

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF AYURCANN HOLDINGS CORP. AND
AYURCANN INC.**

**FOURTH REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

MAY 29, 2026

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1.0 INTRODUCTION

1.1 On January 30, 2026, Ayurcann Holdings Corp. (“**Ayurcann Parent**”) and Ayurcann Inc. (“**Ayurcann**” and together with Ayurcann Parent, the “**Applicants**” or the “**Company**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.

1.2 The Initial Order, among other things: (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants (in such capacity, the “**Monitor**”); (ii) granted an initial 10 day stay of proceedings (as extended from time to time, the “**Stay**”); (iii) extended the benefit of the Stay to Ayurcann Holding Corp. and Ayurcann Merger Sub Inc. (the “**Non-Applicant Stay Parties**”); and (iv) granted the Administration Charge and the Directors’ Charge (each as defined in the Initial Order).

1.3 On February 9, 2026, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things, extended the Stay in favour of the Applicants and the Non-Applicant Stay Parties up to and including February 27, 2026.

1.4 On February 13, 2026, the Court granted:

- (i) an order, which among other things: (a) authorized the Monitor, with the assistance of the Applicants, to conduct a sale process to solicit interest in a potential transaction in respect of the Company’s business and assets (the “**Sale Process**”);

and (b) approved the stalking horse purchase agreement between the Applicants and Auxly Cannabis Group Inc. (“**Auxly**”) as the “**Stalking Horse Bid**” in the Sale Process; and

- (ii) an order (the “**Second ARIO**”), which among other things: (a) extended the Stay in favour of the Applicants and the Non-Applicant Stay Parties up to and including April 30, 2026; and (b) approved an interim debtor-in-possession financing facility in the amount of \$2,000,000 (the “**DIP Facility**”) and granted the DIP Lender’s Charge (as defined in the Second ARIO).

1.5 On April 28, 2026, the Court granted an order (the “**Approval and Reverse Vesting Order**”), which, among other things:

- (i) approved the agreement of purchase and sale dated March 31, 2026 (the “**Purchase Agreement**”) between the Applicants and Emblem Cannabis Corporation (“**Emblem**” and in such capacity, “**Purchaser**”), with such minor amendments as the Applicants and the Purchaser may deem necessary, with the consent of the Monitor, and authorizing the Applicants and the Monitor to take such steps and actions necessary to complete the transactions contemplated in the Purchase Agreement (the “**Emblem Transaction**”);
- (ii) approved the Stalking Horse Purchase Agreement as the Back-Up Bid (as defined in the Sale Process);
- (iii) approved the addition of Ayurcann Holding Corp. (“**Residual Co.**”) as an Applicant in the CCAA Proceedings and the vesting of all Excluded Assets,

Excluded Contracts, and Excluded Liabilities into Residual Co. in accordance with the closing sequence set out in the Approval and Reverse Vesting Order;

- (iv) approved the vesting of the Purchased Shares (as defined in the Purchase Agreement) in the Purchaser and confirmed that Ayurcann retains the Retained Assets and the Retained Contracts, free and clear from any Encumbrances;
- (v) ordered that Ayurcann be removed as an Applicant in the CCAA Proceedings in accordance with the closing sequence set out in the Approval and Reverse Vesting Order;
- (vi) granted certain releases in favour of certain Released Parties;
- (vii) terminated, released and discharged the Directors' Charge as of the Closing Time;
- (viii) authorized and empowered the Monitor, upon delivery of the Monitor's Certificate, to exercise expanded powers in respect of Residual Co., including managing its property, operations and affairs, and provided certain protections to the Monitor in connection therewith; and
- (ix) extended the Stay in favour of the Applicants and the Non-Applicant Stay Parties up to and including June 30, 2026.

1.6 Additional details regarding the Applicants and the circumstances leading to, and the steps taken in, the CCAA Proceedings are set out in the Pre-Filing Report of the Proposed Monitor dated January 29, 2026 (the "**Pre-Filing Report**"), the First Report of the Monitor dated February 6, 2026 (the "**First Report**"), the Second Report of the Monitor dated

February 11, 2026 (the “**Second Report**”), the Supplement to the Second Report dated February 12, 2026 (the “**Supplemental Second Report**”) and the Third Report dated April 24, 2026 (the “**Third Report**”, together with the Pre-Filing Report, the First Report, the Second Report, the Supplemental Second Report, and the Third Report, the “**Prior Reports**”). The Prior Reports and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/Ayurcann (the “**Case Website**”). A copy of the Third Report is attached hereto (without appendices) as **Appendix “A”**.

- 1.7 This fourth report of the Monitor (the “**Fourth Report**”) should be read in conjunction with the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann, sworn May 28, 2026 (the “**Fifth Sudman Affidavit**”). Capitalized terms used and not defined in this Fourth Report have the meanings given to them in the Prior Reports or the Fifth Sudman Affidavit, as applicable.

2.0 PURPOSE OF THIS REPORT

- 2.1 The purpose of this Fourth Report is to provide the Court with information regarding, and where applicable, the Monitor’s views on:

- (i) the Applicants’ motion for a Third Amended and Restated Initial Order (the “**Third ARIO**”), which, effective upon the payment to Auxly pursuant to the DIP Assignment (as defined below) of an amount equal to the obligations owing under the existing DIP Facility (the “**Payout Amount**”):
 - (a) approves Ayurcann’s ability to borrow under an amended and restated debtor-in-possession credit facility (the “**Amended and Restated DIP**”)

- Facility”** and the agreement related thereto, the **“Amended and Restated DIP Agreement”**);
- (b) replaces Auxly in its capacity as the original DIP Lender (in such capacity, the **“Original DIP Lender”**) with Emblem (in such capacity, the **“Replacement DIP Lender”**);
 - (c) increases the DIP Lender’s Charge, which will be in favour of the Replacement DIP Lender upon payment of the Payout Amount, up to a maximum amount of \$3,000,000, plus accrued and unpaid interest, fees and expenses; and
 - (d) extends the Stay to and including August 31, 2026 (the **“Stay Extension”**);
- (ii) the Applicants’ motion for an Order (the **“Claims Procedure Order”**), which, among other things:
- (a) establishes a procedure for the identification and quantification of certain claims against the Applicants (the **“Claims Process”**); and
 - (b) authorizes, directs and empowers the Applicants and the Monitor to take such actions as are contemplated by the Claims Procedure Order;
- (iii) the Applicants’ cash flow results for the five-week period ended May 22, 2026;
- (iv) the Applicants’ updated cash flow forecast for the 15-week period ending September 4, 2026;
- (v) the activities of the Monitor since the date of the Third Report; and

(vi) the Monitor's conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Fourth 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 Company, and has had discussions with management of the Company and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this Fourth Report in respect of the Company's Cash Flow Forecast (as defined below):

- (i) 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
- (ii) some of the information referred to in this Fourth 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.

3.2 Future oriented financial information referred to in this Fourth Report was prepared based on the Company's management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are

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

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 UPDATE ON EMBLEM TRANSACTION

4.1 Since the date of the Third Report, the Applicants and the Purchaser, with the assistance of the Monitor, have continued to advance the closing of the Emblem Transaction. The Monitor understands that new employment agreements were delivered to retained employees on May 25, 2026, and the form of substantially all of the closing documents has now been settled.

4.2 As of the date of this Fourth Report, the only material closing condition outstanding is for Health Canada to complete its change of control compliance assessment (the “**Health Canada Assessment**”), as required under the *Cannabis Act* (Canada) and its Regulations. It is a closing condition under the Purchase Agreement that the proposed Emblem Transaction passes the Health Canada Assessment. The Monitor understands that representatives of Health Canada have advised the Applicants that the Health Canada Assessment is progressing in accordance with established timelines with an anticipated completion date within weeks if not sooner.

4.3 The outside date of the Emblem Transaction was originally May 15, 2026 (as extended from time to time, the “**Outside Date**”). Due to delays related to the pending completion of the Health Canada Assessment, the Applicants and the Purchaser initially agreed to extend the Outside Date to May 29, 2026. The Applicants and the Purchaser have now

agreed to further extend the Outside Date to June 30, 2026 pursuant to the Purchase Agreement Amendment (as defined below).

