

**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.**

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

**FEBRUARY 11, 2026**

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## 1.0 INTRODUCTION

1.1 On January 30, 2026 (the “**Filing Date**”), Ayurcann Holdings Corp. (“**Ayurcann Parent**”) and Ayurcann Inc. (collectively, the “**Applicants**”) 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 together with the Applicants, “**Ayurcann**”); 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 Regulatory Licenses; 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 Additional details regarding Ayurcann as well as their business and financial circumstances are set out in the Pre-Filing Report of the Proposed Monitor dated January 29, 2026 (the “**Pre-Filing Report**”) and the First Report of the Monitor dated February 6, 2026 (the “**First Report**”). The Pre-Filing Report, the First Report and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: [www.alvarezandmarsal.com/Ayurcann](http://www.alvarezandmarsal.com/Ayurcann) (the “**Case Website**”). A copy of the First Report is attached hereto (without appendices) as **Appendix “A”**.

1.5 This second report of the Monitor (the “**Second Report**”) should be read in conjunction with the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann, sworn February 8, 2026 (the “**Third Sudman Affidavit**”). Capitalized terms used and not defined in this Second Report have the meanings given to them in the First Report or the Third Sudman Affidavit, as applicable.

## **2.0 PURPOSE OF THIS REPORT**

2.1 The purpose of this report (the “**Second Report**”) is to provide the Court with information regarding, and where applicable, the Monitor’s views on:

- (i) the proposed sale process (the “**Sale Process**”);

- (ii) the Applicants’ motion for an order (the “**Sale Process Approval Order**”), which among other things:
  - (a) approves the Sale Process in a form substantially similar to the form attached as Schedule “A” to the Sale Process Approval Order;
  - (b) authorizes and directs the Applicants and the Monitor to implement the Sale Process, and to take any and all actions as may be necessary or desirable to implement and carry out the Sale Process in accordance with its terms and the Sale Process Approval Order;
  - (c) authorizes and approves the Applicants’ execution of the Agreement of Purchase and Sale dated February 8, 2026 (the “**Stalking Horse Purchase Agreement**”) between the Applicants and Auxly Cannabis Group Inc. (“**Auxly**” and in such capacity, the “**Stalking Horse Bidder**”), and approves the Stalking Horse Purchase Agreement solely for the purposes of acting as the “**Stalking Horse Bid**” under the Sale Process; and
  - (d) grants a Court-ordered charge over the Property in favour of the Stalking Horse Bidder as security for payment of the Bid Protections (as defined below);
- (iii) the Applicants’ motion for a Second Amended and Restated Initial Order (the “**Second ARIO**”), which among other things:
  - (a) extends the Stay in favour of the Applicants and the Non-Applicant Stay Parties to and including April 30, 2026; and

- (b) approves the proposed interim debtor-in-possession financing facility (the “**DIP Facility**”) and the related DIP Lender’s Charge (as defined below);
- (iv) the Applicants’ cash flow results for the one-week period ended February 6, 2026;
- (v) the Applicants’ updated cash flow forecast for the 12-week period ending May 1, 2026;
- (vi) the activities of the Monitor since the date of the First Report (February 6, 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 Second 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 Ayurcann, and has had discussions with management of Ayurcann and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Second Report in respect of Ayurcann’s cash flow forecast:

- (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 Second 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 Second Report was prepared based on Ayurcann'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 STALKING HORSE PURCHASE AGREEMENT AND SALE PROCESS**

##### Stalking Horse Purchase Agreement

4.1 The objective of these CCAA Proceedings is to stabilize and restructure the Applicants' business and to commence a Court-supervised sale process for Ayurcann's business and assets to seek a value maximizing going concern transaction for the benefit of the Applicant's stakeholders. The Monitor supports the Applicants entering into a stalking horse agreement as beneficial to such Sale Process as it provides greater transactional certainty, helps preserve the business as a going concern, and establishes a minimum bid

price for the Sale Process, while permitting an opportunity to broadly canvass the market for superior offers, through the proposed Sale Process.

