

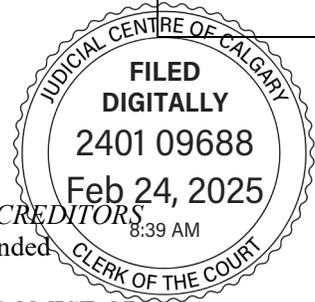
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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER IN THE MATTER OF THE *COMPANIES' CREDITORS' ARRANGEMENT ACT*, RSC 1985, c C-36, as amended



AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DELTA 9 CANNABIS INC., DELTA 9 BIO-TECH INC., DELTA 9 LIFESTYLE CANNABIS CLINIC INC., DELTA 9 CANNABIS STORE INC., AND DELTA 9 LOGISTICS INC.

DOCUMENT **EIGHTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

February 21, 2025

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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ALVAREZ & MARSAL

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INTRODUCTION

1. On July 15, 2024 (the "**Filing Date**"), Delta 9 Cannabis Inc. ("**Delta Parent**"), Delta 9 Bio-Tech Inc. ("**Bio-Tech**"), Delta 9 Lifestyle Cannabis Clinic Inc. ("**Lifestyle**"), Delta 9 Cannabis Store Inc. ("**Store**") and Delta 9 Logistics Inc. ("**Logistics**") and collectively, the "**Delta 9 Group**", the "**Company**" or the "**Applicants**" were granted an initial Order (the "**Initial Order**") by the Court of King's Bench of Alberta (the "**Court**"), in relation to proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"), that, among other things:
 - a) appointed Alvarez & Marsal Canada Inc. ("**A&M**") as monitor (the "**Monitor**") in the CCAA Proceedings;
 - b) ordered a stay of proceedings in favour of the Applicants through to July 25, 2024 (the "**Stay Period**"); and
 - c) granted an administrative charge to a maximum amount of \$350,000 (the "**Administration Charge**") and a directors and officers charge to a maximum amount of \$300,000 (the "**Directors' Charge**").
2. On July 24, 2024, the Applicants sought and obtained the following relief from this Honourable Court:
 - a) an amended and restated Initial Order (the "**ARIO**");
 - b) an Order approving a sales and investment solicitation process with respect to Bio-Tech; and
 - c) an Order approving a claims procedure to determine the claims of creditors and establish a claims bar date to prove such claims.

3. The ARIO, among other things:
 - a) extended the Initial Stay Period to September 15, 2024;
 - b) approved the interim financing facility (the "**Interim Financing Facility**") and related charge (the "**Interim Financing Charge**") in the amount of \$16 million, plus interest, costs and expenses;
 - c) approved a key employee retention plan and related charge in the amount of \$655,000;
 - d) increased the Administration Charge from \$350,000 to \$750,000;
 - e) increased the Directors' Charge from \$300,000 to \$900,000, and extended the same in favour of legal counsel of the directors and officers of the Applicants, Norton Rose Fulbright LLP;
 - f) granted a break fee charge in favour of the Plan Sponsor of \$1.5 million; and
 - g) authorized the appointment of a chief restructuring officer (the "**CRO**").
4. Since the granting of the ARIO, the Applicants have sought and obtained various orders from this Honourable Court approving a number of extensions to Stay Period, an amended Interim Financing Facility, the sale and vesting of certain assets of Bio-Tech to 10213358 Manitoba Ltd., an Affected Creditors meeting to vote on the Applicant's proposed plan of arrangement (as amended, the "**Plan**") and an order sanctioning the Plan.