- 4.4 The Stalking Horse Bid, which had previously been approved as the Back-Up Bid, became non-binding on May 15, 2026. As such, the Emblem Transaction represents the only remaining binding transaction available to the Applicants.

5.0 AMENDED AND RESTATED DIP FACILITY

- 5.1 The Original DIP Lender and Emblem are finalizing the terms of an assignment of debt and security (the “**DIP Assignment**”), pursuant to which, the Original DIP Lender has agreed to assign, and the Replacement DIP Lender has agreed to assume, the indebtedness and security under the DIP Facility. In connection with the DIP Assignment, the Applicants and the Replacement DIP Lender have finalized the Amended and Restated DIP Agreement.

- 5.2 As reflected in the Updated Cash Flow Forecast (as defined below), the Applicants are not projected to have sufficient liquidity to repay the existing DIP Facility, while also satisfying their post-filing obligations as they become due. Absent additional financing, the Applicants are expected to experience a liquidity shortfall in the immediate term. In the circumstances, the Monitor understands that the Applicants are seeking approval of the Amended and Restated DIP Facility, which, if approved, is expected to fund the Applicants’ ordinary course obligations and maintain operations pending closing of the Emblem Transaction.

- 5.3 The Monitor has reviewed the proposed Amended and Restated DIP Facility. Other than the increase of \$2,000,000 to \$3,000,000, the terms of the Amended and Restated DIP

Facility are substantially the same as the existing DIP Facility. As reflected in the Updated Cash Flow Forecast, the Applicants will require the Amended and Restated DIP Facility to satisfy working capital needs and maintain ordinary course operations, including their monthly excise tax payments due on June 1, 2026.

5.4 The Purchase Agreement has been amended, with signature pages in escrow, to allow Emblem to credit bid any indebtedness owing under the Amended and Restated DIP Facility at closing (the “**Purchase Agreement Amendment**”). In addition, and in accordance with Section 7.8 of the Purchase Agreement, the purchase price will be adjusted upward on a dollar-for-dollar basis for all amounts advanced under the Amended and Restated DIP Facility in excess of the original DIP Facility Limit (the “**Purchase Price Adjustment**”).

5.5 The Purchase Price Adjustment has been designed such that the net cash proceeds derived from the Purchase Price (i.e., net of the credit bid) will not be impacted by the \$1 million increase to the availability under the Amended and Restated DIP Facility. Said another way, the funds available for distribution to the Applicants’ creditors are materially the same as under the original Purchase Agreement. Accordingly, no creditor will be prejudiced by the Amended and Restated DIP Facility or the increase to the funding availability contemplated therein.

5.6 The Monitor has been consulted throughout the negotiations and supports the Amended and Restated DIP Facility as appropriate in the circumstances. The Monitor understands that the Original DIP Lender and the Replacement DIP Lender have also advised that they support the proposed relief.

6.0 CLAIMS PROCEDURE ORDER¹

- 6.1 The Applicants are seeking approval of the Claims Process to identify, quantify and resolve Claims that exist against the Applicants.
- 6.2 The Monitor assisted with the development of the proposed Claims Process, which will be conducted by the Monitor in consultation with the Applicants. Following the identification of the universe of Claims through the Claims Process, the Applicants intend to return to Court to seek relief to effect a distribution to creditors.
- 6.3 The key terms of the Claims Process are set out more fully in the Fifth Sudman Affidavit and are summarized below.

Notice to Claimants

- 6.4 The proposed Claims Procedure Order requires the Monitor to provide a copy of the Claims Package to Known Claimants no later than five (5) Business Days following the granting of the Claims Procedure Order or as soon as practicable thereafter. Additionally, the proposed Claims Procedure Order requires the Monitor to:
- (i) post a copy of the Claims Procedure Order, the Applicants' Motion Record in respect of the Claims Procedure Order, the Claims Package, and any other materials filed with the Court pertaining to the Claims Procedure Order, on the Case Website as soon as practicable following the granting of the Claims Procedure Order;

¹ Capitalized terms used in this section have the meanings given to them in the proposed Claims Procedure Order.

- (ii) cause a notice of the granting of the Claims Procedure Order and the Claims Process to be published by the Monitor, for at least one (1) Business Day, in *The Globe and Mail (National Edition)*;
- (iii) deliver a copy of the Claims Package to any Person claiming to be a Claimant and requesting such material in writing, as soon as reasonably practicable following receipt of a request therefor; and
- (iv) upon becoming aware of any circumstance giving rise to a Restructuring Period Claim, send a Claims Package to the applicable potential Claimant or direct such potential Claimant to the documents posted on the Case Website in respect of such Restructuring Period Claim.

6.5 Pursuant to the proposed Claims Procedure Order, the Claims Packages will contain copies of an Instruction Letter, Notice Letter, Proof of Claim form, and such other materials as the Monitor and the Applicants may consider appropriate or desirable, each in the forms attached as schedules to the Claims Procedure Order.

6.6 The Claims Packages are intended to provide Known Claimants and potential Claimants with notice of the Claims Process, the applicable Bar Dates, and information with respect to the submission of a Proof of Claim and a Notice of Dispute of Revision or Disallowance.

Filing of a Proof of Claim

6.7 Pursuant to the proposed Claims Procedure Order, any Claimant that wishes to assert a Pre-Filing Claim or a Restructuring Period Claim must do so by delivering a Proof of Claim, including all relevant supporting documentation, to the Monitor by the Claims Bar Date or

the Restructuring Period Claims Bar Date, as applicable. Residual Co. has also been included as an Applicant under the Proof of Claim form, to capture any Restructuring Period Claims that may arise following the Closing Date.

- 6.8 The Claims Bar Date is 5:00 p.m. (Eastern Time) on July 16, 2026, or such later date as may be ordered by the Court. The Restructuring Period Claims Bar Date is the later of (i) the Claims Bar Date, and (ii) 5:00 p.m. (Eastern Time) on the date that is twenty (20) Business Days after the date on which the Monitor sends a Claims Package with respect to a Restructuring Period Claim to a Claimant.
- 6.9 The Monitor was consulted in determining the applicable Bar Dates and supports the Claims Bar Date and other timelines contemplated under the proposed Claims Procedure Order, which it believes are appropriate in the circumstances.
- 6.10 The proposed Claims Procedure Order does not affect Excluded Claims, and any Person holding an Excluded Claim is not required to file a Proof of Claim in respect of it. Excluded Claims include: (i) any Claim secured by any of the CCAA Charges, including any Claim of the DIP Lender under the DIP Agreement; (ii) any intercompany claims solely between the Applicants; (iii) any claim enumerated in subsections 5.1(2) and 19(2) of the CCAA; and (iv) any Excluded Claim arising through subrogation.

Determination of Claims

- 6.11 Under the proposed Claims Procedure Order, the Monitor and the Applicants will review all Proofs of Claim received by the applicable Bar Dates. The Monitor, in consultation with

the Applicants, will then accept, revise, or disallow, in whole or in part, the Classification, Nature, and amount of each Claim for voting and distribution purposes.

- 6.12 Based on the Company's books and records, the Monitor believes that the pool of third-party creditors is relatively small in this case and well-defined, with approximately 35 known creditors, plus additional anticipated claims for terminated employees and certain contractual agreements not included in the Emblem transaction which may trigger certain damages claims.
- 6.13 The Monitor will notify each Claimant of the outcome by sending a Notice of Acceptance, Revision or Disallowance. Any notice of revision or disallowance will include reasons.
- 6.14 A Claimant wishing to dispute a Notice of Acceptance, Revision or Disallowance must deliver a written Notice of Dispute of Revision or Disallowance to the Monitor within fourteen (14) Calendar Days of the date the Notice was sent, by no later than 5:00 p.m. (Eastern Time). A Claimant that does not file a Notice of Dispute of Revision or Disallowance within that period will be deemed to have accepted the Classification, Nature, and amount of the Claim as set out in the Notice for voting and distribution purposes.
- 6.15 The Monitor and the Applicants will review all Notices of Dispute of Revision or Disallowance. If the Monitor, in consultation with the Applicants, is unable to resolve a Disputed Claim with a Claimant satisfactorily, the Monitor will notify the Applicants and the Claimant and refer the Disputed Claim to a Claims Officer in accordance with the Claims Procedure Order, the Court, or such alternative dispute resolution forum as may be

ordered by the Court or agreed to by the Monitor, the Applicants and the applicable Claimant.