- 4.2 In the weeks leading up to the commencement of the CCAA Proceedings, the Applicants engaged in discussions with a small group of parties that had been identified by the Applicants' senior management team regarding potential opportunities to provide the Applicants with the interim financing required to continue operations and fund these CCAA Proceedings and serve as a stalking horse bid in the contemplated sale process.
- 4.3 Following A&M's engagement as financial advisor on January 12, 2026, A&M participated in discussions with these interested parties. On January 21, 2026, A&M distributed a draft form of term sheet outlining key terms of a stalking horse bid and DIP financing structure, and requested marked-up versions from the parties. Following receipt of the submissions, negotiations were held with each of the parties in an attempt to increase their purchase price and enhance overall bid terms.
- 4.4 On January 27, 2026, A&M established a "final bid deadline", requesting each participant's best and final offer. After reviewing the submissions, the Applicants, in consultation with the Monitor, determined that Auxly (an arm's length third-party) provided the most favourable bid and the Applicants continued to advance the proposed Auxly transaction from that time.
- 4.5 On February 8, 2026, the Applicants entered into the Stalking Horse Purchase Agreement (subject to Court approval) with the Stalking Horse Bidder, as purchaser, to acquire substantially all of the assets or shares of Ayurcann on the terms and conditions set forth

therein. A copy of the Stalking Horse Purchase Agreement is attached as Exhibit “F” to the Third Sudman Affidavit.

4.6 Pursuant to the Sale Process Approval Order, the Applicants seek, among other things: (i) authorization to enter into the Stalking Horse Purchase Agreement; (ii) approval of the Stalking Horse Purchase Agreement as the Stalking Horse Bid under the Sale Process; and (iii) approval of the Bid Protections (as defined below) in the event that the Stalking Horse Bidder is not the Successful Bid under the Sale Process, and granting of a charge (the “**Bid Protections Charge**”) in the maximum amount of \$264,200, as security for payment of the Bid Protections. Capitalized terms used and not defined in this section of the Second Report have the meanings given to them in the Stalking Horse Purchase Agreement.

4.7 The Monitor’s understanding of certain key terms of the Stalking Horse Purchase Agreement is summarized below:

- (i) the Stalking Horse Bidder will subscribe to newly issued common shares of Ayurcann, through a reverse vesting transaction, pursuant to which all equity interest in Ayurcann will be cancelled without consideration (the “**Transaction**”);
- (ii) all of the Excluded Assets, Excluded Contracts and Excluded Liabilities of the Applicants will be transferred to a new subsidiary of Ayurcann Parent, to be incorporated, which will be added as an applicant in these CCAA Proceedings (or, alternatively, one of the Non-Applicant Stay Parties);
- (iii) the Purchase Price under the Stalking Horse Purchase Agreement is \$4,640,000, comprised of: (i) a credit-bid in the full amount outstanding under the DIP Facility,

- inclusive of interest, fees and costs; and (ii) a cash payment for the remaining balance of the Purchase Price;
- (iv) in addition to the Purchase Price, the Stalking Horse Bidder: (ii) will assume certain Retained Liabilities, which include, among other things, certain employer liabilities of Retained Employees, Cure Costs, liabilities required by Applicable Law to maintain the retained Permits and Licenses, trade payables and other liabilities relating to the Business incurred in the ordinary course after the Filing Date, and certain tax obligations;
  - (v) the Stalking Horse Bidder, will acquire all of the assets or shares of Ayurcann, which will remain possessed of the Retained Assets and Retained Liabilities. The Stalking Horse Bidder has various rights to exclude or add certain assets and liabilities at prescribed times under the Stalking Horse Purchase Agreement;
  - (vi) the Stalking Horse Purchase Agreement is conditional upon, among other things, the Court issuing the Sale Process Approval Order, the Stalking Horse Bid being selected as the Successful Bid and the Court issuing the Vesting Order;
  - (vii) the Stalking Horse Purchase Agreement includes certain termination rights in favour of the Stalking Horse Bidder, among others, if the Stalking Horse Bidder is not the Successful Bid (as defined in the Sale Process) and the transaction contemplated by the Successful Bid is closed. In such case, the Stalking Horse Bidder is entitled to: (i) a break fee of \$139,200 (the “**Break Fee**”); and (ii) an expense reimbursement for the Stalking Horse Bidder’s legal and other costs up to a maximum amount of \$125,000 (together with the Break Fee, the “**Bid**