5. On January 29, 2025, the Court released a written decision in these CCAA Proceedings¹ which granted the following relief sought by the Applicants on January 10, 2025:
 - a) approval of the Asset Purchase Agreement between Bio-Tech and 6599362 Canada Ltd. ("**659**") (the "**659 APA**" or "**659 Transaction**") and the transaction contemplated therein, and a corresponding sale approval and vesting order; and
 - b) approval of the Share Purchase Agreement between Delta Parent, Bio-Tech and Simply Solventless Concentrates Ltd. ("**Simply**") (the "**Simply SPA**" or "**Simply Transaction**") and the transaction contemplated therein, and a corresponding approval and reverse vesting order.
6. On February 11, 2025 the Monitor sought and obtained approval from this Honourable Court for an interim distribution of the Bio-Tech Proceeds (defined below) to SNDL (the "**Distribution Order**").
7. The Applicants have filed an application with this Honourable Court, returnable February 25, 2025 (the "**February 25th Application**"). The relief sought by the Applicants at the February 25th Application will include the following:
 - a) extending the Stay Period to March 31, 2025 (the "**Stay Extension**");
 - b) increasing the borrowing limit of Tranche 1 of the Interim Financing Facility by \$400,000, to a total of \$5.9 million, and a corresponding increase in the amount of the Interim Financing Charge from \$18.5 million to \$18.9 million, plus interests, costs and expenses, as attached as Appendix "A" to this Report;

¹ *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52.

- c) approving the actions, activities and conduct of the Monitor, along with the fees and disbursements of the Monitor and its counsel, as set out in this Report; and
 - d) such further and other relief as may be sought by the Monitor and this Honourable Court may deem appropriate in these CCAA Proceedings.
8. Capitalized terms not defined in this Monitor's Eight Report (this "**Report**" or the "**Eighth Report**") are as defined in the ARIO, the Prior Monitor Reports,² the Affidavits of John Arbuthnot and any supplements thereto sworn in these CCAA Proceedings (the "**Arbuthnot Affidavits**") and the materials filed by the Applicants, the Plan Sponsor, or any other party in connection with the CCAA Proceedings.

PURPOSE

9. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
- a) an update on the activities of the Monitor since the Seventh Report;
 - b) an update on the 659 Transaction and the Simply Transaction;
 - c) the actual cash flow results of Delta 9 Group compared to the cash flow forecast appended to the Sixth Report for the period of December 28, 2024 to February 14, 2025;
 - d) the Applicants' updated cash flow forecast through to April 4, 2025 (the "**Updated Cash Flow Forecast**");
 - e) the request for an increase to the Interim Financing Facility;

² Include all reports from the Pre-Filing Report dated July 12, 2024 to the Seventh Report dated February 3, 2025, collectively referred to as the "**Prior Monitor Reports**".

- f) the request for approval of the Monitor's activities and the professional fees and costs of the Monitor's Counsel (defined below);
- g) the request for the Stay Extension to March 31, 2025; and
- h) the Monitor's overall recommendation in respect of the foregoing.

TERMS OF REFERENCE AND DISCLAIMER

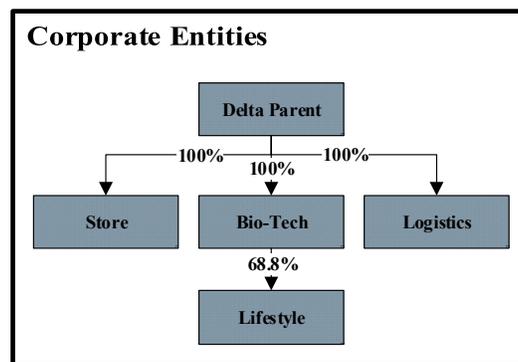
10. In preparing this Report, A&M, in its capacity as the Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Applicants and has held discussions with the Applicants' management ("**Management**") and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' cash flow forecast:
- a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.
11. Future-oriented financial information referred to in this Report was prepared based on the Applicants' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are

not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

12. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

13. The Delta 9 Group is engaged in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business-to-business sales. The Delta 9 Group's organizational chart is summarized below:



14. Further information regarding the Delta 9 Group's ownership structure and operations, the cause of the Applicants' insolvency and these CCAA Proceedings, including the Initial Order, the ARIO, other Orders of this Honourable Court, the Arbuthnot Affidavits, other affidavits and the Prior Monitor's Reports are available on the Monitor's website at: www.alvarezandmarsal.com/delta9.