Monitor's Recommendation regarding Claims Process

- 6.16 In the Monitor's view, the proposed Claims Process is fair and appropriate in light of the purpose of the process and the nature of the CCAA Proceedings. The Claims Process Order is efficient and will facilitate the identification of Claims against the Applicants and/or their Directors and Officers in a fair and expeditious manner. The proposed Bar Dates are reasonable. The direct notification and publication of notice to potential Claimants will make the Claims Process widely distributed and publicized.
- 6.17 For the reasons set out above the Monitor supports the granting of the proposed Claims Procedure Order.

7.0 STAY EXTENSION

- 7.1 The Stay currently expires on June 30, 2026. The Applicants are requesting an extension of the Stay Period until and including August 31, 2026.
- 7.2 The Monitor supports the request for an extension of the Stay for the following reasons:
- (i) it will provide some additional time to receive the required approvals from Health Canada and complete the Emblem Transaction;
 - (ii) it will enable the Monitor to carry out the proposed Claims Process and thereafter return to the Court to seek a distribution order;

- (iii) the Applicants have been acting, and continue to act, in good faith and with due diligence;
- (iv) the Monitor does not believe that any creditor will be materially prejudiced by the Stay Extension; and
- (v) subject to Court approval of the Amended and Restated DIP Facility, the Applicants are projected to have sufficient liquidity to fund their operations until August 31, 2026.

8.0 CASH FLOW RESULTS RELATIVE TO FORECAST

8.1 Receipts and disbursements for the five-week period from April 18, 2026 to May 22, 2026, as compared to the cash flow forecast attached as Appendix “A” to the Third Report (the “**Cash Flow Forecast**”), are summarized here:

| Cash Flow Variance Report | | | |
|----------------------------------|----------------|-----------------|-----------------|
| <i>(CAD \$000s, unaudited)</i> | <u>Actual</u> | <u>Forecast</u> | <u>Variance</u> |
| Receipts | | | |
| AR Collections | 3,269 | 1,551 | 1,718 |
| Transaction - Proceeds | -- | 5,004 | (5,004) |
| Total Receipts | 3,269 | 6,555 | (3,286) |
| Disbursements | | | |
| Payroll & Benefits | (433) | (459) | 26 |
| Sales and Marketing | (1,374) | (1,541) | 167 |
| Excise Taxes | (927) | (1,402) | 475 |
| Sales Taxes | (132) | (19) | (113) |
| Office and General | (480) | (419) | (61) |
| Professional Fees | (442) | (466) | 24 |
| KERP | -- | (66) | 66 |
| Transaction - Bid Protections | -- | (264) | 264 |
| Total Disbursements | (3,789) | (4,637) | 848 |
| Net Cash Flow | (520) | 1,918 | (2,438) |
| Beginning Cash | 1,398 | 1,398 | -- |
| Net Cash Flow | (520) | 1,918 | (2,438) |
| DIP – Cash Draws | 1,000 | (705) | 1,705 |
| Ending Cash | 1,878 | 2,611 | (733) |

8.2 As at May 22, 2026, Ayurcann’s cash balance was approximately \$1.9 million, and \$1.5 million had been drawn under the existing DIP Facility.

8.3 The majority of the variances detailed above are attributed to the delay in the closing of the Emblem Transaction and the related proceeds and disbursements associated with the Emblem Transaction, which are now included in the Updated Cash Flow Forecast (as defined and described below).

9.0 UPDATED CASH FLOW FORECAST

9.1 Ayurcann, with the assistance of the Monitor, has prepared an updated cash flow (the “**Updated Cash Flow Forecast**”) for the 15-week period ending September 4, 2026 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”), are attached hereto as **Appendix “B”**.

9.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

| Ayurcann Cash Flow Forecast | 15-Weeks \$000's |
|--|-----------------------------|
| Receipts | |
| AR Collections | 2,663 |
| Transaction – Proceeds | 6,063 |
| Total Receipts | 8,726 |
| Disbursements | |
| Payroll & Benefits | (552) |
| Sales and Marketing | (2,502) |
| Excise Taxes | (2,601) |
| Sales Taxes | (70) |
| Office and General | (278) |
| Restructuring Professional Fees | (652) |
| KERP | (66) |
| Transaction – Bid Protections | (264) |
| Total Disbursements | (6,985) |
| Net Cash Flow | 1,741 |
| Opening Cash Balance | 1,878 |
| Net Cash Flow | 1,741 |
| DIP Draws | 1,000 |
| DIP Facility Repayment | (2,620) |
| Ending Cash Balance | \$1,999 |

9.3 The Monitor notes the following:

- (i) AR collections include the collection of existing accounts receivable and forecast sales prior to the closing of the Emblem Transaction;
- (ii) transaction proceeds represent the Purchase Price (as defined in the Purchase Agreement Amendment) payable in cash on the Closing Date;
- (iii) payroll and benefits include salaries, benefits, and related payroll taxes;
- (iv) sales and marketing include the cost of supplies and materials relating to product sales together with other selling expenses required for operations;
- (v) office and general include non-merchandise vendor payments, including rent, insurance and other expenses;
- (vi) restructuring professional fees include the fees of Ayurcann's counsel, the Monitor and the Monitor's counsel; and
- (vii) DIP draws / (repayment) reflects a draw of \$1.0 million in the week ending June 5, 2026 under the Amended and Restated DIP Facility and repayment of the outstanding Amended and Restated DIP Facility balance on the Closing Date of approximately \$2.6 million, including fees and accrued interest.

9.4 During the Cash Flow Period, net cash flows are projected to be \$1.7 million, which are forecast to be funded by cash on hand, the draw of \$1.0 million in the week ending June 5, 2026 under the Amended and Restated DIP Facility and the sale proceeds to be received in connection with completion of the Emblem Transaction.

Monitor's Review

9.5 Based on the Monitor's review,² nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (ii) as at the date of this Fourth Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

10.0 ACTIVITIES OF THE MONITOR

10.1 Since the date of the Third Report, the primary activities of the Monitor have included the following:

- (i) engaging in meetings with Emblem and the Applicants related to the transition of the business and closing matters, including the preparation and delivery of retained employees' offers of employment;
- (ii) correspondence with Health Canada to address diligence requests and advance the Health Canada Assessment process;

² The Monitor has reviewed the Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Company's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast.


- (iii) providing the Original DIP Lender with updates about the CCAA Proceedings and Emblem Transaction closing;
- (iv) monitoring the Applicants' cash receipts and disbursements, assisting in preparing weekly cash flow variance reporting and assisting in preparing the Updated Cash Flow Forecast;
- (v) updating the Case Website and coordinating the posting of Court-filed documents to the Case Website;
- (vi) responding to creditor and other inquiries received via the Monitor's toll-free number and email account for the CCAA Proceedings;
- (vii) reviewing and commenting on the Applicants' materials filed in support of the relief sought in the Third ARIO and Claims Procedure Order;
- (viii) assisting with the negotiations relating to the Purchase Agreement Amendment and the Amended and Restated DIP Facility; and
- (ix) with the assistance of its counsel, preparing this Fourth Report.

11.0 MONITOR'S RECOMMENDATION

- 11.1 For the reasons set out in this Fourth Report, the Monitor respectfully recommends that the Court grant the Third ARIO and Claims Procedure Order in the form sought by the Applicants.

All of which is respectfully submitted to this Court this 29th day of May, 2026.

ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Ayurcann
Holdings Corp. *et al.*

Per: 

Josh Nevsky
Senior Vice President

APPENDIX A
THIRD REPORT OF THE MONITOR

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APRIL 24, 2026

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APPENDICES

Appendix A – Second Report of the Monitor (without Appendices)

Appendix B – Updated Cash Flow Forecast for the Period Ending July 3, 2026

1.0 INTRODUCTION

1.1 On January 30, 2026 (the “**Filing Date**”), Ayurcann Holdings Corp. (“**Ayurcann Parent**”) and Ayurcann Inc. (“**Ayurcann**” and together with Ayurcann Parent, the “**Applicants**” or the “**Company**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.