**Protections**”). The maximum amount of the Bid Protections is equal to approximately 5.7% of the Purchase Price; and

(viii) the outside date to consummate the Transaction is May 15, 2026.

Overview of the Sale Process

4.8 Pursuant to the Sale Process Approval Order, the Applicants are also seeking, among other things, the Court’s approval of the Sale Process and the Bidding Procedures set forth therein. Capitalized terms in this section not otherwise defined herein have the meanings ascribed to them in the proposed Sale Process.

4.9 The Sale Process contemplates a single-phase process administered by the Monitor and the Applicants over approximately 46 days. Pursuant to the Bidding Procedures, the Sale Process is intended to solicit interest in, and opportunities for, higher and better offers than that set out in the Stalking Horse Bid in contemplation of a sale of all or part of Ayurcann’s assets and business operations, on a going-concern basis (the “**Opportunity**”). If Qualified Bids other than the Stalking Horse Bid are received, the Sale Process provides for an Auction in order to determine the highest or otherwise best bid.

4.10 The following is a summary of the key terms and milestones contemplated by the Sale Process:

<b>Sale Process Summary</b> <i>(Certain capitalized terms below have the meanings ascribed in the proposed Sale Process)</i>		
Phase / Event	Timeline	Description of Activities
<b>Approval and Commencement</b>	February 13, 2026	<ul style="list-style-type: none"> <li>Scheduled hearing of the Sale Process Approval Order.</li> </ul>

<b>Sale Process Summary</b> <i>(Certain capitalized terms below have the meanings ascribed in the proposed Sale Process)</i>		
<b>of the Sale Process</b>		<ul style="list-style-type: none"> <li>• Commencement of the Sale Process on February 13, 2026 or as soon as practicable thereafter (the “<b>Commencement Date</b>”).</li> <li>• The Monitor in consultation with the Applicants, shall prepare a list of known bidders, publish a notice of the Sale Process on the Case Website, prepare the Teaser Letter, the NDA and a virtual data room.</li> </ul>
<b>Notification Process</b>	For a period of up to 46 days after the commencement of the Sale Process	<ul style="list-style-type: none"> <li>• The Monitor and the Applicants will solicit interest from potential bidders and distribute the Teaser Letter.</li> <li>• Upon execution of the NDA, parties will be granted access to the virtual data room and provided due diligence materials.</li> </ul>
<b>Bid Deadline</b>	5:00PM ET on Tuesday March 31, 2026	<ul style="list-style-type: none"> <li>• Parties must satisfy certain criteria to be considered a Qualified Bid.</li> </ul>
<b>Review of Qualified Bids</b>	April 6, 2026	<ul style="list-style-type: none"> <li>• At a minimum, a Qualified Bid must provide cash consideration sufficient to pay in full the Stalking Horse Bid of \$4,640,000, plus the Bid Protections of \$264,200 and a minimum overbid increment of \$100,000 (the “<b>Minimum Purchase Price</b>”).</li> <li>• Qualified Bids must also be accompanied by a cash deposit equal to 10% of the proposed Consideration Value.</li> <li>• Bids must satisfy all criteria set out in paragraph 19 of the Sale Process to be considered a Qualified Bid.</li> <li>• If no Qualified Bid is received, then the Stalking Horse Bid will be deemed the Successful Bid and the Applicants will promptly seek Court approval of the Stalking Horse Purchase Agreement.</li> </ul>
<b>Auction</b>	April 10, 2026	<ul style="list-style-type: none"> <li>• If one or more Qualified Bids, other than the Stalking Horse Bid, are received, the Sale Process will proceed to an Auction to identify the highest or otherwise best bid.</li> <li>• The Monitor will identify a Lead Bid, and a copy will be provided to all Qualified Bidders participating in the Auction by April 6, 2026.</li> <li>• Following each auction round, the Applicants and the Monitor will determine the highest and/or best bid to serve as the opening bid for the next round.</li> <li>• At the conclusion of each round, the Monitor will advise the Qualified Bidders of the material terms of the then highest and/or best offer and the basis of the calculation.</li> <li>• Any Qualified bid that elects not to submit a further bid will be excluded from subsequent auction round.</li> <li>• If only one Qualified Bid is submitted in a round, that bid will be deemed the Successful Bid.</li> </ul>
<b>Evaluation and Successful Bid</b>	April 10, 2026 or such later date immediately thereafter if the	<ul style="list-style-type: none"> <li>• The highest or otherwise best bid at the completion of the Auction will be designated as the Successful Bid.</li> </ul>