ACTIVITIES OF THE MONITOR

15. The Monitor's activities since the filing of the Seventh Report include, among other things, the following:
 - a) engaging with its independent legal counsel, Burnet, Duckworth & Palmer LLP and Taylor McCaffrey LLP (the "**Monitor's Counsel**") regarding various matters pertaining to these CCAA Proceedings;

- b) engaging in various communications with the Applicants regarding the 659 Transaction and the Simply Transaction, along with the CRO, Management, the Monitor's Counsel and various stakeholder counsel;
- c) reviewing and discussing weekly payables with Management;
- d) reviewing the Delta 9 Group's bank details and assisting the Delta 9 Group with the compilation of their budget to actual reporting for purposes of providing the same to this Honourable Court;
- e) working closely with the Delta 9 Group and 659 to complete the closing conditions of the 659 Transaction;
- f) working closely with the Delta 9 Group and Simply to complete the closing conditions of the Simply Transaction;
- g) providing a weekly update on cash flows to SNDL; and
- h) ongoing monitoring of the Delta 9 Group's financial affairs.

UPDATE ON THE 659 AND SIMPLY TRANSACTIONS

16. The Company and the Monitor are working closely with 659 to fulfill the closing conditions for the 659 Transaction, which is currently expected to close by the end of February, 2025.
17. The Simply Transaction is expected to close on February 27, 2025. The Monitor understands that if the Simply Transaction closes before the 659 Transaction, the Company plans to enter into a temporary arrangement with Simply to satisfy the leasing condition of the Simply SPA. This condition requires the execution of a lease between 659 as landlord, Simply as tenant, and the Plan Sponsor as indemnifier, in the form attached to the 659 APA.
18. Following the closing of the 659 Transaction and the Simply Transaction, the Monitor will hold in excess of \$13.8 million in its bank account (collectively, the

"Bio-Tech Proceeds"). The Bio-Tech Proceeds will be distributed to SNDL in accordance with the Distribution Order.

CASH FLOW RESULTS COMPARED TO FORECAST

19. The Delta 9 Group's actual cash receipts and disbursements as compared to the Updated Cash Flow Forecast presented in the Sixth Report during the period of December 28, 2024 to February 14, 2025 (the "Reporting Period") is summarized below.

Delta 9 Group Cash Flow Variance Analysis For the period from December 28, 2024 to February 14, 2025 <i>\$CAD, thousands, unaudited</i>				
	December 28, 2024 to February 14, 2025			
	Actual ¹	Forecast	Actual	Variance
Receipts				
Accounts Receivable - Government	2,907	595	434	(161)
Accounts Receivable - Other	5,458	1,190	1,722	532
Cannabis Sales	34,214	8,075	7,494	(581)
Total Receipts	42,579	9,860	9,650	(210)
Operating Disbursements				
Cannabis Product Purchases	25,112	5,425	5,302	123
Payroll and Source Deductions	9,227	2,055	2,356	(301)
Consultant Fees	179	79	32	48
Rent, Utilities and Insurance	3,564	652	864	(212)
Overholding Rent	174	-	-	-
Logistics, Product Treatment and Lab Testing	664	175	125	50
Production Supplies and Materials	1,282	367	221	146
SG&A Expenses	1,653	420	313	107
Contingency	-	35	-	35
Excise Tax Remittance	545	180	252	(72)
GST Remittance	296	160	120	40
Total Operating Disbursements	42,697	9,547	9,583	(36)
Net Cash Flow from Operations	(118)	313	67	(246)
Non-Operating Disbursements				
Critical Supplier Payments	90	-	-	-
Key Employee Retention Plan	105	-	-	-
Professional Fees	3,683	801	488	313
Debt Service	1,687	562	293	269
Total Non-Operating Disbursements	5,565	1,363	781	582
Net Cash Flow	(5,683)	(1,050)	(714)	336
Opening Cash				
Net Cash Flow	528	1,059	1,059	-
Net Cash Flow	(5,683)	(1,050)	(714)	336
Interim Financing Advance/(Repayment)	5,500	-	-	-
Additional Advance From Plan Sponsor	400	-	400	400
Ending Cash	745	9	745	736
Opening Interim Financing Balance				
Advances	-	5,500	5,500	-
Repayments	5,500	-	400	400
Closing Interim Financing Balance	5,500	5,500	5,900	400
Opening Overholding Rent Funds Balance				
Funds Held by Monitor	-	174	174	-
Closing Overholding Rent Funds Balance	174	174	174	-