1.2 The Initial Order, among other things: (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants (in such capacity, the “**Monitor**”); (ii) granted an initial 10 day stay of proceedings (as extended from time-to time in these proceedings, the “**Stay**”); (iii) extended the benefit of the Stay to Ayurcann Holding Corp. and Ayurcann Merger Sub Inc. (the “**Non-Applicant Stay Parties**”); and (iv) granted the Administration Charge and the Directors’ Charge (each as defined in the Initial Order).

1.3 On February 9, 2026, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things:

- (i) increased the Administration Charge and Directors’ Charge up to a maximum of \$800,000 and \$3,020,000, respectively;
- (ii) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a super-priority charge over the Property as security for payments to be made in accordance with the KERP in the maximum amount of \$66,250;

- (iii) authorized the Applicants, with the consent of the Monitor, to pay certain amounts owing for goods and services supplied to the Applicants prior to the Filing Date;
- (iv) preserved the *status quo* of the Licences (as defined in the Fourth Sudman Affidavit (as defined below)); and
- (v) extended the Stay in favour of the Applicants and the Non-Applicant Stay Parties up to and including February 27, 2026.

1.4 On February 13, 2026, the Court granted:

- (i) an order (the “**Sale Process Approval Order**”), which among other things: (a) authorized the Monitor, with the assistance of the Applicants, to conduct a sale process to solicit interest in a potential transaction in respect of the Company’s business and assets (the “**Sale Process**”); and (b) approved the stalking horse purchase agreement (the “**Stalking Horse Purchase Agreement**”) between the Applicants and Auxly Cannabis Group Inc. (“**Auxly**” and in such capacity, the “**Stalking Horse Bidder**”) as the “**Stalking Horse Bid**” in the Sale Process; and
- (ii) an order (the “**Second ARIO**”), which among other things: (a) extended the Stay in favour of the Applicants and the Non-Applicant Stay Parties up to and including April 30, 2026; and (b) approved an interim debtor-in-possession financing facility in the amount of \$2,000,000 (the “**DIP Facility**”) and granted the DIP Lender’s Charge (as defined in the Second ARIO).

1.5 Additional details regarding the Applicants and the circumstances leading to, and the steps taken in, the CCAA Proceedings are set out in the Pre-Filing Report of the Proposed

Monitor dated January 29, 2026 (the “**Pre-Filing Report**”), the First Report of the Monitor dated February 6, 2026 (the “**First Report**”), the Second Report of the Monitor dated February 11, 2026 (the “**Second Report**”) and the Supplement to the Second Report dated February 12, 2026 (the “**Supplemental Second Report**” and, together with the Pre-Filing Report, the First Report, and the Second Report, the “**Prior Reports**”). The Prior Reports and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/Ayurcann (the “**Case Website**”). A copy of the Second Report is attached hereto (without appendices) as **Appendix “A”**.

- 1.6 This third report of the Monitor (the “**Third Report**”) should be read in conjunction with the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann, sworn April 21, 2026 (the “**Fourth Sudman Affidavit**”). Capitalized terms used and not defined in this Third Report have the meanings given to them in the Prior Reports or the Fourth Sudman Affidavit, as applicable.

2.0 PURPOSE OF THIS REPORT

- 2.1 The purpose of this Third Report is to provide the Court with information regarding, and where applicable, the Monitor’s views on:

- (i) an overview of the Sale Process;
- (ii) the Applicants’ motion for an order (the “**Approval and Reverse Vesting Order**”), which, among other things:
 - (a) approves the agreement of purchase and sale dated March 31, 2026 (the “**Purchase Agreement**” and together with the Stalking Horse Purchase

Agreement, the “**Purchase Agreements**”) between the Applicants and Emblem Cannabis Corporation (“**Emblem**” and together with its assignee, if any, under the Purchase Agreement, the “**Purchaser**”), with such minor amendments as the Applicants and the Purchaser may deem necessary, with the consent of the Monitor and authorizing the Applicants and the Monitor to take such steps and actions necessary to complete the transactions contemplated in the Purchase Agreement (the “**Transactions**”);

- (b) approving, as a back-up bid (the “**Back-Up Bid**”), the Stalking Horse Purchase Agreement and the transactions contemplated therein (the “**Back-Up Transactions**”), and authorizing and directing the Applicants to take such additional steps and execute such additional documents as necessary or desirable for the completion of the Back-Up Transactions, only to the extent that the Purchase Agreement and the Transactions do not close on or before May 15, 2026 (the “**Outside Date**”);
- (c) approving the addition of Ayurcann Holding Corp. (“**Residual Co.**”) as an Applicant in the CCAA Proceedings and vesting all Excluded Assets, Excluded Contracts, and Excluded Liabilities (each as defined in the Purchase Agreement) into Residual Co.;
- (d) vesting the Purchased Shares (as defined below) in the Purchaser and confirming that Ayurcann retains the Retained Assets and the Retained Contracts (each as defined in the Purchase Agreement), each free and clear from any encumbrances;

- (e) upon completion of the Transactions:
 - i. removing Ayurcann as an Applicant in the CCAA Proceedings;
 - ii. approving the partial distribution of sale proceeds to Auxly (the “**Auxly Distribution**”), as full and final satisfaction of the DIP Indebtedness and the Bid Protections (each as defined below), and immediately thereafter, terminating, releasing and discharging: (A) the Bid Protections Charge; and (B) the DIP Lender’s Charge as against Residual Co., Ayurcann Parent and their property; and
 - iii. granting certain releases in favour of the Released Parties (as defined below) and terminating, releasing and discharging the Directors’ Charge as of the Closing Time;
- (f) sealing an unredacted copy of Schedule “I” (Retained Employees List) to the Purchase Agreement until further order of the Court;
- (g) authorizing the Monitor, upon service of the Monitor’s Certificate (as defined below), to exercise expanded powers in respect of Residual Co., including managing its property, operations and affairs (collectively, the “**Monitor’s Enhanced Powers**”), and providing certain protections to the Monitor in connection therewith; and
- (h) extending the Stay to and including June 30, 2026 (the “**Stay Extension**”);
- (iii) certain updates since the granting of the Second ARIO on February 13, 2026;

- (iv) the Applicants' cash flow results for the 10-week period ended April 17, 2026;
- (v) the Applicants' updated cash flow forecast for the 11-week period ending July 3, 2026;
- (vi) the activities of the Monitor since the date of the Second Report (February 11, 2026); and
- (vii) the Monitor's conclusions and recommendations in connection with the foregoing.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Third 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 Company, and has had discussions with management of the Company and its legal counsel (collectively, the "**Information**"). Except as otherwise described in this Third Report in respect of the Company's Cash Flow Forecast (as defined below):

- (i) 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

(ii) some of the information referred to in this Third 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.

3.2 Future oriented financial information referred to in this Third Report was prepared based on the Company's management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 SALE PROCESS OVERVIEW

4.1 The Sale Process was designed to be a single-phase process administered by the Monitor and the Applicants to solicit interest in, and opportunities for, higher and better offers than provided for in the Stalking Horse Bid in contemplation of a sale of all or part of the Company's assets and business operations, on a going concern basis (the "**Opportunity**"). Capitalized terms used and not defined in this section of the Third Report have the meanings given to them in the Sale Process.

4.2 During the Sale Process, the Monitor contacted 82 parties regarding the Opportunity, which includes parties that contacted the Monitor or the Applicants directly, and provided each such party with a summary of the Company's business, an outline of the Sale Process and an invitation to participate in the Sale Process (the "**Teaser**"). In addition, the Monitor

published a notice of the Sale Process on the Case Website and in Insolvency Insider on February 23, 2026.

- 4.3 Of the 82 parties contacted, ten parties executed a non-disclosure agreement (“**NDA**”). Upon executing an NDA, parties were provided with a confidential information memorandum and access to the electronic data room. Over the course of the Sale Process and leading up to the bid deadline of March 31, 2026 (the “**Bid Deadline**”), the Applicants and the Monitor responded to diligence requests and questions from Potential Bidders. Of the ten Potential Bidders who executed an NDA, four performed a substantial amount of due diligence in respect of the business, including requesting certain additional financial and operational information from the Monitor, attending management meetings and performing various site tours at Ayurcann’s processing facility.
- 4.4 On March 18, 2026, the Monitor provided each of the ten Potential Bidders with a process letter that outlined the requirements for the submission of a binding bid (a “**Qualified Bid**”) and a reminder of the Bid Deadline.
- 4.5 By the March 31, 2026 Bid Deadline, the Monitor received one Qualified Bid (other than the Stalking Horse Bid) from Emblem (the “**Submitted Bid**”). Following its submission, the Monitor and the Applicants provided comments on the Submitted Bid to Emblem.
- 4.6 In response to the comments of the Monitor and the Applicants, Emblem submitted a revised binding bid (the “**Revised Emblem Bid**”) on April 4, 2026. On April 6, 2026, the Monitor confirmed the Revised Emblem Bid was a Qualified Bid, and that the Revised Emblem Bid would act as the lead bid for the purposes of an auction, which auction was scheduled to be held on April 10, 2026.