<b>Sale Process Summary</b> <i>(Certain capitalized terms below have the meanings ascribed in the proposed Sale Process)</i>		
<b>Selection Deadline</b>	Auction is not completed in one day	<ul style="list-style-type: none"> <li>The next highest offer, as determined by the Applicants and the Monitor (the “<b>Back-Up Bid</b>”), must remain open and available for acceptance until closing of the Court-approved transaction with the Successful Bidder.</li> </ul>
<b>Approval and Vesting Order Motion</b>	April 24, 2026 (or earliest date available thereafter)	<ul style="list-style-type: none"> <li>The Applicants will bring a motion for an Order approving the Successful Bid(s).</li> <li>The Approval and Vesting Order Motion will be brought as soon as practicable following the Auction, if competing Qualified Bids are received, or following the Bid Deadline if no Qualified Bids are received and the Stalking Horse Bid is deemed the Successful Bid.</li> <li>The Applicants, with the consent of the Monitor, may adjust the timing of the Approval and Vesting Order Motion to maximize value, provided such timing remains consistent with the terms of the Stalking Horse Bid.</li> </ul>
<b>Outside Date</b>	May 15, 2026	<ul style="list-style-type: none"> <li>The Sale Process has an outside date of May 15, 2026, by which the parties are to close the transaction(s) contemplated in the Successful Bid(s).</li> </ul>

4.11 The Monitor, with the assistance of the Applicants, has developed a list of potential bidders, a Teaser Letter describing the Opportunity and a form of non-disclosure agreement (“**NDA**”), each of which will be sent to potential bidders and other parties expressing interest in the Opportunity upon the commencement of the Sale Process.

General Comments Regarding the Sale Process and Stalking Horse Purchase Agreement

4.12 The Sale Process timeline was negotiated among the Applicants, the Monitor, and the proposed DIP Lender. The Sale Process and its timeline are supported by all of the aforementioned parties and adherence to the timelines and milestones set out in the Sale Process is a requirement of the DIP Lender providing the DIP Facility. The Sale Process milestones were developed to balance the time required to administer a commercially reasonable marketing process designed to maximize opportunities for value maximizing sale of all or part of the Applicants’ assets and business with the available financial resources of the Applicants.

- 4.13 The Sale Process provides the flexibility for the Monitor to modify, amend, vary or supplement the Bidding Procedures and the Auction Procedures, in order to give effect to the substance of the Sale Process without the need for obtaining an order of the Court. Specifically, the Monitor may extend the milestones and deadlines in the Sale Process, in consultation with the Applicants and in accordance with the Sale Process and DIP Facility.
- 4.14 The Monitor will manage the day-to-day execution of the Sale Process. The Applicants are required to assist and support the efforts of the Monitor as provided for in the Sale Process. In the event that clarification is required with respect to the Sale Process, the Monitor has the ability to seek the advice and direction of the Court.
- 4.15 The Monitor has considered and supports the relief sought by the Applicants pursuant to the proposed Sale Process Approval Order for the following reasons:
- (i) the Monitor is of the view that the Sale Process, the Bidding Procedures and the Auction Procedures are commercially reasonable and have been designed to maximize value through a competitive bidding process, and to provide greater certainty of a going concern outcome for the business should the Sale Process not produce a superior result to the Stalking Horse Purchase Agreement;
  - (ii) the Monitor is of the view that Sale Process participants will have sufficient time to review the Opportunity and submit a binding Qualified Bid (46 days). Of note, the Monitor has sufficiently advanced the materials supporting the Sale Process (i.e. a Teaser Letter, NDA, list of interested parties, and information to be populated in the virtual data room) such that the materials can be sent to interested parties and