(1) Actuals for the period from July 15, 2024 to February 14, 2025.

20. Over the Reporting Period, the Delta 9 Group experienced a positive cash flow variance of approximately \$736,000. The primary variances include:
- a) a positive permanent variance related to other accounts receivable collections being \$532,000 higher than originally forecasted;
 - b) a negative permanent variance related to cannabis sales being \$581,000 lower than originally forecasted;
 - c) a negative permanent variance of \$301,000, related to payroll and related source deductions, due to the payout of accrued vacation pay of certain terminated employees;
 - d) a negative permanent variance of \$212,000, related to rent, utilities, and insurance, due to certain utilities and insurance being higher than originally forecasted;
 - e) a positive timing variance of \$313,000, related to the delay in payment of professional fees; and
 - f) a permanent positive variance of \$269,000 related to the Company ceasing monthly debt service payments to SNDL, in accordance with the terms of the Settlement Agreement. The Settlement Agreement stipulates that the Delta 9 Group is not required to make ordinary course debt service payments on the 1L Debt; however, all accrued amounts must be paid by April 30, 2025.
21. During the Reporting Period, the Plan Sponsor advanced \$400,000 beyond the borrowing limit of Tranche 1 of the Interim Financing Facility to facilitate the Delta 9 Group's purchase of inventory required for operations. For illustrative purposes, this advance is being reflected in the closing Interim Financing Facility balance in the Reporting Period. As further discussed in this Report, the Applicants are seeking an increase to the borrowing limit of Tranche 1 and a corresponding increase to the Interim Financing Charge to secure this advance.

22. As at February 14, 2025, available ending cash was approximately \$745,000 compared to forecast available cash of approximately \$9,000.

UPDATED CASH FLOW FORECAST

23. Management has prepared a weekly Updated Cash Flow Forecast for the seven-week period from February 15, 2025 to April 4, 2025 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast. A copy of the Updated Cash Flow Forecast, together with a summary of the assumptions is attached hereto as Appendix "**B**". The Updated Cash Flow Forecast is summarized below.

Delta 9 Group Management Prepared 7 Week Cash Flow Forecast For the period from February 15, 2024 to April 4, 2025 <i>in CAD \$000's</i>	
	7 Week Total
Receipts	
Accounts Receivable - Government	108
Accounts Receivable - Other	486
Cannabis Sales	7,700
Total Receipts	8,294
Operating Disbursements	
Cannabis Product Purchases	5,170
Payroll and Source Deductions	917
Consultant Fees	63
Rent, Utilities and Insurance	657
Logistics, Product Treatment and Lab Testing	49
Production Supplies and Materials	73
SG&A Expenses	269
Contingency	35
Excise Tax Remittance	64
GST Remittance	240
Total Operating Disbursements	7,537
Net Cash Flow from Operations	756
Non-Operating Disbursements	
Professional Fees	754
Total Non-Operating Disbursements	754
Net Cash Flow	2
Opening Cash	745
Net Cash Flow	2
Ending Cash	747
Opening Interim Financing Balance	5,900
Advances	-
Repayments	-
Closing Interim Financing Balance	5,900
Opening Overholding Rent Funds Balance	174
Funds Held by Monitor	-
Closing Overholding Rent Funds Balance	174

