

IN THE MATTER OF THE BANKRUPTCY OF  
Yooma Wellness Inc.  
of the City of Toronto  
in the Province of Ontario

**TRUSTEE’S REPORT TO THE FIRST MEETING OF CREDITORS  
ON PRELIMINARY ADMINISTRATION**

**BACKGROUND**

Yooma Wellness Inc. (formerly Yooma Corp.) (“**Yooma**” or the “**Company**”) was incorporated under the laws of the Province of Ontario on July 10, 2019 as a private holding company to make acquisitions in the cannabidiol (“**CBD**”) and wellness space.

On February 10, 2021, Yooma completed a reverse take-over (the “**RTO**”) of Globalive Technology Inc. (“**Globalive**”) pursuant to a court supervised plan of arrangement. Following the RTO, Yooma began trading on the Canadian Securities Exchange (“**CSE**”) and the Aquis Stock Exchange Growth Market (“**AQUIS**” and collectively with the CSE, the “**Exchanges**”), a UK based trading platform, under the ticker symbol ‘YOOM’ effective February 11, 2021 and August 10, 2021, respectively.

Yooma, through its wholly owned subsidiaries, was in the business of marketing, distributing, and selling wellness products, including hemp seed oil and hemp-derived and CBD products. The Company leveraged strategically curated sales channels and ecommerce networks to deliver a diverse mix of wellness products through operating subsidiaries in the British Virgin Islands, United States of America (“**US**”), Japan, United Kingdom and France.

The Company’s registered head office was located at 135 Yorkville Ave, Suite 900, Toronto, Ontario, Canada, M5R 0C7.

On December 5, 2023, the Company made an assignment in bankruptcy pursuant to section 49 of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Richter Inc. was appointed as trustee of the Company’s estate (in such capacity, the “**Trustee**”), subject to affirmation by Yooma’s creditors.

On December 11, 2023, notice of the first meeting of creditors of the Company (the “**Meeting**”), a list of known creditors, proof of claim form/proxy, and registration form to attend the Meeting (which is being held via videoconference) were sent to all known creditors of the Company. On December 13, 2023, a notice advising of the Company’s bankruptcy and the date/time of the Meeting was published in the *Globe and Mail* (National Edition).

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

All amounts included herein are in Canadian dollars unless noted otherwise.

## CAUSES OF BANKRUPTCY

During fiscal 2021, Yooma management executed on the initial phases of its “buy-and-build” strategy through, among other things: (i) the completion of the RTO and the dual listing of its common shares on the Exchanges, (ii) the successful private placement financing of approximately US\$10.1 million, (iii) the completion of six significant acquisitions, and (iv) the continued integration of the Company's various assets and entities.

Unfortunately, due to a variety of factors, including regulatory challenges in the US CBD market, and a significant decline in CBD public markets generally, Yooma's financial results and share price suffered. According to the Company's books and records and other public documents, during fiscal 2021 and 2022, Yooma incurred net comprehensive consolidated losses of approximately US\$33.4 million and US\$12.5 million, respectively. In addition, the value of Yooma's common shares on the CSE decreased from \$1.50 as at February 11, 2021 to \$0.02 as at December 31, 2022 and the value of Yooma's common shares on the AQUIS experienced comparable deterioration in value from late 2021 throughout 2022.

Yooma's poor financial performance severely impacted its ability to continue raising the necessary capital to fund its operating subsidiaries and pursue its “buy-and-build” strategy. Faced with depressed market conditions in the CBD wellness industry and increasing liquidity constraints, the Company, commenced a restructuring process, including the wind-down of the Company's operations in the US, Japan, and France. In parallel with these restructuring initiatives, with the assistance of a financial advisor, the Company continued to assess its strategic options.

By February 2023, following the Company's exit from the US, Japanese and French markets, the Company's only remaining material operating business was Vitality CBD Limited (“**Vitality**”). Vitality was wholly owned by Yooma Europe Limited (“**Yooma Europe**”), a direct, wholly owned subsidiary of the Company.

As a consequence of the challenges/financial constraints suffered by the Company, Yooma fell out of compliance with certain of the disclosure obligations/rules/policies of the Exchanges. As a result, on May 8, 2023, the Ontario Securities Commission issued a cease-trade order (the “**CTO**”) in respect of the Company; the Company's common stock was suspended from trading on both Exchanges following issuance of the CTO.

