its high quality products and significant output at a low unit cost profile.
22. On July 29, 2022, Dynaleo and the Customer entered into a Contract Manufacturing Agreement for the Companies to produce products for the Customer.
23. As part of the contract, Dynaleo needed to make significant capital expenditures to acquire specialized machinery to meet the volume and product specifications for the Customer.
24. In addition to Dynaleo making substantial capital investments in pursuit of the opportunity with the Customer, the Companies committed to months of product development work to properly formulate and manufacture the Customer’s product to satisfy the Customer’s requirements.

25. In pursuit of the opportunity with the Customer, Dynaleo had to raise additional funds to pay for the equipment, raw materials, packaging, and increased labour needs to meet the anticipated supply demand of the Customer.
26. After several months of ramping up its operations for the Customer contract, Dynaleo was advised by the Customer that, due to unforeseen changes to its strategic priorities, the Customer was unable to purchase the anticipated product volumes.
27. Without the substantial net positive revenue generation expected from the Customer, which would have resulted in monthly net profits exceeding \$100,000 per month, instead the Companies are operating at a net loss of nearly \$150,000 per month.
28. The Companies are no longer able to meet their short-term obligations as they become due. Dynaleo Services can no longer operate as it cannot meet its payroll and pay its source deduction obligations. Dynaleo is unable to continue meeting its monthly payment obligations on its lease with the landlord of the premises where the Companies operate, as well as the day-to-day costs of running the business.

### ***Employees***

29. When its operations were in full production for the Customer, Dynaleo Services had over 65 employees (the "**Employees**"), all of whom were based in Alberta, with the exception of four employees based in Ontario and one in British Columbia.
30. On May 9, 2023, after being informed by the Customer of its reduced Product volume purchases, Dynaleo Services laid off 25 of its employees.
31. The remainder of the employees were terminated after filing the NOI. Five individuals have been retained on a contract basis to assist the Companies with carrying out the SISP and this proceeding.
32. Based on the Companies' records, Dynaleo Services owes its former employees \$62,825.23 in unpaid wages, plus \$56,981.89 in unpaid vacation pay. These amounts do not include any severance these employees may be entitled to.



## **ASSETS AND LIABILITIES**

### ***Financial Statements***

33. The most recent financial statements of Dynaleo are for the year ended December 31, 2021. These financial statements show the Company incurred a net and comprehensive loss of over \$10,000,000 in 2021, and a net and comprehensive loss of over \$5,300,000 in 2020.
34. Attached hereto and marked as **Exhibit "C"** is a copy of Dynaleo's annual financial statements for the year ended December 31, 2021 (the "**Financial Statements**").

### ***Assets***

35. According to the Financial Statements previously attached as **Exhibit "C"**, as at December 31, 2021, Dynaleo had total consolidated assets valued at \$19,844,986, over \$11,000,000 (net of depreciation) of which consisted of property and equipment.
36. As described above, Dynaleo had expended significant capital expenditures in the past year to accommodate the anticipated significant volume of orders of Product from the Customer.
37. In doing so, Dynaleo purchased a significant amount of additional equipment and supplies to support the anticipated increase in production. The expenditures of Dynaleo on the equipment, supplies, training, and services was over \$1,200,000.
38. Dynaleo Services, which primarily employed the staff to operate the business does not have any significant assets of value.

### ***Overview of Key Creditors***

39. Dynaleo has three primary secured and unsecured creditors groups described below.
40. The first secured creditors over the assets of Dynaleo are holders of Series A - 2022 Senior Secured Debentures (the "**Series A Noteholders**").
41. There are over 50 Series A Noteholders owed a total of \$7,495,000, which notes mature February 24, 2024.



42. The amounts owing by Dynaleo to the Series A Noteholders are secured by general security agreements over all of the present and after-acquired personal property of Dynaleo.
43. The Series A Noteholders have registered their security interests in the personal property of Dynaleo at the Alberta Personal Property Registry.
44. The second secured creditors of Dynaleo are the holders of Series B Subscription Units (the "**Series B Noteholders**") maturing two years from the date of issue.
45. There are eight Series B Noteholders who are owed \$3,190,527.
46. The amounts owing by Dynaleo to the Series B Noteholders are secured by general security agreements over all of the present and after-acquired personal property of Dynaleo, but such security is subordinate to the amounts owing the Series A Noteholders.
47. The Series B Noteholders have registered their security interests in the personal property of Dynaleo at the Alberta Personal Property Registry.
48. Attached as **Exhibit "D"** is a copy of the of the Alberta Personal Property Registry search result for Dynaleo showing the registrations of the Series A and Series B Noteholders.
49. Finally, there is a group of 14 unsecured debenture holders (the "**Unsecured Debenture Holders**") owed \$2,200,000 by Dynaleo.

#### **CRA Debt**

50. Dynaleo owes the CRA \$124,781.20 for unpaid GST/HST, and \$492,070.61 for unpaid excise taxes.
51. In addition to the amounts owing by Dynaleo Services to its former employees, Dynaleo Services owes \$131,881.00 to the Canada Revenue Agency (the "**CRA**") for unpaid source deductions.
52. Other than to its former employees and the CRA, Dynaleo Services does not have any other significant creditors. Attached as **Exhibit "E"** is a copy of the of the Alberta Personal Property Registry search result for Dynaleo Services.

**RELIEF REQUESTED*****Extension of Time to File a Proposal***

53. Since filing the NOIs, the Companies have been diligently complying with the various requirements under the BIA, including:
- (a) preparing and analyzing the list of creditors;
  - (b) providing the Proposal Trustee with access to the Companies' senior employees and books and records;
  - (c) completing a cash flow forecast to the week ending August 18, 2023; and
  - (d) preparing the form of SISP.
54. The Companies are working in good faith with the Proposal Trustee to prepare a SISP that will maximize value for the Companies' creditors and other stakeholders.
55. I understand that in order to complete a SISP with the goal of working toward the formulation and filing of a proposal, the Companies require an extension of the time period within which they may file a proposal to their creditors. In this regard:
- (a) the Companies have acted and are acting in good faith and with due diligence both in the period prior to and since filing of the NOI; and
  - (b) an extension will allow the Companies to complete the SISP, which will enhance the Companies' ability to make a viable proposal.

***Administration Charge***

56. The Companies request that this Honourable Court grant a charge in favour of the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Companies (collectively, the "**Administrative Professionals**") to secure payment of their reasonable fees and disbursements, in each case, incurred by the Companies at their standard rates and charges as part of the costs of these proceedings.
57. I understand that given the insolvency of the Companies, providing such professionals with security for payment of their services will be necessary to effect the completion of the SISP and the restructuring of the Companies as a going concern.

58. Accordingly, the Companies seek to ensure that the Administrative Professionals are entitled to the benefit of and granted a charge (the "**Administrative Charge**") on all of Dynaleo's present and future assets, undertakings, and property of every nature and kind whatsoever and whatever situate, including all proceeds thereof (collectively, the "**Dynaleo Property**"), which charge shall not exceed an aggregate amount of \$200,000, as security for payment of their respective professional fees and disbursements incurred in respect of the NOI Proceeding.
59. The Companies request that the Administration Charge form a first priority charge on the Dynaleo Property in all security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured creditors statutory or otherwise, in favour of a Person (collectively, the "**Encumbrances**").
60. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the Administration Charge and I believe the Proposal Trustee is supportive.

***Interim Loan Facility and Interim Lender's Charge***

61. The Interim Loan Agreement to be entered into by Dynaleo and the Interim Lender provides for a non-revolving loan up to an aggregate principal amount of \$150,000 (the "**Interim Loan Facility**").
62. Under the Interim Loan Agreement Dynaleo will pay the Interim Lender:
  - (a) a non-refundable commitment fee in an amount equal to 4.25% on the principal amount of \$150,000;
  - (b) a standby charge on the unused portion of the Interim Loan Facility equal to 3.5% per annum multiplied by the difference between (a) \$150,000, and (b) the amounts outstanding under the Interim Loan Facility, calculated daily and payable monthly in arrears on the last business day of each month; and
  - (c) a break fee in an amount equal to 5.0% of \$150,000 in the event that Dynaleo executes the Interim Loan Agreement and then Dynaleo obtains Court approval for an alternative financier of the Interim Loan Facility.





63. The amounts drawn and outstanding under the Interim Loan Facility will bear interest at a rate per annum equal to 12.25% and will be used during these proceedings to fund the Companies' working capital needs and restructuring costs.
64. The Interim Loan Agreement is not yet finalized, but is expected to be before the Application. A finalized copy of the Interim Loan Agreement will be provided to the Court in advance of the Application.
65. The Companies' cash flow forecasts indicate that the Companies urgently require the Interim Loan Facility to ensure that they have the liquidity required to meet their obligations for them to conduct the SISP during these proceedings. I understand the Companies' 13-week forecast ending on August 18, 2023 will be attached to the Proposal Trustee's Report.
66. The Interim Loan Agreement provides, among other things, that the Interim Loan Facility is contingent upon the granting of a priority charge over the property and assets of Dynaleo in favour of the Interim Lender, to secure the amounts borrowed under the Interim Loan (the "**Interim Lender's Charge**").
67. The proposed Interim Lender's Charge will secure all of the credit advanced under the Interim Loan Facility and will not secure obligations incurred prior to issuance of the Order.
68. The Interim Lender's Charge is proposed to rank ahead of and have priority over all of the other security interests and Court-ordered charges against Dynaleo only, with the exception of the Administration Charge.
69. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the Interim Lender's Charge and I believe the Proposal Trustee is supportive.

#### ***D&O Charge***

70. The Companies are seeking a directors and officers charge over all the Dynaleo Property in an amount not to exceed \$75,000 (the "**D&O Charge**").
71. The D&O Charge is required to ensure that the directors and officers of the Companies will continue to serve in such capacity and have assurance that they will have

indemnification for liabilities, which they may incur in the fulfillment of their duties in these proceedings.