- 4.7 On April 6, 2026, the Monitor notified Auxly, the Stalking Horse Bidder, that a Qualified Bid was received, and advised that such bid would act as the lead bid for the purposes of an auction.
- 4.8 On April 9, 2026, Auxly communicated to the Monitor and the Applicants that Auxly was declining to participate in the auction. On April 10, 2026, the Revised Emblem Bid was selected as the Successful Bid, and the Stalking Horse Bid was selected as the Back-Up Bid.
- 4.9 The Revised Emblem Bid contemplates a purchase price of \$5,004,200, which will generate \$100,000 in additional value for the Applicants' creditors over the Stalking Horse Bid, after payment of the Bid Protections amount. The other terms of the Revised Emblem Bid were substantially the same as the Stalking Horse Bid.

5.0 THE TRANSACTIONS¹

- 5.1 The Transactions contemplated under the Purchase Agreement provide for the acquisition of the Applicants' business on a going concern basis through a reverse vesting transaction, pursuant to which, following the cancellation of all outstanding shares and securities of Ayurcann, the Purchaser will acquire 100% of the newly issued common shares of Ayurcann.
- 5.2 Under the reverse vesting structure, the Excluded Assets, Excluded Liabilities and Excluded Contracts will be transferred and vested in Residual Co. prior to the Purchaser acquiring the Purchased Shares. All claims and Encumbrances against Ayurcann, the

¹ Capitalized terms used and not defined in this section of the Third Report have the meanings given to them in the Purchase Agreement.

Purchased Shares, the Retained Assets and the Retained Contracts will be discharged and released and vested in Residual Co., pursuant to the proposed Approval and Vesting Order.

5.3 The key terms of the Transactions are summarized in the following table:

| Term | Details |
|--------------------------------|--|
| 1.1 Purchaser | Emblem Cannabis Company or its designated assignee in accordance with the Purchase Agreement |
| 1.1 Purchased Shares | The common shares in the capital of Ayurcann issued from treasury to the Purchaser, which following issuance will constitute 100% of the issued and outstanding equity interests of Ayurcann. |
| 1.1 Retained Liabilities | <p>The Purchaser shall assume the following liabilities:</p> <ul style="list-style-type: none"> (a) all liabilities under the Retained Contracts from and after the Closing Time, including any Cure Costs; (b) the employer liabilities of any Retained Employees from and after the Closing Time, including in connection with wages, benefits and statutory obligations (including vacation pay accruals); (c) any liabilities required by Applicable Law to maintain the retained Permits and Licences in good standing (but only to the extent such liabilities arise and are payable after the Closing Time, subject to (e) below); (d) all trade payables and other liabilities relating to the Business incurred in the ordinary course after the Filing Date, but prior to the Closing Date, that remain outstanding at the Closing Time (provided that prior to the Closing Time, all such payables are paid in accordance with the approved Cash Flow); and (e) Taxes in respect of the ongoing conduct of business and operations conducted by Ayurcann for any period, or portion thereof, beginning on or after the Filing Date, provided that the Purchaser will not assume more than one month of accrued excise tax liabilities. |
| 1.1 Cure Costs | The Purchaser is required to cure any monetary defaults under the Retained Contracts on or prior to Closing. The Monitor has confirmed that there are no outstanding Cure Costs in respect to the Retained Contracts. |
| 3.2 Purchase Price | \$5,004,200, satisfied by a cash payment on Closing (the “ Purchase Price ”) |
| 4.3 As is, Where is | The Purchase Agreement contemplates an “as is, where is” transaction. |
| 6.1 The Purchaser’s Conditions | <p>The Purchaser’s closing conditions include, among others:</p> <ul style="list-style-type: none"> (a) <u>Court Approval</u>. The Approval and Reverse Vesting Order, in a form satisfactory to the Applicants, the Purchaser and the Monitor, each acting reasonably, shall have been issued by the Court, and shall not |

| | |
|---------------------------------------|---|
| | <p>have been vacated, set aside or stayed. The applicable appeal periods shall have expired.</p> <p>(b) <u>Actions by Health Canada or Canada Revenue Agency.</u> As of the Closing Time, no suspension, revocation, cancellation, non-compliance notice, administrative monetary penalty, licence amendment adverse to the Business, inspection deficiency, enforcement action or other proceeding by Health Canada or the Canada Revenue Agency shall have been issued, made, threatened or be pending in respect of the Business, the Permits and the Licences (including the Critical Permits and Licences) or the Health Canada Licences, and all such licences, permits and authorizations shall be valid, subsisting and in good standing.</p> <p>(c) <u>Releases.</u> The Court shall have issued an order granting full and final releases in favour of the Directors and Officers, as applicable, for any and all liabilities incurred in their capacity as directors and officers of the Applicants other than any Liabilities arising from such Directors’ or Officers’ gross negligence or wilful misconduct.</p> <p>(d) <u>Critical Permits and Licences.</u> The Critical Permits and Licences are in good standing and not suspended or terminated.</p> <p>(e) <u>Consulting Agreements.</u> On or before the Closing Date, the Consulting Agreements shall have been executed and delivered by the Purchaser to all individuals comprising the Key Management.</p> <p>(f) <u>Consents and Approvals.</u> All consents and Approvals shall have been obtained, in form and substance satisfactory to the Purchaser.</p> |
| <p>6.2 The Applicants’ Conditions</p> | <p>The Applicants’ closing conditions include, among others:</p> <p>(a) <u>Court Approval.</u> The Approval and Reverse Vesting Order shall have been issued by the Court, and shall not have been vacated, set aside or stayed. The applicable appeal periods shall have expired.</p> |
| <p>7.7 Grounds for Termination</p> | <p>The Purchase Agreement will automatically terminate upon mutual agreement of the Applicants and the Purchaser (with written notice to the Monitor).</p> <p>The Purchase Agreement may be terminated upon the occurrence of any of the following:</p> <p>(a) by either party upon written notice, if a condition set out in Article 6 has not been satisfied or performed on or prior to the dates specified therein (as applicable); or</p> <p>(b) by any party, if Closing has not occurred by the Termination Date (provided that the terminating party has not breached its obligations under the Purchase Agreement in such a manner as to cause a closing condition not to be fulfilled).</p> |

5.4 The Purchase Agreement is attached as Exhibit “G” to the Fourth Sudman Affidavit.

5.5 The Transactions will result in, among other things:

- (i) continued employment of approximately forty (40) employees and additional contractors; and
- (ii) the preservation of Ayurcann's proprietary brands, material customer and supplier relationships, and regulatory cannabis licences and governmental contracts.

5.6 It is also expected that the Transactions will provide sufficient proceeds to facilitate distributions to unsecured creditors.

