

IN THE MATTER OF THE BANKRUPTCY OF  
CANEXIA HEALTH INC.

OF THE CITY OF VANCOUVER  
IN THE PROVINCE OF BRITISH COLUMBIA

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

September 6, 2023

**BACKGROUND**

1. Canexia Health Inc. (“**CHI**” or the “**Company**”), a privately held company, was incorporated in the province of British Columbia on or around December 20, 2012 and has a registered office in Vancouver, British Columbia.
2. The Company is a subsidiary of Imagia Canexia Health Inc. (“**ICHI**”) which was formed in February 2022 out of a merger between Imagia Cybernetics Inc (“**Imagia**”), a Montreal, Quebec based enterprise and CHI. CHI operated a genomics-based cancer treatment testing facility in Vancouver, BC with the goal of improving patient diagnosis and expanding treatment options early in disease management.
3. Imagia and its subsidiary, Imagia Healthcare Inc. (collectively, the “**Imagia Entities**”), were placed in receivership in early August 2023 on application by Investissement Quebec. Raymond Chabot Grant Thornton (the “**Receiver**”) was appointed as Receiver of the Imagia Entities.

## CAUSES OF INSOLVENCY

4. Since the commencement of commercial operations, the Company has struggled to achieve profitability and despite its efforts, was unable to raise sufficient funding to address its liquidity requirements. As a result of the Company's ongoing liquidity issues, the appointment of the Receiver over the Imagia Entities further deteriorated the Company's ability to raise capital. The Company explored various strategic alternatives but ultimately was unable to avoid an assignment in bankruptcy.
5. On August 14, 2023, CHI ceased operations and terminated its employees. On August 21, 2023, CHI filed an assignment in bankruptcy pursuant to section 49 of the *Bankruptcy and Insolvency Act* (the "BIA") with the Office of the Superintendent of Bankruptcy and FTI Consulting Canada Inc. was appointed as Trustee (the "Trustee"), subject to the affirmation or substitution thereof at the First Meeting of Creditors.
6. ICHI was also assigned into bankruptcy on August 21, 2023.

## APPOINTMENT OF A TRUSTEE IN BANKRUPTCY

7. Subsequent to its appointment, the Trustee performed the following in respect of its duties as required under the BIA:
  - a) inquired as to the whereabouts of the Company's books and records which were maintained by a related company, under control of the Receiver, in Montreal, Quebec. The Receiver has been cooperative in providing the Trustee with access to information to assist with the administration of the estate;
  - b) notified the Company's bank to cease any further withdrawals from its operating account;
  - c) arranged for an inventory count of the Company's equipment and other assets;

- d) contracted a former employee of CHI to address outstanding employee related matters, including ROEs, T4s and WEPPA; and
- e) attended to the various statutory notice requirements.

## **SECTION A – Summary of Assets**

### **Fixed Assets**

- 8. The Company's primary fixed assets include lab equipment located at its premises in a building located on the campus of the University of British Columbia. The majority of the value of the fixed assets consists of three sequencers which are used in the genomic testing process. The Trustee has contracted with a former employee to properly shut down the equipment and wipe the hard drives to ensure any sensitive personal data is erased prior to sale.

### **Inventory**

- 9. Inventory is primarily comprised of lab supplies and has been documented in an inventory count.

### **Accounts Receivable**

- 10. The Trustee is in the process of notifying customers of the bankruptcy and requesting that they direct any payments to the Trustee's attention. The Company expects certain accounts receivable may be disputed and/or set off and has assumed a collection rate of 75% in the Statement of Affairs.

## **SRED Tax Credit**

11. The Company has accrued significant costs in scientific research and experimental development that may be eligible for reimbursement through the federal government via a tax credit (the “**SRED Tax Credit**”). The Trustee is in the process of evaluating the feasibility, costs, timelines and potential set-offs to assess the recovery available in respect of the SRED Tax Credit.

## **Other Assets**

12. The Company holds certain intellectual property that may have value and the Trustee is exploring opportunities to monetize these assets.
13. The Company held other assets including prepaid expenses, intercompany accounts, and certain deposits which in the Company’s estimation are unlikely to result in potential recoveries to the estate.

## **SECTION B**

### **Conservatory and protective measures**

14. On August 21, the Trustee attended two premises, including an office and lab located in Vancouver, BC. Both premises were leased and the Trustee has notified each landlord of the proceedings.

15. The Trustee vacated the office space and consolidated the property at the lab premises. The lab has been secured and the assets are in the control of the Trustee. The Trustee has contracted with certain former employees to carry out analysis on the remaining samples to fulfill certain contracts, destroy any samples that cannot be returned, wipe data and otherwise preserve the Company's property.

### **SECTION C – Legal proceedings**

16. The Trustee has not commenced any legal proceedings and is not aware of any proceedings commenced against the estate.

### **SECTION D – Provable claims**

17. As at the date of this report, the Trustee has received 35 proofs of claim from unsecured creditors totalling approximately \$1.1 million.

### **SECTION E – Secured creditors and trust claims**

18. As at the date of this report, the Trustee has not received any secured claims. However, the Trustee is aware of a potential secured claim from PacBridge Partners II Investment Co. Ltd. ("**PacBridge**").
19. The Trustee has not retained independent legal counsel at this stage pending the evaluation of any secured claims received and the determination of recoveries that may be subject to security held by the secured party.
20. The Trustee anticipates receiving certain wage earner claims and is in the process of collecting the necessary information in order to submit the required documentation to the Wage Earner Protection Program.

## **SECTION F – Anticipated realization and projected distribution**

21. The Trustee is currently unable to provide an estimated realization and projected distribution to creditors as the lab equipment is highly specialized and there is significant uncertainty in respect of the value of intellectual property. The Trustee is currently in the process of evaluating its options to liquidate the assets.

## **SECTION G – Preferences and transfers at undervalue**

22. The Trustee is currently undertaking a review of the Company’s books and records with respect to transfers at undervalue or fraudulent preferences as defined in the BIA.
23. As at the date of this report, the Trustee is not aware of any transactions that may be considered a preference or transfer at undervalue.

## **SECTION H – Third party deposit and guarantees**

24. The fees and expense of the Trustee have been guaranteed by PacBridge pursuant to an agreement dated August 17, 2023 (the “**Guarantee**”). The Guarantee covers the bankruptcies of CHI and ICHI and is limited to \$50,000.
25. PacBridge has also loaned the Trustee \$35,000 in order to fund initial bankruptcy activities and conservatory measures of the CHI and ICHI estates with the understanding that the Trustee shall repay the advance to PacBridge upon receipt of sufficient funds by the Trustee from the Company’s assets.

## **SECTION I – Other Matters**

26. There are no other matters.

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**FTI Consulting Canada Inc.**  
Solely in its capacity as Trustee  
in the Bankruptcy of  
Canexia Health Inc.  
and not in its personal capacity

Per:

A handwritten signature in blue ink, appearing to read "Mike Clark".

Mike Clark, LIT  
Senior Director