72. The D&O Charge would only be in respect of amounts not covered by the Companies' directors' and officers' insurance policy.
73. The Companies, with the support of the Proposal Trustee, are of the view that the quantum of the D&O Charge is appropriate.
74. The Companies have sought and obtained guidance from the Proposal Trustee on the proposed amount of the D&O Charge and I believe the Proposal Trustee is supportive.

***The SISP and the Companies' Restructuring Efforts***

75. The Companies seek approval of the SISP, pursuant to which the property and assets of the Companies will be marketed for sale, or the Companies will be seeking a debt or equity investment in the Companies.
76. Due to the nature of the Companies' business, the pool of potential purchasers is very limited, which supports a truncated SISP in order to quickly identify and consummate a transaction from an interested party. Attached as **Exhibit "F"** is a copy of the of the proposed form of SISP.
77. The Companies, with the assistance of the Proposal Trustee, seek to implement the SISP in these proceedings, and to later return to this Court for approval of a transaction or transactions pursuant to the SISP.
78. The Proposal Trustee supports the proposed form of SISP in these proceedings.

***Procedural Consolidation***


79. The Companies request that their respective proceedings be procedurally consolidated to streamline the administration of their estates and filing of future Court materials.
80. I do not believe that the consolidation of actions for the Companies will prejudice any stakeholders.

**CONCLUSION**

- 81. I swear this Affidavit in support of the Application and any other proper purpose in connection with these NOI proceedings.
  
- 82. I was not physically present before the commissioner when swearing this Affidavit but was linked with the commissioner utilizing video technology and that the protocol described in the Alberta Court of King's Bench Notice to the Profession and Public dated March 25, 2020 with respect to remote commissioning of Affidavits was followed.

SWORN BEFORE me at the City of Nisku,  
in the Province of Alberta, this 24<sup>th</sup> day of  
May, 2023.

\_\_\_\_\_  
A Commissioner for Oaths in and for the  
Province of Alberta.

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\_\_\_\_\_  
Michael Krestell



THIS IS EXHIBIT "A" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta

A handwritten signature in blue ink, consisting of stylized initials, is located in the bottom right corner of the page.



## Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2023/05/15  
 Time of Search: 07:31 AM  
 Service Request Number: 39736107  
 Customer Reference Number: 04556330-EDD3\_5\_3292574

Corporate Access Number: 2023577238  
 Business Number: 791677800  
 Legal Entity Name: DYNALEO INC.

Legal Entity Status: Active  
 Alberta Corporation Type: Named Alberta Corporation  
 Method of Registration: Continuance  
 Previous Canadian/Foreign Jurisdiction: BRITISH COLUMBIA  
 Date of Continuance into Alberta: 2021/06/24 YYYY/MM/DD  
 Date Of Formation in Home Jurisdiction: 2018/08/27 YYYY/MM/DD

### Registered Office:

Street: 2500-10175 101 ST NW  
 City: EDMONTON  
 Province: ALBERTA  
 Postal Code: T5J0H3

### Records Address:

Street: 2500-10175 101 ST NW  
 City: EDMONTON  
 Province: ALBERTA  
 Postal Code: T5J0H3

Email Address: EDMANNUALRETURNS@FIELDLAW.COM

### Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
FUTORANSKY	BRIAN		FIELD LLP	2500- 10175 101 ST NW	EDMONTON	ALBERTA	T5J0H3	EDMANNUALRETURNS@FIELDLAW.COM

### Directors:

Last Name: GUO  
 First Name: PETER  
 Middle Name: C.H.  
 Street/Box Number: 2185 WEST 54 AVE  
 City: VANCOUVER  
 Province: BRITISH COLUMBIA  
 Postal Code: V6P1P7

Last Name: KRESTELL  
 First Name: MICHAEL

Street/Box Number: 73 ROSEDALE HEIGHTS DR  
 City: THRONHILL  
 Province: ONTARIO  
 Postal Code: L4J4T8

**Voting Shareholders:**

Last Name: 2712286 ONTARIO INC.  
 Street: 302-10 DIRECTOR CRT  
 City: WOODBRIDGE  
 Province: ONTARIO  
 Postal Code: L4L7E8  
 Percent Of Voting Shares: 9.4

Last Name: CASSIDY FUND 1 LP  
 Street: 6 VESTA DR.  
 City: TORONTO  
 Province: ONTARIO  
 Postal Code: M5P2Z3  
 Percent Of Voting Shares: 9.7

Last Name: MMEDS CORPORATION  
 Street: 73 ROSEDALE HEIGHTS DR  
 City: THORNHILL  
 Province: ONTARIO  
 Postal Code: L4J4T8  
 Percent Of Voting Shares: 5.8

Last Name: RIV CAPITAL  
 Street: 40 KING STREET W SUITE 2504  
 City: TORONTO  
 Province: ONTARIO  
 Postal Code: M5H3Y2  
 Percent Of Voting Shares: 9.7

**Details From Current Articles:**

**The information in this legal entity table supersedes equivalent electronic attachments**

Share Structure: SEE SCHEDULE ATTACHED

Share Transfers Restrictions: NO SECURITY OF THE CORPORATION SHALL BE TRANSFERRED WITHOUT THE APPROVAL OF THE BOARD OF DIRECTORS, EVIDENCED BY A DIRECTORS' RESOLUTION.

Min Number Of Directors: 1

Max Number Of Directors: 10

Business Restricted To: NONE

Business Restricted From: NONE

Other Provisions: SEE SCHEDULE ATTACHED

**Other Information:****Last Annual Return Filed:**

File Year	Date Filed (YYYY/MM/DD)
2022	2022/07/21

**Filing History:**

List Date (YYYY/MM/DD)	Type of Filing
2021/06/24	Continuance Into Alberta
2021/06/24	Update Business Number Legal Entity
2022/07/21	Enter Annual Returns for Alberta and Extra-Provincial Corp.

**Attachments:**

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2021/06/24
Other Rules or Provisions	ELECTRONIC	2021/06/24
Letter of Approval	10000707138340888	2021/06/24

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



ME

THIS IS EXHIBIT "B" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta





Government  
of Canada

Gouvernement  
du Canada

[Canada.ca](#) → [Innovation, Science and Economic Development Canada](#)

→ [Corporations Canada](#) → [Search for a Federal Corporation](#)

## Federal Corporation Information - 1361094-2

 Beware of scams and other suspicious activities. See [Corporations Canada's alerts](#).

### Note

This information is available to the public in accordance with legislation (see [Public disclosure of corporate information](#)).

[Order copies of corporate documents](#)

#### Corporation Number

1361094-2

#### Business Number (BN)

759468705RC0001

#### Corporate Name

Dynaleo Group Services Inc.

#### Status

Active

#### Governing Legislation

*Canada Business Corporations Act - 2021-12-20*

[Order a Corporate Profile](#) [\[View PDF Sample\]](#) [\[View HTML Sample\]](#).



## Registered Office Address

3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

### **i** Note

Active CBCA corporations are required to update this information within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

## Directors

**Minimum** 1

**Maximum** 10

Peter C. H. Guo  
3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

Michael Krestell  
3365 11th Street #2  
Nisku AB T9E 8M8  
Canada

### **i** Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

## Annual Filings

**Anniversary Date (MM-DD)**

12-20

**Date of Last Annual Meeting**

Not available

**Annual Filing Period (MM-DD)**

12-20 to 02-18

**Type of Corporation**

Not available

**Status of Annual Filings**

2023 - Not due

2022 - Overdue

## Corporate History

**Corporate Name History**

2021-12-20 to Present

Dynaleo Group Services Inc.

### Certificates and Filings

**Certificate of Incorporation**

2021-12-20

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**Date Modified:**

2023-02-10

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THIS IS EXHIBIT "C" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta



**DYNALEO INC.**

**Annual Financial Statements**

**Year Ended December 31, 2021**

*(Expressed in Canadian Dollars)*





**DYNALEO INC.**  
**Index to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

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CHARTERED PROFESSIONAL ACCOUNTANTS

Suite 1500, 9888 Jasper Avenue NW  
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May 25, 2022  
 Edmonton, Alberta

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Dynaleo Inc.

### **Opinion**

We have audited the financial statements of Dynaleo Inc. (the Company), which comprise the , and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and the financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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A handwritten signature in blue ink, appearing to be 'M.P.', is located in the bottom right corner of the page.

Independent Auditor's Report to the Shareholders of Dynaleo Inc. *(continued)*

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

  
Kingston Ross Pasnak LLP  
Chartered Professional Accountants



**DYNALEO INC.**  
**Statement of Comprehensive Loss**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>REVENUE</b>	<b>\$ 3,817,579</b>	<b>\$ -</b>
Less excise taxes:	297,397	-
Net Revenues	3,520,182	-
<b>COST OF GOODS SOLD</b>	<b>2,716,434</b>	<b>-</b>
<b>GROSS PROFIT</b>	<b>803,748</b>	<b>-</b>
<b>EXPENSES</b>		
Salaries and wages (Note 18)	4,610,092	2,520,047
Selling, general, & administrative expenses	4,254,817	2,167,281
Interest on loans and borrowings (Note 13)	509,230	834,979
Interest on lease liability	257,576	253,885
Share-based payments (Note 14)	2,175,006	468,102
Depreciation and Amortization	1,027,178	573,433
	<b>12,833,899</b>	<b>6,817,727</b>
<b>LOSS FROM OPERATIONS</b>	<b>(12,030,151)</b>	<b>(6,817,727)</b>
INTEREST AND OTHER INCOME	10,000	34,583
LOSS BEFORE TAXES	(12,020,151)	(6,783,144)
DEFERRED TAXES (Note 5)	1,972,235	1,460,845
<b>NET AND COMPREHENSIVE LOSS</b>	<b>\$ (10,047,916)</b>	<b>\$ (5,322,299)</b>