Monitor's Observations and Views with Respect to the Sale Process and the Transaction

5.7 The Monitor makes the following observations and expresses the following views with respect to the Sale Process and the Transactions:

- (i) the Sale Process was reasonable in the circumstances and conducted in accordance with the process approved by this Court pursuant to the Sale Process Approval Order;
 - (a) as described above, the Monitor and the Applicants conducted a broad and thorough marketing process;
 - (b) the market for a potential purchaser of the Applicants' business and assets was thoroughly canvassed;
 - (c) Potential Bidders had sufficient time and access to detailed information to perform due diligence to adequately assess the Applicants' business; and
 - (d) the Sale Process did not yield any Qualified Bids other than the Revised Emblem Bid and the Stalking Horse Bid;

- (ii) the Monitor recommended the approval by the Court of the Sale Process Approval Order, and with the assistance of the Applicants, administered the Sale Process;
- (iii) in the Monitor's view, the Transactions, whereby the Business will continue to operate on a going-concern basis to the benefit of the Applicants' stakeholders and employees, are more beneficial to creditors than a liquidation under the CCAA or a sale or disposition under bankruptcy;
- (iv) the Purchase Agreement contemplates the repayment of the DIP Indebtedness and Bid Protections in full and final satisfaction of the obligations secured by the DIP Lender's Charge and the Bid Protections Charge, respectively;
- (v) the Purchase Price generates \$100,000 in incremental value for the Applicants' creditors over the Stalking Horse Bid (net of the Bid Protections);
- (vi) given the results of the Sale Process and the broader industry challenges facing many Canadian cannabis companies, the Monitor believes that the consideration to be received under the Transactions is fair and reasonable and is expected to result in a distribution to unsecured creditors;
- (vii) the Monitor believes it is necessary to implement the Transactions in a timely manner given the Applicants' limited remaining liquidity and business imperatives;
and
- (viii) the Monitor is of the view that, due to the value maintained via the preservation of the existing Licences and Retained Contracts, among other considerations, use of the reverse vesting structure is appropriate in the circumstances. Further

considerations relating to the reverse vesting transaction structure are discussed below.

6.0 APPROVAL AND REVERSE VESTING ORDER

Reverse Vesting Structure

- 6.1 The Monitor notes that the Transactions are proposed to be implemented through a reverse vesting structure, which the Monitor believes is necessary and appropriate in the circumstances.
- 6.2 The Monitor is cognizant of the issues raised and considered by Canadian courts in other CCAA proceedings, and in forming its view, considered the issues and factors raised and considered by this Court in other CCAA proceedings that involved reverse vesting orders (including *Harte Gold Corp. (Re)*, 2022 ONSC 653).
- 6.3 The Monitor notes the following with respect to the necessity and appropriateness of the reverse vesting structure in this case as it relates to the Transactions:

An RVO is Necessary in this Case:

- (i) the proposed reverse vesting structure preserves the Licences issued by Health Canada and the Canada Revenue Agency. In a conventional asset sale, those Licences would generally need to be transferred, re-issued, or replaced in favour of the purchaser, resulting in added cost, delay, complexity, and material closing risk. The reverse vesting structure permits the continuation of material contracts, including valuable supply and distribution agreements with governmental entities, which are critical to the ongoing operation of the business. Accordingly, the

proposed structure provides a practical means of preserving the Licences and maintaining continuity of key contractual relationships without additional cost or delay;

- (ii) the Monitor understands that preservation of the existing Licences and the uninterrupted continuation of the Retained Contracts are fundamental components of the proposed Transactions from the Purchaser's perspective. The Stalking Horse Bidder likewise advised that it would only proceed with the Back-Up Transactions through a reverse vesting structure, and the Monitor notes that the reverse vesting structure was proposed and disclosed earlier in these proceedings in connection with the Stalking Horse Bid. The Applicants did not receive any traditional asset purchase bids during the Sale Process. The Monitor has not received outreach from any party expressing a concern with the proposed reverse vesting structure to-date;
- (iii) the Applicants' business and assets have been thoroughly marketed since the commencement of the CCAA Proceedings and the Sale Process. Aside from the Revised Emblem Bid and the Stalking Horse Bid, no other offers were received although solicited as part of the Sale Process;
- (iv) the reverse vesting structure is therefore the only viable alternative available by which the value of the Applicants' business can be maximized;

The RVO Structure Produces an Economic Result at Least as Favourable as Any Other Viable Alternative:

- (v) absent a reverse vesting order structure, there could be substantial delay associated with transferring the Licenses and Retained Contracts, and there would be material

uncertainty as to whether some or all of those Licenses and contracts could be effectively transferred or replaced;

- (vi) the Transactions maximize value and represent the best available outcome in the circumstances for the benefit of a broad range of stakeholders. Without the certainty provided by the Transactions, the likely alternatives would be either an orderly wind-down of Ayurcann's business or an immediate cessation of operations followed by liquidation. In the Monitor's view, the proposed reverse vesting structure produces an economic result at least as favourable as any other viable alternative;

No Stakeholders are Worse Off Under an RVO Structure Than They Would Have Been Under Any Other Viable Alternative

- (vii) no stakeholder is worse off under the reverse vesting structure than they would be under any viable alternative. The anticipated recovery for creditors in a liquidation scenario is likely to be far worse than the estimated economic recovery to creditors through the Transactions;
- (viii) with respect to the Retained Contracts contemplated by the Purchase Agreement, the Monitor has contacted applicable counterparties and understands from these discussions that no cure costs are payable in connection with completion of the Transactions; and
- (ix) the proposed Approval and Reverse Vesting Order, including the proposed reverse vesting transaction structure, is supported by the DIP Lender;

The Consideration Being Paid for the Business Reflects the Importance and Value of the Licences and Permits (or Other Intangible Assets) Being Preserved Under the RVO Structure:

- (x) for the reasons noted above, in the Monitor's view, the ability to preserve and transfer the Licences and Retained Contracts through the proposed reverse vesting structure is the critical consideration in the structuring of the Transactions. Ayurcann cannot legally maintain ordinary course operations without the Licences. The assets subject to the Transactions were extensively marketed, and the Purchase Agreement and the Transactions represent the highest offer received through the Sale Process.

Approval of the Back-Up Transactions

- 6.4 The Applicants seek approval of the Stalking Horse Purchase Agreement and the Back-Up Transactions as the Back-Up Bid in accordance with the Sale Process. Such approval would only take effect if the Purchase Agreement and the Transactions fail to close by the Outside Date.
- 6.5 The Stalking Horse Purchase Agreement is summarized in the Second Report and is materially similar to the Purchase Agreement, containing substantially identical schedules, transaction structure, and closing conditions. The key difference between the Purchase Agreements is the Stalking Horse Bid's purchase price of \$4,640,000 (excluding any amounts allocated to the Bid Protections). Similar to the Purchase Agreement, the Stalking Horse Purchase Agreement would allow Ayurcann to continue as a going concern and preserve the employment of the vast majority of the Applicants' employees. Copies of the Stalking Horse Purchase Agreement and a redline comparison against the Purchase

Agreement are attached to the Fourth Sudman Affidavit as Exhibits “H” and “I”, respectively.

- 6.6 In the Monitor’s view, approval of the Back-Up Transactions is in the best interest of the Applicants and their stakeholders. Approval of the Back-Up Bid will provide certainty that a going-concern transaction will be consummated, avoids further delay, and eliminates the additional professional costs and judicial resources that would be required for a second motion if the Purchase Agreement does not close. The Back-Up Bid concept was also explicitly contemplated in the Court-approved Sale Process.
- 6.7 If the Transactions do not close, the Stalking Horse Purchase Agreement represents the next best offer received. The Monitor understands that counsel to Auxly has confirmed it is prepared to act as the Back-Up Bid and close the Back-Up Transactions if the Transactions do not close for any reason, subject to an Outside Date of May 15, 2026.
- 6.8 For these reasons, the Monitor supports approval of the Stalking Horse Purchase Agreement and the Back-Up Transactions.

Partial Distribution of Sale Proceeds

- 6.9 The proposed Approval and Reverse Vesting Order authorizes and directs the Monitor to make the following distributions to Auxly, in its capacities as DIP Lender and the Stalking Horse Bidder, from the Sale Proceeds:
- (i) a cash distribution equal to all amounts owing by Ayurcann to Auxly under the DIP Facility up to the Closing Date, inclusive of principal, interest and fees (the “**DIP**

Indebtedness”), in full and final repayment of all obligations owing by the Applicants under the DIP Facility; and

(ii) a cash distribution of \$264,200, in full and final satisfaction of the Bid Protections (as approved in the Sale Process Approval Order).

6.10 The DIP Indebtedness and the Bid Protections are both secured by super-priority charges, which will attach to the Sale Proceeds as part of the Transactions.

6.11 As reflected in the Updated Cash Flow Forecast (as defined below), the Applicants will have sufficient liquidity following the closing of the Transactions to satisfy all anticipated obligations secured by the other Charges granted during the CCAA Proceedings (including amounts secured under the Administration Charge).

6.12 Pursuant to the proposed Approval and Reverse Vesting Order, immediately upon the Auxly Distributions being completed, the Bid Protections Charge and the DIP Lender’s Charge will be forever and irrevocably terminated, released and discharged.