known Potential Bidders immediately following the issuance of the Sale Process Approval Order, if granted;

- (iii) the Monitor has compared the Bid Protection (5.7% of the Purchase Price) to other stalking horse break fees and expense reimbursements approved by this Court in similar proceedings, and based on the Monitor's review, the Bid Protections appear to be reasonable in the circumstances and typical for a transaction of this size and complexity. The Monitor observes that previously approved bid protections tend to be higher as a percentage of purchase price where, as here, purchase prices are lower; and
- (iv) the Monitor does not believe the creditors of the Applicants would be materially prejudiced by the Stalking Horse Purchase Agreement, the Sale Process, the Bidding Procedures or the Auction Procedures.

## **5.0 DIP FINANCING**

- 5.1 The Updated Cash Flow Forecast indicates that interim financing is required to fund the Applicants' operations during the CCAA Proceedings and through the course of the Sale Process. Accordingly, on February 8, 2026, at the same time the Stalking Horse Purchase Agreement was executed, the Applicants entered into the DIP Facility with Auxly (in such capacity, the "**DIP Lender**").
- 5.2 The requested Second ARIIO contemplates that borrowings under the DIP Facility will be secured by way of a court-ordered priority charge (the "**DIP Lender's Charge**"), subordinate only to the Administration Charge.

5.3 A summary of certain key terms of the DIP Facility is set out below. Reference should be made to the full terms and conditions of the Debtor-in-Possession Facility Commitment Letter dated February 8, 2026, a copy of which is attached to the Third Sudman Affidavit as Exhibit “E” (the “**DIP Agreement**”).

<b>DIP Facility</b> <i>(capitalized terms have the meaning ascribed thereto in this First Report or in the DIP Agreement)</i>	
<b>Parties</b>	<ul style="list-style-type: none"> <li>• Borrower: Ayurcann Inc.</li> <li>• Guarantor: Ayurcann Holdings Corp.</li> <li>• DIP Lender: Auxly Cannabis Group Inc.</li> </ul>
<b>Facility Size</b>	<ul style="list-style-type: none"> <li>• Non-revolving loan up to the principal amount of \$2,000,000</li> <li>• Available in advances on the dates and in the amounts noted in the Cash Flow Projections, which must be approved by the Lender (the “<b>Advances</b>”)</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Advances shall be used in accordance with the Cash Flow Projections for the following purposes:               <ol style="list-style-type: none"> <li>1. to fund the working capital and restructuring expenses of the Loan Parties necessary for the preservation of the business and assets of the Loan Parties during the CCAA Proceedings;</li> <li>2. to fund the reasonable and documented professional fees and disbursements associated with the CCAA Proceedings;</li> <li>3. to fund the payment of interest, fees, and other amounts payable under the DIP Facility; and</li> <li>4. to fund such other costs and expenses as agreed to in advance, in writing, by the Lender.</li> </ol> </li> </ul>
<b>Interest and Fees</b>	<ul style="list-style-type: none"> <li>• Interest: 12% per annum</li> <li>• Commitment Fee: \$40,000 (2% of DIP Facility)</li> </ul>
<b>Cash Flow Test</b>	<ul style="list-style-type: none"> <li>• An Event of Default occurs for each Test Period: (a) if the sum of actual cumulative Operating Disbursements exceeds 115% of the sum of the cumulative Operating Disbursements set forth in the then approved Cash Flow Projections (all excluding professional fees); or (b) if actual cumulative cash receipts is less than 85% of the cumulative cash receipts set forth in the then approved Cash Flow Forecast.</li> <li>• Test Period means every two-week period on a cumulative and rolling basis commencing at the end of Week 3 in the Cash Flow Projections.</li> </ul>
<b>Term and Repayment</b>	<ul style="list-style-type: none"> <li>• The DIP Facility shall terminate on the earliest to occur of (“<b>DIP Termination Date</b>”):               <ol style="list-style-type: none"> <li>1. the closing of the purchase and sale of all or substantially all of the assets or shares of the Borrower;</li> <li>2. the effective date of any Plan;</li> </ol> </li> </ul>