**DYNALEO INC.**  
**Statement of Changes in Equity**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	Share Capital (Note 14)	Warrant Reserves (Note 14)	Compound Financial Instruments (Note 14)	Other Capital Reserve (Note 14)	Accumulated Deficit	Total Equity
<b>As at January 1, 2020</b>						
Share issuance (Note 14)	\$ 3,041,159	\$ 1,411,557	\$ 315,755	\$ -	\$ (1,108,485)	\$ 3,659,986
Net and comprehensive loss for the year	11,471,886	139,684	-	-	-	11,611,570
Compound financial instruments (Note 14)	-	-	(141,042)	-	(5,322,299)	(5,322,299)
Stock based compensation	-	-	-	-	-	(141,042)
Transaction costs (Note 14)	(26,250)	-	-	233,602	-	233,602
						(26,250)
<b>As at December 31, 2020</b>	<b>\$ 14,486,795</b>	<b>\$ 1,551,241</b>	<b>\$ 174,713</b>	<b>\$ 233,602</b>	<b>\$ (6,430,784)</b>	<b>\$ 10,015,567</b>
<b>As at January 1, 2021</b>						
Share issuance (Note 14)	\$ 14,486,795	\$ 1,551,241	\$ 174,713	\$ 233,602	\$ (6,430,784)	\$ 10,015,567
Net and comprehensive loss for the year	6,659,327	-	-	-	(10,047,916)	(3,388,589)
Compound financial instruments (Note 14)	-	-	-	-	-	-
Stock based compensation (Note 14)	-	-	-	-	-	-
Transaction costs (Note 14)	(12,500)	-	-	883,673	-	883,673
						(12,500)
<b>As at December 31, 2021</b>	<b>\$ 21,133,622</b>	<b>\$ 1,551,241</b>	<b>\$ 174,713</b>	<b>\$ 1,117,275</b>	<b>\$ (16,478,700)</b>	<b>\$ 7,498,151</b>



**DYNALEO INC.**  
**Statement of Financial Position**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 107,081	\$ 41,431
Trade and other receivables (Note 11)	464,493	26,250
Goods and Services Tax receivable	17,985	42,724
Prepaid expenses	-	513,840
Inventory (Note 15)	1,244,338	621,297
Funds in trust (Note 6)	-	535,344
	<b>1,833,897</b>	<b>1,780,886</b>
PROPERTY AND EQUIPMENT (Note 7)	11,313,440	11,893,731
INTANGIBLE ASSETS (Note 8)	692,072	303,224
DEFERRED INCOME TAXES (Note 5)	3,806,882	1,834,646
RIGHT OF USE ASSETS (Note 9)	2,198,695	2,345,275
	<b>\$ 19,844,986</b>	<b>\$ 18,157,762</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Trade and other payables (Note 10)	\$ 2,518,351	\$ 1,082,168
Lease Liability (Note 12)	268,275	489,802
Current portion of interest bearing loans and borrowings (Note 13)	4,629,598	2,091,640
	<b>7,416,224</b>	<b>3,663,610</b>
LONG TERM LEASE LIABILITY (Note 12)	2,323,948	2,071,863
INTEREST BEARING LOANS AND BORROWINGS (Note 13)	2,606,663	2,406,722
	<b>12,346,835</b>	<b>8,142,195</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 14)	21,133,622	14,486,795
Warrant reserves (Note 14)	1,551,241	1,551,241
Other capital reserves (Note 14)	1,117,275	233,602
Compound financial instruments	174,713	174,713
Accumulated Deficit	(16,478,700)	(6,430,784)
	<b>7,498,151</b>	<b>10,015,567</b>
	<b>\$ 19,844,986</b>	<b>\$ 18,157,762</b>

**DYNALEO INC.**  
**Statement of Cash Flow**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>OPERATING ACTIVITIES</b>		
Cash paid to suppliers and employees	\$ (10,919,419)	\$ (7,308,638)
Cash receipts from operations	3,902,819	24,584
Interest paid	(506,501)	(216,987)
<b>Cash flow used by operating activities</b>	<b>(7,523,101)</b>	<b>(7,501,041)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (Note 7)	(178,435)	(3,400,593)
Purchase of intangible assets (Note 8)	(510,719)	(95,238)
<b>Cash flow used by investing activities</b>	<b>(689,154)</b>	<b>(3,495,831)</b>
<b>FINANCING ACTIVITIES</b>		
Issuance of Class A common shares (Note 14)	5,820,005	3,776,500
Issuance of term debt	2,450,400	2,000,000
Transaction costs	(12,500)	(26,250)
Canada Emergency Business Account loan (Note 10)	20,000	40,000
Issuance of convertible debt and warrants (Note 14, 16)	-	4,993,025
Repayment/Redemption of convertible debt	-	(307,500)
<b>Cash flow from financing activities</b>	<b>8,277,905</b>	<b>10,475,775</b>
<b>INCREASE/(DECREASE)/INCREASE IN CASH FLOW</b>	<b>65,650</b>	<b>(521,097)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>41,431</b>	<b>562,528</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 107,081</b>	<b>\$ 41,431</b>

**DYNALEO INC.**  
**Notes to Financial Statements**  
 Year Ended December 31, 2021  
 (Expressed in Canadian Dollars)

1. DESCRIPTION OF OPERATIONS

Dynaleo Inc. (the "Company") is incorporated provincially under the Business Corporations Act of British Columbia. The Company's principal business activity is the manufacturing of edible cannabis products intended for both the recreational and bioceutical markets. The head office is located at unit 2, 3365 11 Street, Nisku, Alberta, T9E 1K7.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars. The functional and presentation currency of the Company is the Canadian dollar.

The financial statements of the Company for the year ended December 31, 2021 were authorized for issue by the Board of Directors in accordance with a resolution of the Company on May 25, 2022.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Significant accounting policies observed in the preparation of the financial statements are summarized below.

Revenue recognition

The Company recognizes revenues when they are earned, specifically when all the following conditions are met:

- services are provided or products are delivered to customers
- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

Interest income is accrued on a timely basis, based on the principal outstanding and at the applicable interest rate.

Income taxes

*Current income taxes*

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

*Deferred income taxes*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(continues)

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

*Sales tax*

Revenues, expenses, assets, and liabilities are recognized net of the amounts of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is presented separately in the Statement of Financial Position.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit less cheques issued and outstanding.

Property and equipment

Property and equipment are stated at cost, net of accumulated amortization and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, and equipment.

When significant parts of property and equipment are required to be replaced at intervals, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and amortization. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The Company provides for depreciation using the following methods at rates designed to amortize the cost of the property and equipment over its estimated useful life. Depreciation is taken upon designation of the capital assets as available for use. No depreciation is recorded in the year of disposal. The annual amortization rates and methods are as follows:

Building improvements	20 years	straight-line method
Manufacturing equipment	15 years	straight-line method
Packaging equipment	10 years	straight-line method
Security equipment	10 years	straight-line method
Computer equipment	3 years	straight-line method
Shipping and receiving equipment	10 years	straight-line method

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property and equipment acquired during the year but not available for use are not depreciated until they are available for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company's intangible asset at December 31, 2021 consists of license costs, computer software and trademarks to be amortized over three years.

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

Financial instruments

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified as measured at amortized cost, at fair value through other comprehensive income (FVOCI) or fair value profit or loss (FVTPL). The determinant of the classification of the financial asset is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus or minus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

The Company's financial assets include cash and cash equivalents, trade and other receivables and funds in trust.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets unless it is measured at amortized cost or at fair value through other comprehensive income. The Company can make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

The Company may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis.

The Company has not designated financial assets as at fair value through profit or loss.

Amortized cost

Financial assets are measured at amortized cost if the two following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has designated cash and cash equivalents, trade and other receivables and funds in trust at amortized cost.

(continues)

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

Fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if the two following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has not designated any financial assets at fair value through other comprehensive income.

*Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the following conditions is met:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Impairment of financial assets*

The Company applies the simplified approach, which requires expected credit losses to be recognized from initial recognition of the financial asset. Credit losses are measured as the present value of cash shortfalls from all possible default events, discounted at the effective interest rate of the financial asset. Loss allowances for financial assets at amortized cost are deducted from the gross carrying amount of the assets. At December 31, 2021 the identified impairment losses were not significant or material and therefore no changes in loss allowances were recognized (2020 -\$nil).

(continues)

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**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified as financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus or minus, in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest-bearing loans and borrowings, advances from shareholders and obligations from lease liabilities.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows: Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities measured at fair market value and financial liabilities initially designated at fair value through profit or loss.

Financial liabilities are classified as measured at fair market value if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities at fair value are recognized in the statement of comprehensive income.

The Company has not designated financial liabilities at fair value through profit or loss.

Amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance costs in the statement of comprehensive income.

The Company has designated trade and other payables, interest-bearing loans and borrowings, advances from shareholders, and obligations from lease liabilities at amortized cost.

*Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(continues)

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**DYNALEO INC.**  
**Notes to Financial Statements**  
 Year Ended December 31, 2021  
 (Expressed in Canadian Dollars)

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, or a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose to asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - a) The Company has the right to operate the asset; or
  - b) The Company designed the asset in a way that predetermines how and for what purpose it will be used.
- c) This policy is applied to contracts entered into on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A right of use asset is amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term. Right of use assets are amortized over the lease term of 18 years.

The Company has elected to recognize the lease payments associated with short terms leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term.

Revenue from contracts with customers

The Company has determined that goods and services rendered are capable of being distinct and it recognizes revenue when the customer receives and continuously uses the benefits of the goods and services provided. The transaction price is based on specified contract rates and does not contain variable consideration or significant financing components.

Share-based payment transactions

The Company has a stock-based compensation plan that provides for the issuance of stock options to key employees and directors, which is described in Note 14. Any consideration paid by key employees or directors on the exercise of stock options or purchase of common shares is credited to share capital.