24. A summary of the Updated Cash Flow Forecast and select assumptions underlying the same are as follows:
- a) total projected cash receipts of approximately \$8.3 million;
 - b) total projected operating cash disbursements of approximately \$7.5 million and non-operating cash disbursements of approximately \$754,000, resulting in a net increase in cash of approximately \$2,000 during the Forecast Period; and
 - c) subject to Court approval, an increase to the Interim Financing Facility balance of an additional \$400,000. This increase is reflected in the opening Interim Financing Facility balance for illustrative purposes, as the advance occurred on February 14, 2025.
25. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Monitor hereby reports as follows:
- a) the Updated Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Updated Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
 - b) the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Updated Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Updated Cash Flow Forecast;

- c) based on the Monitor's preliminary review of the Updated Cash Flow Forecast, nothing has come to the Monitor's attention to cause the Monitor to believe that, in all material respects:
 - i. the hypothetical assumptions are inconsistent with the purpose of the Updated Cash Flow Forecast;
 - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the Delta 9 Group's plans or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the hypothetical assumptions;
or
 - iii. the Updated Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
- d) since the Updated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor does not express any assurance as to whether the Updated Cash Flow Forecast will be accurate. The Monitor does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Monitor in preparing this Report.

26. The Updated Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

INCREASED INTERIM FINANCING CHARGE AND BORROWINGS

27. Pursuant to paragraphs 32 to 37 of the ARIO, the Delta 9 Group, may, on further application to the Court, obtain and borrow additional interim financing under the

Interim Financing Facility from the Interim Lender in order to financing the Applicants' working capital requirements and other general corporate purposes and capital expenditures.

28. As of the date of this Report, the Interim Lender has advanced the \$5.5 million available under Tranche 1 and nearly the entirety of Tranche 2 to SNDL as payment for the 2L Debt. The current limit of the Interim Financing Facility is \$18.5 million.
29. On February 14, 2025, the Plan Sponsor advanced an additional \$400,000 beyond the borrowing limit of Tranche 1 of the Interim Financing Facility to facilitate the Delta 9 Group's purchase of additional inventory. The Applicants are seeking an increase to the borrowing limit of Tranche 1 and a corresponding increase to the Interim Financing Charge to secure this advance.
30. Accordingly, the Monitor respectfully supports the Company's request of this Honourable Court to approve the Applicants request to increase the limit on the Interim Financing Charge from \$18.5 million to \$18.9 million as it was in the Company's best interests to purchase additional inventory for its continued operations during the restructuring.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

31. The Monitor and the Monitor's Counsel have rendered their invoices for their respective fees and disbursements for services in connection with the CCAA Proceedings through to February 8, 2025 (the "**Invoices**") and the Monitor is now seeking approval of the Invoices from this Honourable Court. The Court has previously approved the fees and costs of the Monitor, those of BD&P, and Taylor McCaffrey LLP from the Filing Date up to on or about December 28, 2024.
32. The Applicants now seek approval from this Honourable Court of the professional fees and disbursements of each of the Monitor and BD&P for the period to February 8, 2025 (the "**Monitor Taxation Period**" and the "**BD&P Taxation Period**", respectively).

33. The total fees and expenses of the Monitor during the Monitor Taxation Period are \$112,540 (exclusive of GST), a summary of which is included below:

Delta 9 Group							
Summary of the Monitor's Statements of Account							
For the period December 30, 2024 to February 8, 2025							
Invoice	Period	Fees	Disbursements	Subtotal	GST	PST	Total
Alvarez & Marsal Canada							
12	30-Dec-24 to 31-Dec-24	17,539	-	17,539	877	-	18,416
13	1-Jan-25 to 11-Jan-25	42,719	-	42,719	2,136	-	44,855
14	12-Jan-25 to 31-Jan-25	39,389	-	39,389	1,969	-	41,358
15	1-Feb-25 to 8-Feb-25	12,893	-	12,893	645	-	13,538
Total		112,540	-	112,540	5,627	-	118,167