6.13 The repayment of the DIP Indebtedness on Closing will prevent the accrual of additional interest under the DIP Facility.

6.14 The Bid Protections, which are payable to Auxly in the circumstances, were approved pursuant to the Sale Process Approval Order and were a material condition and a key factor in securing the execution of the Stalking Horse Purchase Agreement.

6.15 The Monitor supports the proposed Auxly Distributions and does not believe that any stakeholder will be materially prejudiced by such distributions.

Releases

- 6.16 The Approval and Reverse Vesting Order provides for certain releases (the “**Releases**”) in favour of: (i) the Applicants and their current directors and officers (the “**Directors and Officers**”), employees, consultants, legal counsel and advisors; (ii) the current directors, officers and legal counsel of Residual Co.; (iii) the Monitor and its legal counsel; (iv) the Purchaser and its legal counsel; and (v) the DIP Lender and its legal counsel (collectively, the “**Released Parties**”).
- 6.17 The Releases release and discharge the Released Parties from all present and future liabilities and claims existing or taking place prior to the delivery of a certificate of the Monitor certifying that the Transactions have closed, arising in connection with or relating to:
- (i) any transactions, offers, omissions, dealings, or other facts, matters, occurrences or things existing or taking place prior to the Closing Time (as defined in the Purchase Agreement);
 - (ii) the Purchase Agreement and the consummation of the Transactions (or the Stalking Horse Purchase Agreement and the Back-Up Transactions, as the case may be);
 - (iii) the Auxly Distributions; and
 - (iv) any document, agreement, instrument, matter or transaction involving the Applicants arising in connection with or pursuant to any of the foregoing (collectively, the “**Released Claims**”).

- 6.18 The Released Claims do not include any claim for fraud or wilful misconduct or any claim that is not permitted to be released pursuant to subsections 5.1(2) or 19(2) of the CCAA.
- 6.19 The proposed Releases do not apply to any claim or liability against the Directors and/or the Officers that is an insured claim under the applicable directors' and officers' insurance policy (each an "**Insured Claim**"); however, any claimant's recovery (as applicable) will be solely limited to the proceeds under the Insured Claim.
- 6.20 In the Monitor's view, each of the Released Parties contributed meaningfully and were necessary to the CCAA Proceedings and the Applicants' successful restructuring, including the Applicants' efforts to address their financial difficulties, the Sale Process and the Transactions.
- 6.21 In respect of the application of the Releases to the Directors and Officers, the Monitor notes that the test for third party releases was established in the Ontario Court of Appeal's *Metcalf* decision. With reference to the relevant factors set out in the *Metcalf* test, the Monitor notes the following:
- (i) **Are the released parties necessary and essential to the restructuring?** The Monitor is of the view that the Directors and Officers of the Applicants provided critical direction and played an outsized role, leading up to and throughout the filing and administration of the CCAA Proceedings, as further detailed at paragraph 62 of the Fourth Sudman Affidavit.²

² As discussed in the Fourth Sudman Affidavit, the Directors and Officers played a critical role in identifying Auxly as a potential lender and stalking horse bidder prior to these CCAA Proceedings. They also assisted in the negotiations with Auxly to maximize value under the DIP Facility and the Stalking Horse Bid.

- (ii) **Are the claims to be released rationally connected to the purpose of the transaction and necessary for it?** In the Monitor's view, the involvement of the Directors and Officers was essential to obtaining the Stalking Horse Purchase Agreement and the Purchase Agreement as the Directors and Officers were heavily involved in negotiating the business transactions. Furthermore, given the relatively short period between seeking approval of the Transactions and the Outside Date, the Directors and Officers have communicated their willingness to assist the Monitor and the Purchaser in facilitating the orderly transition of the Applicants' business.
- (iii) **Can the transaction succeed without the release?** The Monitor understands that the granting of the proposed Releases is a condition precedent of the Purchaser under the Purchase Agreement, and as discussed above the Directors and Officers will assist in the orderly transition of the Applicants' business.
- (iv) **Have the parties benefiting from the release contributed in a tangible and realistic way to the transaction?** For the reasons identified in subparagraph (a) above, the Monitor is of the view that the successful outcome for the Applicants and their stakeholders by way of the Transactions would not have been possible without the Directors' and Officers' significant contributions to these CCAA Proceedings.
- (v) **Will the transaction benefit creditors, generally?** The Transactions benefit creditors generally for the reasons described above, including that they provide for the continuation of the Applicants' business as a going concern, provide the greatest

recovery available in the circumstances, including to unsecured creditors and prevent a value-destructive liquidation scenario.

- (vi) **Are the releases fair, reasonable and not overly broad or offensive to public policy?** The Releases in favour of the Directors and Officers are limited in scope and do not extend to any Insured Claim. In addition to the reasons above, the Applicants' intention to seek the Releases as part of any proposed transaction was disclosed in the Applicants' motion to approve the Sale Process and Stalking Horse Purchase Agreement. Moreover, the Directors and Officers did not receive any payments under the KERP, thereby preserving liquidity throughout the restructuring process.

6.22 The Monitor is also of the view that the other Released Parties were essential to the restructuring of the Applicants, as further detailed at paragraphs 65 and 66 to the Fourth Sudman Affidavit.

6.23 In the Monitor's view, the Releases benefit the Applicants and their stakeholders by permitting the Released Parties to focus on completing the Transactions and assisting in developing and administering a future claims process, provide finality in respect of actions taken during the CCAA Proceedings under the supervision of the Court, and are consistent with releases granted in recent reverse vesting transactions approved in other CCAA proceedings.

6.24 The Monitor is not aware of any opposition to the inclusion of the Releases from any stakeholder as of the date hereof. The Monitor is supportive of the proposed Releases and believes they are fair and reasonable in the circumstances.

Monitor's Enhanced Powers

- 6.25 The Monitor understands that following the closing of the Transactions, the Directors and Officers do not intend to continue in their roles for Residual Co. The proposed Approval and Reverse Vesting Order therefore expands the Monitor's powers to facilitate an orderly transition of the business and to conduct any remaining activities prior to the ultimate winddown of Residual Co.'s estate.
- 6.26 Given the circumstances, the Monitor is of the view that it is best positioned to supervise and administer the wind-down of Residual Co. and that the proposed expansion of its powers is appropriate, given, among other things, that:
- (i) at closing, Residual Co. will have no directors or officers, active business operations or retained employees; and
 - (ii) without the proposed expansion of the Monitor's powers, no party will have the necessary authority or capacity to administer the estates or wind-down of Residual Co., including any distributions to creditors, nor to advance and eventually terminate the CCAA Proceedings.
- 6.27 The proposed Monitor's Enhanced Powers are currently limited to Residual Co. and do not expand to Ayurcann Parent – as Ayurcann Parent will remain involved with any future claims process and any subsequent distribution motion (as the Monitor will require the assistance of Ayurcann Parent's directors to assist in quantifying, validating and resolving any submitted claims).

Stay of Proceedings

- 6.28 The Stay under the Second ARIO expires on April 30, 2026. Pursuant to the Approval and Reverse Vesting Order, the Applicants are seeking an extension of the Stay until and including June 30, 2026.
- 6.29 The Monitor supports the Applicants' request to extend the Stay for the following reasons:
- (i) it will provide the stability and certainty necessary to complete the Transactions, if approved by the Court;
 - (ii) it will allow the Monitor to administer Residual Co.'s remaining operations for the purposes of transitioning the business pursuant to the Transactions, including the administration of any contracts vested in Residual Co. that are necessary for transition;
 - (iii) it will provide time for the approval and implementation of a claims process. The Monitor understands that, following closing of the Transactions, the Applicants intend to return to the Court to seek approval of a claims process in order to facilitate distributions to the Applicants' unsecured creditors;
 - (iv) the Updated Cash Flow Forecast (as further detailed below) demonstrates that the Applicants, subject to the closing of the Transactions, are projected to have sufficient liquidity to fund their obligations and the costs of these CCAA Proceedings through the end of the extended Stay;
 - (v) the Applicants have acted and continue to act in good faith and with due diligence to advance their restructuring efforts and the CCAA Proceedings; and

- (vi) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay Extension.