If common shares or stock options are repurchased from key employees or directors by the Company, the excess of the consideration paid over the carrying value of the common shares or stock options cancelled is charged to deficit or retained earnings.

Equity settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model which is described in Note 14.

That cost is recognized in share based payments, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expenses are recognised for equity-settled transactions at the end of each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments which will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

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Foreign currency translation

The primary currency of transactions is Canadian dollars. Foreign currency transactions during the year are translated in Canadian dollars at the rate of exchange prevailing on the date of the transactions. Assets and liabilities denominated in other currencies are translated into Canadian dollars at the rates of exchange existing at the balance sheet date. Gains and losses on exchange transactions are included in the statement of income and comprehensive income.

**Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Leased assets

The Company is required to make judgments and assumptions on incremental borrowing rates and lease terms. The carrying amount of the Right of Use (ROU) assets, lease liabilities, interest and depreciation expense may differ due to changes in market conditions and expected lease terms. Incremental borrowing rates are based on the Company's borrowing rate at the commencement date of the lease, the security of the asset and market conditions. Lease terms are based on management's assumptions of future market conditions and operational decisions.

Fair value of share-based warrants, stock options, and compound financial instruments

In estimating the fair value of the value of share-based warrants and stock options the Company uses the Black Scholes options pricing model with inputs such as expected life, expected forfeiture rate, and volatility of the stock option, based on their best estimate. The Company uses the residual method in determining the value of the compound financial instruments. The assumptions used for estimating the fair value are disclosed in Note 14.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Managements estimates include valuation of compound financial instruments, valuation of stock-based warrants and options, valuation of right of use assets and liabilities, accrual of payables, collection of accounts receivable, utilization of deferred income taxes and estimated useful life of capital assets, intangibles and right of use assets.

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Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Inventory

Raw materials, work in progress, and finished goods are stated at the lower of the cost and net realizable value. Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on normal operating capacity. Costs are assigned to individual items of inventory on the base of first in, first out. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Government Assistance

The Company received government assistance in the form of the Canada Emergency Business Account (CEBA) in connection with the Covid-19 pandemic. This is recognized as other income during the year.

Share-based payment transactions and compound financial instruments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions and compound financial instruments requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The assumptions and models used for estimating fair value for share-based payment transactions and compound financial instruments are disclosed in Note 14.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

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Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (Note 17).

Statement of Cash Flow

The Company is using the direct method in its presentation of the Statement of Cash Flow.

4. INCOME TAXES

The income provision recorded differs from the income tax obtained by applying the statutory income tax rate of 23% (2020 – 24%) to the income for the year and is reconciled as follows:

	2021	2020
Loss before income taxes	(\$ 12,020,151)	(\$ 6,783,144)
Income tax expense at the combined basic federal and provincial tax rate:	(\$ 2,764,636)	(\$ 1,627,955)
Increase (decrease) resulting from:		
Amortization in excess of capital cost allowance	236,251	137,488
Non-deductible expenses	503,954	119,923
Non-capital loss carried forward	2,024,431	1,370,544
Effective tax expense	\$ -	\$ -

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5. DEFERRED INCOME TAXES

The deferred tax credit represents the following categories of temporary differences multiplied by (1) the statutory income tax rate of 23.00% (2020 - 23.00%) and (2) an additional 50% for capital loss carryforwards.

	2021	2020
Non capital loss carryforwards	<b>\$ 1,908,724</b>	\$ 1,260,370
Lease Liability	<b>36,285</b>	38,125
Net book value of equipment and intangible assets in excess of undepreciated capital cost	<b>27,226</b>	162,350
	<b>\$ 1,972,235</b>	\$ 1,460,845

Temporary differences comprising the deferred income tax asset are as follows:

	2021	2020
Non capital loss carryforwards	<b>\$ 3,530,840</b>	\$ 1,622,116
Lease Liability	<b>86,055</b>	49,770
Net book value of equipment and intangible assets in excess of undepreciated capital cost	<b>189,987</b>	162,760
	<b>\$ 3,806,882</b>	\$ 1,834,646

It is management assessment that there will be future taxable profits, where the deferred tax asset will be utilized.

6. FUNDS IN TRUST

Funds in trust relate to prior years share offering described in Note 14. All funds in trust were received by the Company during the year ended December 31, 2021.



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7. PROPERTY AND EQUIPMENT

Cost	2020 Cost	Additions	Disposals	2021 Cost
Building improvements	\$ 7,298,368	\$ -	\$ -	\$ 7,298,368
Manufacturing equipment	3,636,387	178,435	-	3,814,822
Packaging equipment	909,726	-	-	909,726
Security equipment	273,594	-	-	273,594
Computer equipment	60,137	-	-	60,137
Shipping and receiving equipment	90,691	-	-	90,691
	\$ 12,268,903	\$ 178,435	\$ -	\$ 12,447,338

Accumulated Depreciation	2020 Balance	Amortization Expense	Accumulated Depreciation on Disposals	2021 Balance
Building improvements	\$ 323,405	\$ 429,316	-	752,721
Manufacturing equipment	15,125	188,424	-	203,549
Packaging equipment	7,851	92,593	-	100,444
Security equipment	16,086	27,359	-	43,445
Computer equipment	7,114	12,028	-	19,142
Shipping and receiving equipment	5,591	9,006	-	14,597
	\$ 375,172	\$ 758,726	\$ -	\$ 1,133,898

Cost	2019 Cost	Additions	Disposals	2020 Cost
Building improvements	\$ 4,595,610	\$ 2,702,758	\$ -	\$ 7,298,368
Manufacturing equipment	3,472,484	163,903	-	3,636,387
Packaging equipment	593,592	316,134	-	909,726
Security equipment	133,900	139,694	-	273,594
Computer equipment	62,131	-	(1,994)	60,137
Lab equipment	27,295	-	(27,295)	-
Furniture and fixtures	7,938	-	(7,938)	-
Shipping and receiving equipment	43,707	46,984	-	90,691
	\$ 8,936,657	\$ 3,369,473	\$ (37,227)	\$ 12,268,903

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Accumulated Depreciation	2019 Balance	Amortization Expense	Accumulated Depreciation on Disposals	2020 Balance
Building improvements	\$ -	\$ 323,405	\$ -	\$ 323,405
Manufacturing equipment	-	15,125	-	15,125
Packaging equipment	-	7,851	-	7,851
Security equipment	-	16,086	-	16,086
Computer equipment	1,095	6,019	-	7,114
Lab equipment	-	-	-	-
Furniture and fixtures	422	-	(422)	-
Shipping and receiving equipment	-	5,591	-	5,591
	\$ 1,517	\$ 374,077	\$ (422)	\$ 375,172

Net Book Value	2021	2020
Building improvements	\$ 6,545,647	\$ 6,974,963
Manufacturing equipment	3,611,273	3,621,262
Packaging equipment	809,282	901,875
Security equipment	230,149	257,508
Computer equipment	40,995	53,023
Shipping and receiving equipment	76,094	85,100
	\$ 11,313,440	\$ 11,893,731

**DYNALEO INC.**  
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**8. INTANGIBLE ASSETS**

Cost	2020 Cost	Additions	Disposals	2021 Cost
License costs	\$ 230,601	\$ -	\$ -	\$ 230,601
Trademarks	95,238	-	-	95,238
Computer software	31,120	510,719	-	541,839
	\$ 356,959	\$ 510,719	\$ -	\$ 867,678

Accumulated Amortization	2020 Balance	Amortization Expense	Accumulated Amortization on Disposals	2021 Balance
License costs	\$ 38,434	\$ 76,867	\$ -	\$ 115,301
Trademarks	8,658	34,632	-	43,290
Computer software	6,643	10,373	-	17,016
	\$ 53,735	\$ 121,872	\$ -	\$ 175,607

Cost	2019 Cost	Additions	Disposals	2020 Cost
License costs	\$ 230,601	\$ -	\$ -	\$ 230,601
Trademarks	-	95,238	-	95,238
Computer software	-	31,120	-	31,120
	\$ 230,601	\$ 126,358	\$ -	\$ 356,959

Accumulated Amortization	2019 Balance	Amortization expense	Accumulated Amortization on Disposals	2020 Balance
License costs	\$ -	\$ 38,434	\$ -	\$ 38,434
Trademarks	-	8,658	-	8,658
Computer software	-	6,643	-	6,643
	\$ -	\$ 53,735	\$ -	\$ 53,735

Net Book Value	2021	2020
License costs	\$ 115,301	\$ 192,167
Trademarks	51,948	86,580
Computer software	524,823	24,477
	\$ 692,072	\$ 303,224

The Company's intangible asset at December 31, 2021 consists of license costs, software, and trademarks to be amortized over the three year life of the license beginning in June 2020.