In September 2023, Yooma Europe completed a transaction with Psilobrain Therapeutics Inc. (“**Psilobrain**”), a private Canadian biotech company involved in the health and wellness industry, for the sale of all Yooma Europe's shares in Vitality (the “**Transaction**”) pursuant to a share purchase agreement dated September 18, 2023 between Yooma Europe, Psilobrain and the Company (the “**Vitality SPA**”).

With the completion of the Transaction, the Company no longer had any active business operations or revenue generating assets.

Taking into consideration the Company's current financial position (discussed further below), including the estimated proceeds to flow to the Company from the Transaction, and the fact that the Company no longer had active business operations or revenue generating assets, the Trustee understands that the Company's management considered it appropriate to wind up the Company via bankruptcy proceedings that would facilitate the equitable distribution of the Company's remaining realizable assets among its proven creditors.

## **FINANCIAL POSITION/ASSETS**

As detailed in the Company's Statement of Affairs, the estimated realizations from the Company's assets, as at the date of bankruptcy, are not expected to satisfy the amounts owed to Yooma's creditors, in full.

In addition to limited cash and investment tax credits, the Company's assets include its share interest in Yooma Europe and the Consideration Shares (as defined below) provided pursuant to the Transaction.

Pursuant to the Vitality SPA, the consideration paid/payable by Psilobrain to Yooma Europe is as follows: US\$1.0 million in cash (the "**Cash Consideration**"), and US\$1.0 million in new shares of Psilobrain issued to the Company (the "**Consideration Shares**"). The Cash Consideration paid/payable to Yooma Europe, is summarized as follows:

- (i) US\$350,000 paid on September 29, 2023 (the "**Completion Date**");
- (ii) US\$300,000 to be paid within 130 days of the Completion Date (i.e. on or before January 26, 2024);  
and
- (iii) US\$350,000 to be paid within 210 days of the Completion Date (i.e. on or before April 15, 2024).

The Cash Consideration is subject to certain purchase price adjustments, as provided for in the Vitality SPA. The impact/value, if any, of those adjustments is currently unknown. To secure Psilobrain's post-Completion Date payment/performance obligations, the shares of Vitality included in the Transaction were sold subject to a charge in favour of both Yooma Europe and the Company.

Any residual value in Yooma Europe after payment of its outstanding obligations, in full, from the Cash Consideration (net of purchase price adjustments) would comprise property of the Company's bankrupt estate (via its share interest).

As Psilobrain is a private company, its shares are not publicly traded. As such, the estimated value or ability to monetize the Consideration Shares is currently unknown. It is the Trustee's intention to discuss the Company's financial position/assets with the inspectors, if any, appointed at the Meeting.

## **SECURED CREDITORS**

According to the Company's Statement of Affairs, the Company does not have any secured obligations.

## SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee is in the process of reviewing the Company's records to determine what, if any, amounts are owed to the Company's former employees for wages and vacation pay that would qualify as claims pursuant to section 81.3 of the BIA.

The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

## PREFERRED CREDITORS

The Company's Statement of Affairs indicates that, as at the date of bankruptcy, there were no known preferred creditors.

## UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are approximately 13 unsecured creditors with claims totalling approximately \$521,000.

## CLAIMS FILED

As at 10:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Claims Filed (#)	Amount (CAD)	Proxies in Favour of Trustee (#)	Amount (CAD)
Secured	-	-	-	-
Preferred	-	-	-	-
Unsecured	5	\$ 242,683.28	2	\$ 123,338.01
<b>TOTAL</b>	<b>5</b>	<b>\$ 242,683.28</b>	<b>2</b>	<b>\$ 123,338.01</b>

## PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE

The Trustee has not performed a review of the Company's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the estate inspectors, if any, appointed at the Meeting.

**OTHER**

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <https://www.richter.ca/insolvencycase/yooma-wellness-inc/>.

Dated at Toronto, Ontario, this 22<sup>nd</sup> day of December, 2023.

**RICHTER INC.**

in its capacity as Licensed Insolvency Trustee of  
the estate of Yooma Wellness Inc.  
and not in its personal or corporate capacity

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, likely representing the name Adam Zeldin.

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Adam Zeldin, CPA, CA, CIRP, LIT