Sealing of Employee Information

- 6.30 Schedule “I” to the Purchase Agreement is a summary of the Retained Employees (the **“Retained Employee List”**).
- 6.31 The Applicants are requesting a sealing order for the Retained Employee List, which contains information that is both commercially sensitive and personal to the Retained Employees.
- 6.32 The Monitor believes it is appropriate to seal the Retained Employee List. Sealing requests of this nature related to sensitive and personal information are consistent with the approach taken in other CCAA proceedings for sensitive personal and financial information, protect the privacy of the Retained Employees and will help to avoid any unnecessary disruption or distraction that such disclosure may cause. The Monitor does not believe that any stakeholder will be prejudiced if the information in the confidential Retained Employee List is sealed.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

- 7.1 Receipts and disbursements for the 10-week period from February 7, 2026 to April 17, 2026 (the **“Reporting Period”**), as compared to the cash flow forecast attached as Appendix “A” to the Supplemental Second Report (the **“Cash Flow Forecast”**), are summarized here:

| Cash Flow Variance Report | | April 17, 2026 | |
|----------------------------------|----------------|-----------------------|-----------------|
| <i>(CAD \$000s, unaudited)</i> | <u>Actual</u> | <u>Forecast</u> | <u>Variance</u> |
| Receipts | 5,781 | 5,891 | (110) |
| Disbursements | | | |
| Payroll & Benefits | (723) | (779) | 57 |
| Sales and Marketing | (2,686) | (3,722) | 1,036 |
| Excise Taxes | (987) | (1,262) | 276 |
| Sales Taxes | (232) | (313) | 81 |
| Office and General | (593) | (698) | 105 |
| Professional Fees | (1,107) | (910) | (197) |
| Total Disbursements | (6,327) | (7,685) | 1,357 |
| Net Cash Flow | (546) | (1,793) | 1,247 |
| Beginning Cash | 1,444 | 1,444 | -- |
| Net Cash Flow | (546) | (1,793) | 1,247 |
| DIP – Cash Draws | 500 | 1,600 | (1,100) |
| Ending Cash | 1,398 | 1,251 | 147 |

7.2 As at April 17, 2026, Ayurcann’s cash balance was approximately \$1.4 million, and \$500,000 had been drawn under the DIP Facility.

7.3 During the Reporting Period, the Applicants’ net cash flow was approximately \$1.2 million greater than projected in the Cash Flow Forecast. This variance is primarily attributed to the timing of sales and marketing costs (\$1.0 million), and is expected to partially reverse in future weeks.

8.0 UPDATED CASH FLOW FORECAST

8.1 Ayurcann, with the assistance of the Monitor, has prepared an updated cash flow (the “**Updated Cash Flow Forecast**”) for the 11-week period ending July 3, 2026 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”), are attached hereto as **Appendix “B”**.

8.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

| Ayurcann | 11-Weeks |
|---------------------------------|-----------------|
| Cash Flow Forecast | \$000's |
| Receipts | |
| AR Collections | 1,551 |
| Transaction – Proceeds | 5,004 |
| Total Receipts | 6,555 |
| Disbursements | |
| Payroll & Benefits | (459) |
| Sales and Marketing | (1,541) |
| Excise Taxes | (1,402) |
| Sales Taxes | (19) |
| Office and General | (486) |
| Restructuring Professional Fees | (641) |
| KERP | (66) |
| Transaction – Bid Protections | (264) |
| Total Disbursements | (4,878) |
| Net Cash Flow | 1,677 |
| Opening Cash Balance | 1,398 |
| Net Cash Flow | 1,677 |
| DIP Draws | 1,000 |
| DIP (Repayment) | (1,705) |
| Ending Cash Balance | \$2,369 |

8.3 The Monitor notes the following:

- (i) AR collections include the collection of existing accounts receivable and forecast sales prior to the Closing Date (as defined in the Purchase Agreement);
- (ii) transaction proceeds represent the Purchase Price payable in cash on the Closing Date;
- (iii) payroll and benefits include salaries, benefits, and related payroll taxes;

- (iv) sales and marketing include the cost of supplies and materials relating to product sales together with other selling expenses required for operations;
- (v) office and general include non-merchandise vendor payments, including rent, insurance and other expenses;
- (vi) restructuring professional fees include the fees of Ayurcann's counsel, the Monitor and the Monitor's counsel; and
- (vii) DIP draws / (repayment) reflects the April 23, 2026 draw of \$1.0 million under the DIP Facility and repayment of the outstanding DIP Facility balance on the Closing Date of approximately \$1.7 million, including fees and accrued interest, in the week ending May 15, 2026.

8.4 During the Cash Flow Period, net cash flows are projected to be \$1.7 million, which are forecast to be funded by cash on hand, the April 23, 2026 draw of \$1.0 million under the DIP Facility and the sale proceeds to be received in connection with completion of the Transactions.

Monitor's Review

8.5 Based on the Monitor's review,³ nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the

³ The Monitor has reviewed the Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by the Company's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast.

purpose of the Updated Cash Flow Forecast; (ii) as at the date of this Third Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

8.6 The 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.

9.0 ACTIVITIES OF THE MONITOR

9.1 Since the date of the Second Report, the primary activities of the Monitor have included the following:

- (i) implementing the Sale Process, which included meeting with and responding to inquiries from bidders, assisting bidders with due diligence, administering facility tours, and reviewing and negotiating the Revised Emblem Bid and selecting it as the Successful Bid;
- (ii) with the assistance of its legal counsel, Reconstruct LLP (“RECON”), reviewing closing documents and supporting efforts to advance various closing workstreams to facilitate the closing of the proposed Transactions;
- (iii) engaging in meetings with Emblem and the Applicants related to the transition of the business and closing matters;

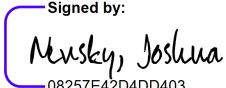
- (iv) monitoring the Applicants' cash receipts and disbursements, assisting in preparing weekly cash flow variance reporting and assisting in preparing the Updated Cash Flow Forecast;
- (v) engaging with certain customers, and stakeholders who have reached out to the Monitor;
- (vi) updating the Case Website and coordinating the posting of Court-filed documents to the Case Website;
- (vii) responding to creditor and other inquiries received via the Monitor's toll-free number and email account for the CCAA Proceedings;
- (viii) reviewing and commenting on the Applicants' materials filed in support of the relief sought in the Approval and Reverse Vesting Order; and
- (ix) with the assistance of RECON, preparing this Third Report.

10.0 MONITOR'S RECOMMENDATION

- 10.1 For the reasons set out in this Third Report, the Monitor respectfully recommends that the Court grant the Approval and Reverse Vesting Order in the form sought by the Applicants.

All of which is respectfully submitted to this Court this 24th day of April, 2026.

**ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Ayurcann
Holdings Corp. *et al.***

Per:  Signed by:
Josh Nevsky
Senior Vice President

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

Court File No: CL-26- 00000039-0000

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
AYURCANN HOLDINGS CORP. AND AYURCANN INC.**

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

THIRD REPORT OF THE MONITOR

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APPENDIX B
UPDATED CASH FLOW FORECAST

Ayurcann

15-Week Cash Flow Forecast

Notes and Summary of Assumptions

Disclaimer

In preparing this illustrative cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of CAD dollars.

The Forecast is presented in Canadian dollars.

1) AR Collections

Includes collection of existing receivables and future sales based on management's forecast.

2) Transaction - Proceeds

Purchase Price, which will be satisfied by a cash payment on Closing.

3) Payroll & Benefits

Includes salaries, wages, statutory remittances and benefits for salaried and hourly employees disbursed bi-weekly.

4) Sales and Marketing

Includes supplies and materials related to forecast sales.

5) Excise Taxes

Includes excise taxes relating to the sale of cannabis product during the post-filing period only.

6) Sales Taxes

Sales taxes are projected to be paid in the ordinary course.

7) Office and General

Includes rent, insurance and other overhead costs.

8) Professional Fees

Includes payments to the Applicants' legal counsel, the Monitor and the Monitor's counsel.

9) KERP

Represents payments related to the Key Employee Retention Plan.

10) Transaction - Bid Protections

Includes a break-fee and certain expense reimbursements.

11) DIP Facility

Represents draw on the DIP Facility based on the anticipated cash requirements of the Applicants.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985,
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FOURTH REPORT OF THE MONITOR

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