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9. RIGHT OF USE ASSETS

Cost	2020	Additions	Disposals	2021
Buildings	\$ 2,540,714	\$ -	\$ -	\$ 2,540,714

Accumulated Amortization	2020 Balance	Amortization expense	Accumulated Amortization on Disposals	2021 Balance
Buildings	\$ 195,439	\$ 146,580	\$ -	\$ 342,019

Cost	2019	Additions	Disposals	2020
Buildings	\$ 2,540,714	\$ -	\$ -	\$ 2,540,714

Accumulated Amortization	2019 Balance	Amortization expense	Accumulated Amortization on Disposals	2020 Balance
Buildings	\$ 49,818	\$ 145,621	\$ -	\$ 195,439

Net Book Value	2021	2020
Buildings	\$ 2,198,695	\$ 2,345,275

**DYNALEO INC.**  
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10. TRADE AND OTHER PAYABLES

	2021	2020
Accounts payable	\$ 2,254,582	\$ 897,344
Accrued Liabilities	223,769	-
Canadian Emergency Business Account loan	40,000	30,000
Wages payable	-	57,500
Source deductions payable	-	97,324
<b>Total</b>	<b>\$ 2,518,351</b>	<b>\$ 1,082,168</b>

	Total	Current	< 30 days	30-60 days	60-90 days	>90 days
2021	\$ 2,518,351	\$ 1,017,987	\$ 175,408	\$ 110,242	\$ 175,495	\$ 1,039,219
2020	\$ 1,082,168	-	\$ 1,019,732	\$ 4,687	-	\$ 57,749

11. TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables	\$ 381,159	\$ -
Other receivables	83,334	26,250
<b>Total</b>	<b>\$ 464,493</b>	<b>\$ 26,250</b>

	Total	< 30 days	30-60 days	60-90 days	>90 days
2021	\$ 464,493	\$ 461,745	\$ -	\$ -	\$ 2,748
2020	\$ 26,250	\$ 26,250	\$ -	\$ -	\$ -



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12. OBLIGATIONS UNDER LEASE LIABILITY

	2021	2020
The Company has a right of use lease on buildings bearing an implicit interest rate of 10.00% per annum due between January 1, 2021 and December 31, 2026 in repayable monthly payments ranging, in order of payment terms, \$20,578 to \$27,722 exclusive of GST. The Company assumes two consecutive 5-year renewal terms (total of 10 years) during the 2026 and 2031 fiscal years.	<b>\$ 2,592,223</b>	<b>\$ 2,561,665</b>
Amounts payable within one year	<b>(268,275)</b>	<b>(489,802)</b>
	<b>\$ 2,323,948</b>	<b>\$ 2,071,863</b>

Future minimum right of use lease payments are approximately:

2022	\$ 268,275
2023	289,737
2024	311,199
2025	311,199
2026	304,939
Thereafter	<u>3,822,363</u>
Total minimum lease payments	5,307,712
Less: amount representing interest at 10% net of accrued interest	<u>2,715,489</u>
Present value of minimum lease payments	2,592,223
Less: current portion of lease liability	<u>268,275</u>
Long term lease liability	<u>\$ 2,323,948</u>

**DYNALEO INC.**  
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13. INTEREST BEARING LOANS AND BORROWINGS

	2021	2020
Promissory notes bearing simple interest at 3% per annum, calculated quarterly, and are due on demand by the lender.	<b>\$1,965,847</b>	\$ -
Short term loan agreement bearing simple interest at 12% per annum, calculated quarterly, and matures on May 1, 2022. The loan includes warrants to purchase 1,250,187 additional Class A common shares at a price of \$2.00 per share (Note 14).	<b>2,663,751</b>	2,091,640
Convertible debt bearing simple interest at 6% per annum, calculated quarterly, and matures on March 1, 2024. The principal and accrued interest is convertible into Class A common shares at a price of \$0.80 per share. The convertible debt includes warrants to purchase 1,375,000 additional Class A common shares at a price of \$1.4245 per share (Note 14). The convertible debt may be converted by the lender at any time prior to maturity. After maturity, the Company may convert or repay the debenture at its discretion.	<b>2,606,663</b>	2,406,722
	<b>7,236,261</b>	4,498,362
Current portion of interest bearing loans and borrowings	<b>4,629,598</b>	2,091,640
	<b>\$ 2,606,663</b>	\$ 2,406,722

During the year, promissory notes with proceeds of \$1,965,847 (2020 \$nil) was issued. Total promissory notes in the amount of \$1,950,000 (2020 - \$nil) was issued by the Company to related parties. See Note 18 for a description of the relationship.

During the year, short term loans issued in 2020 were extinguished and reissued for proceeds of \$2,500,375.

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14. SHARE CAPITAL

	2021	2020
Issued and fully paid:		
12,055,701 Common share Class A	\$ 18,316,033	\$ 11,669,206
2,777,318 Preferred shared Class D	2,817,589	2,817,589
	<b>\$ 21,133,622</b>	<b>\$ 14,486,795</b>

	2021		2020	
	Shares	Amount	Shares	Amount
<b>Class A Common Shares</b>				
Shares outstanding at the beginning of the year	8,677,962	\$ 11,669,206	1,262,044	223,570
Issued	3,377,739	6,659,327	7,415,918	11,471,886
Transaction costs	-	(12,500)	-	(26,250)
	<b>12,055,701</b>	<b>\$ 18,316,033</b>	<b>8,677,962</b>	<b>11,669,206</b>

	2021		2020	
	Shares	Amount	Shares	Amount
<b>Class D Preferred Shares</b>				
Shares outstanding at the beginning of the year	2,777,318	\$ 2,817,589	2,777,318	\$ 2,817,589
Issued	-	-	-	-
	<b>2,777,318</b>	<b>\$ 2,817,589</b>	<b>2,777,318</b>	<b>\$ 2,817,589</b>

	2021		2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
<b>Warrant Reserves</b>				
Outstanding at the beginning of the year	8,276,598	\$ 1.4656	2,360,098	\$ 1.8158
Issued	1,250,187	1.4245	5,916,500	1.3265
	<b>9,526,785</b>	<b>\$ 1.3140</b>	<b>8,276,598</b>	<b>\$ 1.4656</b>

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	2021		2020	
	Number of warrants	Fair Value	Number of warrants	Fair Value
<b>Warrant Reserves</b>				
Outstanding at the beginning of the year	8,276,598	\$ 1,551,241	2,360,098	\$ 1,411,557
Issued	1,250,187	-	5,916,500	139,684
	<b>9,526,785</b>	<b>\$ 1,551,241</b>	<b>8,276,598</b>	<b>\$ 1,551,241</b>

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Other Capital Reserves</b>				
Outstanding at the beginning of the year	190,841	\$ 1.2563	-	\$ -
Options exercised	(16,666)	1.4300	-	-
Options forfeited	(110,000)	1.4300	-	-
Options vested	671,659	2.0000	190,841	1.2563
	<b>735,834</b>	<b>\$ 1.9147</b>	<b>190,841</b>	<b>\$ 1.2563</b>

	2021		2020	
	Number of options	Fair Value	Number of options	Fair Value
<b>Other Capital Reserves</b>				
Outstanding at the beginning of the year	190,841	\$ 233,602	-	\$ -
Options exercised	(16,666)	(18,333)	-	-
Options forfeited	(110,000)	-	-	-
Options vested	671,659	902,006	190,841	233,602
	<b>735,834</b>	<b>\$ 1,117,275</b>	<b>190,841</b>	<b>\$ 233,602</b>

Class A Common Shares

During the fiscal year, the Company issued 2,670,168 Class A shares, for total proceeds of \$5,364,168. An additional 636,500 Class A common share were issued for \$nil proceeds as part of board resolution and compensation \$1,273,000 was recognized for services rendered. 54,405 Class A common shares were issued on conversion of Round D convertible debt and 16,666 Class A common shares were issued on stock options exercised during the year.

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Class D Preferred Shares

The preferred shares are entitled to identical voting rights as Class A shares, and are entitled to cumulative cash dividends of 6%, or an equivalent amount of Class A shares at an exercise price of \$1.4245 per share, payable at the Board's discretion. The preferred shareholders can convert into common shares at any time prior to July 31, 2024. During the fiscal year, no dividends were declared by the Company. The amount of cumulative preference dividends not recognized was \$237,376 (2020 - \$237,376).

Employee Stock Options

November 2019, the Company established an employee stock option plan. The plan permits eligible persons, as designated from time to time by the Board, to be granted at the sole discretion of the Board, options to purchase common stock. The options once granted are exercisable at a price subject to the Board's discretion, at any time over a period of 5 years. The options were valued based on the Black-Scholes model with the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Option Value	\$ 1.10	\$ 1.53	\$ 1.33	\$ 1.47
Dividend Rate	-	-	-	-
Volatility	105.65%	105.65%	95.62%	98.12%
Risk-free interest rate	1.46%	0.38%	0.38%	1.03%
Expected life	5.00	5.00	4.00	4.00
Expiration Date	2024-11-01	2025-10-26	2024-12-18	2024-12-18

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021 Number	2021 WAEP	2020 Number	2020 WAEP
<b>Outstanding at 1 January</b>	<b>934,167</b>	<b>\$ 1.8065</b>	-	\$ -
Granted during the year	50,000	2.0000	934,167	1.8065
Forfeited during the year	(110,000)	1.4300	-	-
Exercised during the year	(16,666)	1.4300	-	-
<b>Outstanding at 31 December</b>	<b>857,500</b>	<b>1.8065</b>	934,167	1.8065
Exercisable at 31 December	735,834	\$ 1.8392	190,841	\$ 1.6404

The options granted will vest in equal instalments over three years: one-third on each of the first, second- and third-year anniversaries following the date of the grant of the option(s). During the year, there was 16,666 options exercised, and 110,000 options forfeited. No options expired during the year. \$902,006 was recognized related to employee services rendered during the year.



**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

## 15. INVENTORY

	2021	2020
Raw materials (at cost)	\$ 876,001	\$ 571,710
Work in progress (at cost)	122,261	49,587
Finished goods (at cost)	246,076	-
<b>Total inventory</b>	<b>\$ 1,244,338</b>	<b>\$ 621,297</b>

## 16. CASH FLOW SUPPLEMENTARY INFORMATION

The following transactions have been excluded from the Statement of Cash Flow as they did not require the use of cash or cash equivalents.

	2021	2020
Share based payments (Note 14)	\$2,175,006	\$468,102
Interest on term loan	13,961	91,640
Interest accrued on convertible debt (Note 13)	215,788	694,848
Interest accrued on promissory loan	15,847	-
Convertible debt converted into Class A common shares (Note 14)	-	7,082,138
Funds in trust received (Note 6)	-	412,000
	<b>\$ 2,420,602</b>	<b>\$ 8,748,728</b>

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, funds in trust, trade and other payables, advances from shareholders, interest-bearing loans and borrowings, and obligations from lease liability are classified as measured at amortized cost. The carrying amounts of these instruments at December 31, 2021 approximate fair value.

***Risk Management***

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

**Liquidity Risk**

Liquidity risk is the risk that the company may not have cash to meet financial liabilities as they come due.