34. The total fees and expenses of BD&P during the BD&P Taxation Period total \$130,826 (exclusive of GST), a summary of which is included below:

Delta 9 Group							
Summary of the Monitor's Counsel's Statements of Account							
For the period December 29, 2024 to February 8, 2025							
Invoice	Period	Fees	Disbursements	Subtotal	GST	PST	Total
BD&P LLP							
203492833	29-Dec-24 to 11-Jan-25	67,471	726	68,196	3,409	-	71,605
203493706	12-Jan-25 to 25-Jan-25	24,767	310	25,076	1,252	-	26,328
203494476	26-Jan-25 to 31-Jan-25	15,025	3	15,028	751	-	15,779
203494753	1-Feb-25 to 8-Feb-25	23,564	70	23,634	1,178	-	24,812
Total		130,826	1,108	131,934	6,590	-	138,525

35. The Invoices outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. If necessary, copies of the Invoices will be made available to the Court upon request.
36. The Monitor respectfully submits that its professional fees and disbursements and those of the Monitor's Counsel are fair and reasonable in the circumstances, given the substantive tasks required to be performed by the Monitor and the Monitor's Counsel in connection with the CCAA Proceedings.

EXTENSION TO THE STAY OF PROCEEDINGS

37. The Stay Period will expire on February 28, 2025. The Applicants are now seeking the Stay Extension to extend the Stay Period until March 31, 2025.

38. The Monitor supports the Stay Extension the following reasons:
- a) it will afford the Applicants and the Monitor (as applicable) sufficient time to:
 - i. satisfy the conditions of the 659 APA and close the 659 Transaction;
 - ii. satisfy the conditions of the Simply SPA and close the Simply Transaction;
 - iii. distribute amounts owing to the creditors in accordance with the Plan;
 - iv. payout remainder of the SDNL debt; and
 - v. attend to various post-closing and post-implementation matters.
 - b) the Monitor does not believe any creditor of the Applicants will be materially prejudiced by the proposed Stay Extension; and
 - c) in the Monitor's opinion, the Applicants have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

CONCLUSIONS AND RECOMMENDATIONS

39. Based on the current information that has been made available to the Monitor, the Monitor is of the opinion that the relief sought by the Applicants is appropriate and respectfully recommends that this Honourable Court approve:
- a) the Stay Extension to March 31, 2025;
 - b) the proposed increase to the Interim Financing Facility and Interim Lender's Charge by \$400,000, from \$18.5 million to \$18.9 million;

- c) the activities, fees and disbursements of the Monitor and the Monitor's Counsel, as set out in this Report as referenced by the Company in the February 25th Application; and
- d) such further and other relief as this Court may deem just and appropriate in the circumstances.

All of which is respectfully submitted this 21st day of February, 2025.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of Delta 9 Cannabis Inc.,
Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc.,
Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc., and
not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice-President



David Williams, CPA, CIRP, LIT
Manager

APPENDIX "A"

AMENDMENT NO. 3 TO THE INTERIM FINANCING TERM SHEET

This amending agreement (this "**Agreement**") is made as of February 19, 2025, among all of the entities identified on the signature page hereto as a borrower (collectively, the "**Borrowers**"), and 2759054 Ontario Inc. o/a Fika Herbal Goods, as interim lender (the "**Interim Lender**").

WHEREAS:

- A. The Borrowers and the Interim Lender entered into a binding Interim Financing Term Sheet dated as of July 18, 2024 (as amended September 5, 2024, the "**Interim Financing Term Sheet**"); and
- B. The Borrowers and the Interim Lender have agreed to make certain amendments to the Interim Financing Term Sheet on and subject to the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the premises and the agreements set out herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrowers and the Interim Lender agree as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

Unless otherwise defined herein, capitalized terms used in this Agreement, including in the recitals hereto, shall have the meaning ascribed to such terms in the Interim Financing Term Sheet.