The Company's liquidity requirements are met through the cash generated from operations. Management monitors and manages its liquidity risk through regular monitoring of its financial liabilities against the constraints of its available financial assets.

At December 31, 2021 the contractual obligations related to financial liabilities are as follows:

	Trade and other payables (Note 10)	Short Tem Loans	Obligations from lease liability (Note 12)	Interest bearing loans and borrowing (Note 13)	Total
Carrying amount	\$ 2,518,351	\$ 4,629,598	\$2,592,223	\$ 2,606,663	\$12,346,835
Contractual cash flow	2,518,351	4,629,598	5,307,712	2,606,663	15,062,324
Less than 1 year	2,518,351	4,629,598	268,275	-	7,416,224
1-2 years	-	-	289,737	-	289,737
2-3 years	-	-	311,199	-	311,199
3-4 years	-	-	311,199	2,606,663	2,917,862
4-5 years	-	-	304,939	-	304,939
Thereafter	-	-	3,822,363	-	3,822,363

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

18. RELATED PARTY TRANSACTIONS

The following is a summary of the Company's related party transactions. Key management includes directors and executives of the Company. The compensation paid or payable (including share-based payments) to key management are outlined below.

	2021		2020
<b>Key Management Compensation</b>			
Short-term employee benefits	\$ 670,339	\$	229,910
<b>Other Related Parties</b>			
<i>(Related to key management and directors)</i>			
Share-based compensation	\$ 1,150,000	\$	234,500
Interest on short term loan	\$ 209,086	\$	78,045
Interest on convertible debt	\$ 45,100	\$	224,517
Interest on promissory notes	\$ 15,847	\$	-

19. CAPITAL MANAGEMENT

The Company's objectives in managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations, and to always ensure adequate liquidity and financial flexibility, while maintaining prudent levels of financial risk. The Company is not subject to any externally imposed capital requirements. The Company manages and maintains its capital structure based on current economic conditions. In order to maintain the capital structure, the Company may attempt to raise additional funds by issuing equity or assuming additional debt. The Company believes that the a fore mentioned objectives are appropriate in the context of the Company's business.

Capital is comprised of equity and any debt the Company may issue. As at December 31, 2021, equity was \$7,498,151 (2020 - \$10,015,567) and outstanding debt of \$12,346,835 (2020 - \$8,142,195), which includes \$2,592,223 (2020 - \$2,071,863) of obligations from lease liability.

20. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to current year's presentation.

**DYNALEO INC.**  
**Notes to Financial Statements**  
Year Ended December 31, 2021  
(Expressed in Canadian Dollars)

21. COVID-19

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Company's business, financial condition or results of operations. Specifically, government enactment of emergency protocol for the purposes of restricting travel and other business-related activities. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

22. SUBSEQUENT EVENTS

Subsequent to year-end the Company had laid off several employees to reflect current sales levels. The terminations resulted in annualized savings of \$500,000 after termination costs. In addition, the Company raised additional term debt of \$7,680,527 bearing simple interest of 12.0% per annum and matures 24 months from issuance. Proceeds of \$1,000,000 was used to pay off a portion of the short-term debt that matured in 2022.



THIS IS EXHIBIT "D" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta





Search ID #: Z16158795

**Transmitting Party**

MILLER THOMSON LLP  
Attention: Accounts Payable  
2700, 10155 102 STREET  
EDMONTON, AB T5J 4G8

Party Code: 50000066  
Phone #: 780 429 1751  
Reference #: 0277934.0001

Search ID #: Z16158795

Date of Search: 2023-May-16

Time of Search: 16:24:47

**Business Debtor Search For:**

DYNALEO INC.

Both Exact and Inexact Result(s) Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.  
Be sure to read the reports carefully.



Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21011601806

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Jan-16

Registration Status: Current

Expiry Date: 2026-Jan-16 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**  
Current

1 DYNALCO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Secured Party / Parties****Block****Status**  
Current

1 LO, JANICE  
10 DALE AVENUE  
TORONTO, ON M4W 1K4  
Email: janice.lo@utoronto.ca

**Collateral: General****Block****Description****Status**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. Current

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21011601815

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Jan-16

Registration Status: Current

Expiry Date: 2026-Jan-16 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**  
Current

1 DYNALCO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Secured Party / Parties****Block****Status**  
Current

1 DULNY, MARY-FRANCES  
50 PRENNAN AVENUE  
ETOBICOKE, ON M9B 4C1  
Email: mfdulny@yahoo.ca

**Collateral: General****Block****Description****Status**  
Current

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21112404044

Registration Type: LAND CHARGE

Registration Date: 2021-Nov-24

Registration Status: Current

Registration Term: Infinity

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**  
Current

1 DYNALCO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Secured Party / Parties****Block****Status**  
Current

1 RENVEST MERCANTILE BANCORP. INC.  
100 KING STREET W, SUITE 7010, PO BOX 70  
TORONTO, ON M5X 1B1  
Email: dcohen@renvestcapital.com

Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 21112404850

Registration Type: SECURITY AGREEMENT

Registration Date: 2021-Nov-24

Registration Status: Current

Expiry Date: 2024-Nov-24 23:59:59

Exact Match on: Debtor No: 1

**Debtor(s)****Block****Status**  
Current

1 DYNALCO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Secured Party / Parties****Block****Status**  
Current

1 RENVEST MERCANTILE BANCORP. INC.  
100 KING STREET W, SUITE 7010, PO BOX 70  
TORONTO, ON M5X 1B1  
Email: dcohen@renvestcapital.com

**Collateral: General****Block****Description****Status**  
Current

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.



Search ID #: Z16158795

**Business Debtor Search For:**

DYNALEO INC.

Search ID #: Z16158795

Date of Search: 2023-May-16 Time of Search: 16:24:47

Registration Number: 22021015575

Registration Type: SECURITY AGREEMENT

Registration Date: 2022-Feb-10

Registration Status: Current

Expiry Date: 2026-Feb-10 23:59:59

Exact Match on: Debtor No: 1

**Amendments to Registration**

22021515662	Amendment	2022-Feb-15
22022430358	Amendment	2022-Feb-24
22110222386	Amendment	2022-Nov-02
22112209536	Amendment	2022-Nov-22
22121419835	Amendment	2022-Dec-14
23032928128	Amendment	2023-Mar-29
23040617054	Amendment	2023-Apr-06

**Debtor(s)****Block**

1 DYNALÉO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Status**  
Current

**Secured Party / Parties****Block**

1 2712286 ONTARIO INC.  
302-10 DIRECTOR COURT  
VAUGHAN, ON L4L 7E8  
Email: jgrauman@kevescapital.com

**Status**  
Current

**Block**

2 2646525 ONTARIO INC.  
302-10 DIRECTOR COURT  
VAUGHAN, ON L4L 7E8

**Status**  
Current by  
22021515662

Search ID #: Z16158795

Email: jgrauman@kevescapital.com

**Block**

3 1604591 ONTARIO INC.  
523 ST. GERMAIN AVENUE  
TORONTO, ON M5M 1X3  
Email: lmoskovic@rogers.com

**Status**

Current by  
22022430358

**Block**

4 ADAM WAGMAN PROFESSIONAL CORPORATION  
570 ST. CLEMENTS AVENUE  
TORONTO, ON M5M 1M6  
Email: adamwagman@hshlawyers.com

**Status**

Current by  
22022430358

**Block**

5 MUROFF, ANDREW  
598 CASTLEFIELD AVENUE  
TORONTO, ON M5N 1L8  
Email: drew@strainprint.ca

**Status**

Current by  
22022430358

**Block**

6 GRIFFIN, ANTHONY  
198 GLENCAIRN AVENUE  
TORONTO, ON M4R 1N2  
Email: tgotca@outlook.com

**Status**

Current by  
22022430358

**Block**

7 TAN, BRENDA, P  
2185 W, 54 AVENUE  
VANCOUVER, BC V6P 1P7  
Email: bptan88@hotmail.com

**Status**

Current by  
22022430358

**Block**

8 CASSIDY FUND 1 LP  
6 VESTA DRIVE  
TORONTO, ON  
Email: rick@cassidyam.com

**Status**

Current by  
22022430358

**Block**

9 COLLA, DAVID  
1 HIGHBOURNE ROAD  
TORONTO, ON M5P 2J1  
Email: davidcolla@yahoo.com

**Status**

Current by  
22022430358

Search ID #: Z16158795

**Block**

10 JANSON HOLDING COMPANY  
73 HILLCREST DRIVE  
TORONTO, ON M6G 2E5  
Email: rj@westcourtcapital.com

**Status**  
Current by  
22022430358

**Block**

11 KORNBLUM, JOEL  
10 OLD YORK MILLS ROAD TH7  
NORTH YORK, ON M2P 2G9  
Email: jkornblum@rogers.com

**Status**  
Current by  
22022430358

**Block**

12 JRMS HOLDINGS INC.  
171 EAST LIBERTY STREET, SUITE 305  
TORONTO, ON M6K 3P6  
Email: jeremy@gladstonemedia.ca

**Status**  
Current by  
22022430358

**Block**

13 TANENBAUM, KENNETH  
51 HILLHOLM ROAD  
TORONTO, ON M5P 1M4  
Email: kmt@kilmergroup.com

**Status**  
Current by  
22022430358

**Block**

14 ALLEN, LEIGH-ANN  
74 FALLINGBROOK DRIVE  
SCARBOROUGH, ON M1N 1B6  
Email: allen.leigh.ann@gmail.com

**Status**  
Current by  
22022430358

**Block**

15 MICHAEL KRESTELL 2018 FAMILY TRUST  
73 ROSEDALE HEIGHTS DRIVE  
THORNHILL, ON L4J 4T8  
Email: michaelkrestell@gmail.com

**Status**  
Current by  
22022430358

**Block**

16 VIRA, PARAS AND RITU  
92 BROWN ROAD  
SCARSDALE, NY 10583  
Email: paras.vira@gmail.com

**Status**  
Current by  
22022430358

Search ID #: Z16158795

**Block**

17 RICK MESLIN 2018 FAMILY TRUST  
6 VESTA DRIVE  
TORONTO, ON  
Email: rick@cassidyam.com

**Status**  
Current by  
22022430358

**Block**

18 COOPER, ROBERT  
17 OVERDALE ROAD  
TORONTO, ON M6B 3E9  
Email: robbie@cooperlawfirm.ca

**Status**  
Current by  
22022430358

**Block**

19 SHLAGBAUM FAMILY HOLDINGS  
324 RUSHTON ROAD  
YORK, ON M6C 2X9  
Email: dshlag@lennard.com

**Status**  
Current by  
22022430358

**Block**

20 DEA, THOMAS  
58 RIDGE DRIVE  
TORONTO, ON M4T 1B7  
Email: tom@kickinghorsecapital.com

**Status**  
Current by  
22022430358

**Block**

21 CHANG, WINNIE  
138 EAST 38TH AVENUE  
VANCOUVER, BC V5W 1H1  
Email: winnie.chiang604@gmail.com

**Status**  
Current by  
22022430358

**Block**

22 UNIMAR CAPITAL HOLDINGS INC.  
7 GLENAYR ROAD  
TORONTO, ON M5P 3B7  
Email: mruscetta@trichomefinancial.com

**Status**  
Current by  
22022430358

**Block**

23 1698833 ONTARIO INC.  
131 CITATION DRIVE, #22-24  
CONCORD, ON L4K 2R3  
Email: david@boomerangmarketing.ca

**Status**  
Current by  
22022430358



Search ID #: Z16158795

**Block**

24 HUEN FAMILY TRUST  
50 PRENNAN AVENUE  
ETOBICOKE, ON M9B 4C1  
Email: huen@rogers.com

**Status**  
Current by  
22022430358

**Block**

25 HERMMANN, JEFFREY  
16234 VILLARREAL DE AVILA  
TAMPA, FL 33613  
Email: hermannjeffrey@gmail.com

**Status**  
Current by  
22110222386

**Block**

26 GOGUO INVESTMENTS LTD.  
2185 W. 54TH AVENUE  
VANCOUVER, BC V6P 1P7  
Email: peter.c.h.guo88@gmail.com

**Status**  
Current by  
22110222386

**Block**

27 JULMI CAPITAL CORPORATION  
582 ST. CLAIR AVENUE W, SUITE 406  
TORONTO, ON M6C 1A6  
Email: daniel@sensiproperties.com

**Status**  
Current by  
22110222386

**Block**

28 RILEY, MIKE  
24 OLD FARM ROAD  
WESTON, CT 06883  
Email: mikefriley@hotmail.com

**Status**  
Current by  
22110222386

**Block**

29 WEINSTEIN, RICH  
240 RIVER BIRCH ST.  
KITCHENER, ON N2C 2V4  
Email: weinstri@yahoo.com

**Status**  
Current by  
22110222386

**Block**

30 EISEN, ANDREW  
66 FRANKLIN ST. #5D  
NEW YORK, NY 10013  
Email: Andrew.Eisen@ihsmarkit.com

**Status**  
Current by  
22110222386



Search ID #: Z16158795

**Block**

31 ISENBERG, RITA  
75 WATERLOO AVE  
TORONTO, ON  
Email: si@mpartners.ca

**Status**  
Current by  
22110222386

**Block**

32 KCA INVESTMENTS LTD.  
366 ELGIN STREET  
OTTAWA, ON K2P 1M8  
Email: kages@paramountaps.com

**Status**  
Current by  
22110222386

**Block**

33 AMPERSAND INVESTMENTS LTD.  
2856 W. 10TH AVE  
VANCOUVER, BC V6K 2K4  
Email: Philip.hoy@gmail.com

**Status**  
Current by  
22110222386

**Block**

34 CHEN, BO NING  
66 PETER SCHNEIDER DRIVE  
AURORA, ON L0G 1V0  
Email: anniechen.cbn@gmail.com

**Status**  
Current by  
22110222386

**Block**

35 DR. BRIAN ABRAMS OPTOMETRY PC  
392 DOUGLAS AVE  
NORTH YORK, ON M5M 1H4  
Email: drbrianabrams@gmail.com

**Status**  
Current by  
22110222386

**Block**

36 KOFMAN, KAREN  
15 SANIBEL CRES  
THORNHILL, ON L4J 8G9  
Email: KARENKOFMAN@ROGERS.COM

**Status**  
Current by  
22110222386

**Block**

37 LIVERMAN, LAUREN  
507 MELROSE AVE  
NORTH YORK, ON M5M 2A1  
Email: dglazerman@evansic.com

**Status**  
Current by  
22110222386

Search ID #: Z16158795

**Block**

38 LIONEL ROBINS MANAGEMENT LIMITED  
22 ST. CLAIR AVENUE EAST, SUITE 1010  
TORONTO, ON M4T 2S3  
Email: mlevcovich@levrob.com

**Status**  
Current by  
22110222386

**Block**

39 SPRING, OLIVER  
15 AVA RD.  
TORONTO, ON M5P 1X8  
Email: oliverhspring@gmail.com

**Status**  
Current by  
22110222386

**Block**

40 SPRING, SHANE  
15 AVA RD.  
TORONTO, ON M5P 1X8  
Email: shanespring@mac.com

**Status**  
Current by  
22110222386

**Block**

41 WRIGHT, BRANDON  
9511-124 AVENUE N.W.  
EDMONTON, AB T5G 0V8  
Email: allwrightbyme@gmail.com

**Status**  
Current by  
22112209536

**Block**

42 GIARRUSSO, CARLO  
367 GLENGROVE AVENUE WEST  
TORONTO, ON  
Email: carlo.giarrusso@bmo.com

**Status**  
Current by  
22112209536

**Block**

43 STEPHEN LASSMAN STUDIOS LTD.  
27 HEATHDALE ROAD  
TORONTO, ON M6C 1M7  
Email: garry@lassmanstudios.com

**Status**  
Current by  
22112209536

**Block**

44 SPRING, RISA  
46 MARKDALE AVENUE  
TORONTO, ON M6C 1T4  
Email: phillip.spring@mnp.ca

**Status**  
Current by  
22121419835

Search ID #: Z16158795

**Block**

45 LEVISON, ANDREW  
280 WINONA DRIVE  
YORK, ON M6C 3S7  
Email: andrew@abovebeyond.ca

**Status**

Current by  
22121419835

**Block**

46 XIE, JIA  
14131 HOLLOWMILL LANE  
HOUSON, TX 77082  
Email: jkxie1@gmail.com

**Status**

Current by  
22121419835

**Block**

47 LEVISON, TRACEY  
50 MOUNT ROYALE AVE  
TORONTO, ON M6H 2S4  
Email: tracey@abovebeyond.ca

**Status**

Current by  
23032928128

**Block**

48 TONE, DAVID, ANDREW  
3343 CALDER AVENUE  
NORTH VANCOUVER, BC V7N 3R6  
Email: andrewtone@outlook.com

**Status**

Current by  
23040617054

**Block**

49 TONE, EVA  
3343 CALDER AVENUE  
NORTH VANCOUVER, BC V7N 3R6  
Email: evatone@outlook.com

**Status**

Current by  
23040617054

**Collateral: General****Block****Description**

1 ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR.

**Status**

Current

Search ID #: Z16158795

**Note:**

The following is a list of matches closely approximating your Search Criteria,  
which is included for your convenience and protection.

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 5126 WINDERMERE BOULEVARD SW EDMONTON, AB T6W 0H8	15012734799

**SECURITY AGREEMENT**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200, 23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16081228911

**SECURITY AGREEMENT**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566

**REPORT OF SEIZURE**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566

**REPORT OF SEIZURE**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI GROUP 33 LETT AVE COLLINGWOOD, ON L9Y 0Z5	21060815676

**SECURITY AGREEMENT**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENILLE INDUSTRIES LTD. 14440 YELLOWHEAD TRAIL EDMONTON, AB T5L 3C5	04042313892

**SECURITY AGREEMENT**

<b>Debtor Name / Address</b>	<b>Reg.#</b>
------------------------------	--------------

Search ID #: Z16158795

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL  
EDMONTON, AB T5L 3C5

13041530922

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21041314718

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT****Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TR NW  
EDMONTON, AB T5L3C5

**Reg.#**

23030707531

**SECURITY AGREEMENT**

Result Complete



THIS IS EXHIBIT "E" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24, A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta





**Search ID #:** Z16158800

**Transmitting Party**

MILLER THOMSON LLP  
Attention: Accounts Payable  
2700, 10155 102 STREET  
EDMONTON, AB T5J 4G8

Party Code: 50000066  
Phone #: 780 429 1751  
Reference #: 0277934.0001

**Search ID #:** Z16158800

**Date of Search:** 2023-May-16

**Time of Search:** 16:25:47

**Business Debtor Search For:**

DYNALEO GROUP SERVICES INC.

Inexact Result(s) Only Found

**NOTE:**

A complete Search may result in a Report of Exact and Inexact Matches.  
Be sure to read the reports carefully.



10

Search ID #: Z16158800

**Note:**

The following is a list of matches closely approximating your Search Criteria,  
which is included for your convenience and protection.