Section 1.2 References to the Interim Financing Term Sheet

Upon execution of this Agreement, the Interim Financing Term Sheet shall be deemed to have been amended as of the date hereof. The terms "hereof", "herein", "this Interim Financing Term Sheet", "the Interim Financing Term Sheet" and similar terms used in the Interim Financing Term Sheet, shall mean and refer to, from and after the date hereof, the Interim Financing Term Sheet as amended by this Agreement.

Section 1.3 Continued Effectiveness

Nothing contained in this Agreement shall be deemed to be a waiver by the Interim Lender of compliance by the Borrowers with any covenant or agreement contained in the Interim Financing Term Sheet, or a waiver of any default or event of default under the Interim Financing Term Sheet, and each of the parties hereto agrees that the Interim Financing Term Sheet as amended by this Agreement shall remain in full force and effect, and time shall remain of the essence.

Section 1.4 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the Borrowers and the Interim Lender and their respective successors and permitted assigns.

Section 1.5 Currency

All references in this Agreement to dollars, monetary amounts or to \$ are expressed in the lawful currency of Canada unless otherwise specifically indicated.

Section 1.6 Invalidity of any Provisions

Any provision of this Agreement, which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition in such jurisdiction without invalidating the remaining terms and provisions hereof and no such invalidity shall affect the obligation of the Borrowers to pay the debts, liabilities and obligations of the Borrowers under the Interim Financing Facility.

Section 1.7 Captions and Headings

The inclusion of headings preceding the text of the sections of this Agreement and the headings following each Article in this Agreement are intended for convenience of reference only and shall not affect in any way such construction or interpretation thereof.

ARTICLE 2 AMENDMENTS

Section 2.1 Amendments

The Interim Financing Term Sheet is hereby amended as follows:

- (a) Paragraph D of the recitals is amended by deleting “\$18,500,000” and replacing it with “\$18,900,000”;
- (b) The first paragraph of Section 3 titled “**Interim Financing Facility**” is amended by deleting “\$18,500,000” and replacing it with “\$18,900,000”;
- (c) Subparagraph (a) of the first paragraph of Section 3 titled “**Interim Financing Facility**” is amended by deleting “\$5,500,000” and replacing it with “\$5,900,000”; and
- (d) Clause (iii) of subparagraph (a) of Section 10 titled “**Funding Conditions**” is amended by deleting “\$18,500,000” and replacing it with “\$18,900,000”.

Section 2.2 Funding

The Parties hereby acknowledge and agree that the increase to Tranche 1 contemplated by Section 2.1 hereof was funded by the Interim Lender, in full, on February 14, 2025.

ARTICLE 3 CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent

This Agreement shall not become effective until:

- (a) this Agreement is duly executed and delivered to the Interim Lender; and
- (b) the Court grants an order amending the ARIO approving the increase to the Interim Financing Facility and the Interim Lender's Charge.

ARTICLE 4 MISCELLANEOUS

Section 4.1 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.

Section 4.2 Time of the Essence

Time shall be of the essence in this Agreement in all respects.

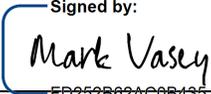
Section 4.3 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

[The remainder of this page has been left intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first set out above.

**2759054 ONTARIO INC. O/A FIKA
HERBAL GOODS, as Interim Lender**

Signed by:

Per: _____
Name: Mark Vasey
Title: CEO

DELTA 9 CANNABIS INC., as Borrower

Signed by:

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 LOGISTICS INC., as Borrower

Signed by:

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

**DELTA 9 CANNABIS STORE INC., as
Borrower**

Signed by:

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 BIO-TECH INC., as Borrower

Signed by: 
Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 LIFESTYLE CANNABIS CLINIC INC., as Borrower

Signed by: 
Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

APPENDIX "B"