<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 5126 WINDERMERE BOULEVARD SW EDMONTON, AB T6W 0H8	15012734799
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200, 23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16081228911
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI CORP. 200-23361 TWP 510 LEDUC COUNTY, AB T4X0S8	16092306566
<b>REPORT OF SEIZURE</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENALI GROUP 33 LETT AVE COLLINGWOOD, ON L9Y 0Z5	21060815676
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>
DENILLE INDUSTRIES LTD. 14440 YELLOWHEAD TRAIL EDMONTON, AB T5L 3C5	04042313892
<b>SECURITY AGREEMENT</b>	
<b>Debtor Name / Address</b>	<b>Reg.#</b>

Search ID #: Z16158800

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL  
EDMONTON, AB T5L 3C5

13041530922

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21041314718

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TRAIL NW  
EDMONTON, AB T5L 3C5

**Reg.#**

21080610864

**SECURITY AGREEMENT**
**Debtor Name / Address**

DENILLE INDUSTRIES LTD.  
14440 YELLOWHEAD TR NW  
EDMONTON, AB T5L3C5

**Reg.#**

23030707531

**SECURITY AGREEMENT**
**Debtor Name / Address**

DYNALEO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Reg.#**

21011601806

**SECURITY AGREEMENT**
**Debtor Name / Address**

DYNALEO INC.  
3365-11 STREET  
NISKU, AB T9E 1K7

**Reg.#**

21011601815

**SECURITY AGREEMENT**
**Debtor Name / Address**
**Reg.#**

**Search ID #:** Z16158800

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

21112404044

**LAND CHARGE**

**Debtor Name / Address**

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Reg.#**

21112404850

**SECURITY AGREEMENT**

**Debtor Name / Address**

DYNALEO INC.  
3365 11 STREET, UNIT 2  
NISKU, AB T9E 1K7

**Reg.#**

22021015575

**SECURITY AGREEMENT**

Result Complete



THIS IS EXHIBIT "F" referred to in the  
Affidavit of  
Michael Krestell  
Sworn before me on this day  
of May 24 A.D. 2023

---

A Commissioner for Oaths  
In and for the Province of Alberta



## Sale and Investment Solicitation Process

### Introduction

1. On May 23, 2023, each of Dynaleo Inc. ("**Dynaleo**") and Dynaleo Group Services Inc. ("**Dynaleo Services**") and collectively, the "**Companies**") filed a Notice of Intention to Make a Proposal (each, an "**NOI**") pursuant s. 50.4 of the *Bankruptcy and Insolvency Act* (the "**BIA**") in Estate Nos 24-2946871 and 24-2946872 (the "**NOI Proceedings**").
2. Harris & Partners Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the "**Proposal Trustee**").
3. On May 30, 2023, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the "**Court**") granted an Order (the "**SISP Order**") in the NOI Proceedings, among other things, authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of or investment in their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Companies and with the approval of the Court pursuant to the SISP Order.
5. The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
6. This document (the "**SISP Procedure**") outlines the SISP, which is comprised of two phases ("**Phase 1**" and "**Phase 2**", respectively).
7. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a "**Business Day**") shall be deemed to occur on the next Business Day.

### Opportunity

8. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one or more components of the Companies' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.
9. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders,



to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

### Timeline

10. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	June 2, 2023
Phase 1 Bid Deadline	June 23, 2023
Phase 2 Bid Deadline	July 7, 2023
Transaction Approval Application Hearing	July 14, 2023
Closing Date Deadline	July 21, 2023

The dates set out in the SISP may be extended by the Proposal Trustee.

### SOLICITATION OF INTEREST: NOTICE OF THE SISP

11. As soon as reasonably practicable, but in any event by no later than June 2, 2023:

- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
  - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
  - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,

(collectively, "**Known Potential Bidders**");
- (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the "**Notice**") to be published in Insolvency Insider and any industry publication, website, newspaper or journal as the Proposal Trustee, in consultation with the Companies, considers appropriate, if any; and
- (c) the Companies, in consultation with the Proposal Trustee, will prepare:
  - (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
  - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an "**NDA**").

12. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than June 2, 2022, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

### PHASE 1: NON-BINDING LOIS

#### *Qualified Bidders*

13. Any party who wishes to participate in the SISP (each, a “**Potential Bidder**”) must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
- (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
  - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
  - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
14. If the Companies, in consultation with the Proposal Trustee, determine that a Potential Bidder has:
- (a) delivered the documents contemplated in paragraph 13 above; and
  - (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,
- then such Potential Bidder will be deemed to be a “**Phase 1 Qualified Bidder**”. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.
15. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.

***Due Diligence***

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

***Non-Binding Letters of Intent from Phase 1 Qualified Bidders***

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an "LOI") to the Companies and the Proposal Trustee at the addresses specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on June 23, 2023 (the "Phase 1 Bid Deadline").
20. Subject to paragraph 45, an LOI will only be considered a qualified LOI (a "Qualified LOI") if:
  - (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
  - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
    - (i) acquire all, substantially all or a portion of the Property (a "Sale Proposal"); or
    - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an "Investment Proposal");
  - (c) in the case of a Sale Proposal, it identifies or contains the following:
    - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
    - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
    - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
    - (iv) a description of the conditions and approvals required for a final and binding offer;

- (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
  - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
- (d) in the case of an Investment Proposal, it identifies or contains the following:
- (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
  - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
  - (iii) the underlying assumptions regarding the *pro forma* capital structure;
  - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
  - (v) a description of the conditions and approvals required for a final and binding offer;
  - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
  - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and
  - (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

***Preliminary Assessment of Phase 1 Bids and Subsequent Process***

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:
- (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
  - (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a “**Phase 2 Qualified Bidder**”, provided that the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to



Phase 2 of the SISP. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee.

22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:
- (a) the number of Qualified LOIs received;
  - (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
  - (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
  - (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.
23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may either terminate this SISP, or extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall not apply, or may be extended by the Proposal Trustee as it deems necessary in consultation with the Companies.
24. If the Proposal Trustee, in consultation with the Companies, is of the view there is only one Qualified LOI worth the Company pursuing a transaction with, the Proposal Trustee, in consultation with the Companies, may terminate this SISP and bypass the steps set out in Phase 2 of this SISP, and the Companies, in consultation with the Proposal Trustee, may enter into exclusive negotiations with such Phase 1 Qualified Bidder for a transaction. In such circumstances, any finalized and binding bid by the Phase 1 Qualified Bidder may be selected as the Successful Bid (defined below), and the Phase 1 Qualified Bidder as the Successful Bidder (defined below), for the purposes of the Transaction Approval Application (defined below).
25. If the Proposal Trustee, in consultation with the Companies, elect to bypass Phase 2, the timelines set out in these SISP Procedures shall be proportionally accelerated.
26. Subject to paragraphs 24 and 25 above, following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee and with the approval of the Proposal Trustee, may prepare a bid process letter for Phase 2 (the “**Bid Process Letter**”) to be (a) sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline, and (b) posted by the Proposal Trustee on the website the Proposal Trustee maintains in respect of the NOI Proceedings.

## **PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER**

27. Paragraphs 28 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 26, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

**Formal Binding Offers**

28. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the following requirements to Companies and the Proposal Trustee at the addresses specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on July 7, 2023, or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**"):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
  - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
  - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
  - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
  - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
  - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;
  - (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
  - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a "**Deposit**") in the amount of not less than 15% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
  - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 15% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;



- (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
    - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
    - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
    - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
  - (k) the bid is received by the Phase 2 Bid Deadline; and
  - (l) the bid contemplates closing the transaction set out therein on or before July 21, 2023.
29. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).
30. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
31. If the Company, in consultation with the Proposal, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, elect to (i) extend the Phase 2 Bid Deadline; or (ii) seek Court approval to formally amend to the SISF.
32. The Companies may, in consultation with the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

***Evaluation of Competing Bids***

33. The Companies, in consultation with the Proposal Trustee, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
  - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
  - (c) the proposed transaction documents;

- (d) factors affecting the speed, certainty and value of the transaction;
- (e) the assets included or excluded from the bid;
- (f) any related restructuring costs; and
- (g) the likelihood and timing of consummating such transaction.

#### ***Selection of Successful Bid***

34. The Companies, in consultation with the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
  - (b) identify the highest or otherwise best bid (the “**Successful Bid**”, and the Phase 2 Qualified Bidder making such Successful Bid, the “**Successful Bidder**”) for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee, shall be subject to approval by the Court.
35. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee, to reject any or all Phase 2 Qualified Bids.

#### ***Transaction Approval Application Hearing***

36. At the hearing of the application to approve any transaction with a Successful Bidder (the “**Transaction Approval Application**”), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

#### ***Confidentiality and Access to Information***

37. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
38. The Proposal Trustee may consult with any parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 37 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in



a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

***Deposits***

39. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at a financial institution in Canada.
40. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
41. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid or the Court declares a Successful Bid.
42. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Companies have in respect of such breach or default.
43. If the Companies are unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) than the Deposit shall be returned to the Successful Bidder.

***Supervision of the SISP***

44. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
45. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
  - (a) deem a non-compliant LOI to be a Qualified LOI; and
  - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
46. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
47. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1

Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, or any creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.

48. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
49. Subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
50. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

***Further Orders***

45. At any time during the SISP, the Proposal Trustee or the Companies may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

**Schedule "1"**

**To the Companies**

Dynaleo Inc. and Dynaleo Group Services Inc.  
3365-11th Street #2  
Nisku, Alberta T9E 8M8

**Attention: Michael Krestell**

Email: [michael.krestell@dynaleo.com](mailto:michael.krestell@dynaleo.com)

with a copy to

Miller Thomson LLP  
3000, 700 - 9th Avenue SW  
Calgary, Alberta T2P 3V4

**Attention: James Reid**

Email: [jwreid@millერთhompson.com](mailto:jwreid@millერთhompson.com)

**To the Proposal Trustee:**

Harris & Partners Inc.  
500 4th Avenue SW, Unit 1910  
Calgary, Alberta T2P 2V6

**Attention: Jill Strueby**

Email: [jill@harrispartners.ca](mailto:jill@harrispartners.ca)

with a copy to

MLT Aikens LLP  
2100, 222 3 Ave SW  
Calgary, AB T2P 0B4

**Attention: Ryan Zahara**

Email: [rzahara@mltaikins.com](mailto:rzahara@mltaikins.com)