<b>DIP Facility</b> <i>(capitalized terms have the meaning ascribed thereto in this First Report or in the DIP Agreement)</i>	
	<ol style="list-style-type: none"> <li>3. the early termination of the DIP Facility in accordance with the terms of this Agreement by the Lender (in writing) upon the occurrence and during the continuation of an Event of Default;</li> <li>4. unless otherwise consented to by the Lender, May 15, 2026;</li> <li>5. the termination, expiration, or conversion of the CCAA Proceedings; and</li> <li>6. payment in full of all amounts owing under the DIP Facility.</li> </ol>
<b>DIP Collateral</b>	<ul style="list-style-type: none"> <li>• To be secured by the DIP Lender’s Charge</li> </ul>

Monitor’s View on the DIP Facility

5.4 The Monitor respectfully recommends that the Court approve the DIP Facility for the following reasons:

- (i) the Applicants have no other financing alternative and, in the absence of the DIP Facility being approved, the Applicant will have no liquidity to fund its operations or these CCAA Proceedings for the duration of the requested extended Stay period;
- (ii) the Monitor has reviewed comparable DIP financing facilities and is of the view that the terms of the DIP Facility, including the interest rate and fees charged, are reasonable and within market parameters. Attached as Appendix “B” is a summary of select DIP financing facilities that have recently been approved by this Court in similar CCAA proceedings. The Monitor notes that these comparable DIP loans:
  - (a) range in size from \$0.4 million to \$31.0 million;
  - (b) have interest rates in the range of 8% to 20%, with an average rate of 12%; and
  - (c) have incremental fees that average 1.9%. In comparison, the proposed DIP Facility contemplates an interest rate of 12% and a commitment fee of 2%; and

(iii) as set out in the Updated Cash Flow Forecast below, the DIP Facility is projected to provide the Applicants with sufficient liquidity through the requested extended Stay period to allow the Applicants to maintain business and ordinary course operations through the completion of the Sale Process.

## **6.0 COURT-ORDERED CHARGES SOUGHT IN THE SECOND ARIO**

6.1 The proposed Second ARIO seeks the granting of the DIP Lender’s Charge up to a maximum amount of \$2,000,000 plus accrued and unpaid interest, fees and expenses in accordance with the DIP Agreement. The proposed Second ARIO also contemplates a charge as security for payment of the Bid Protections over the Property of Ayurcann. Besides the approval of the quantum and priority of the DIP Lender’s Charge and the Bid Protections Charge, no changes to the remaining Court-ordered Charges from the relief granted in the ARIO are requested.

6.2 The priorities of the Charges are proposed to be as follows:

<b>Proposed Charges &amp; Priorities</b>		
1. Administration Charge		\$800,000
2. DIP Lender’s Charge	\$2,000,000 plus interest, fees, and expenses	
3. Directors’ Charge		\$3,020,000
4. KERP Charge		\$66,250
5. Bid Protection Charge		\$264,200

### DIP Lender’s Charge

6.3 The Applicants seek to borrow up to a maximum principal amount of \$2,000,000 under the DIP Facility and are seeking the approval of the DIP Lender’s Charge on the Property as security for the outstanding obligations under the DIP Facility.

6.4 The DIP Lender’s Charge is a condition of the DIP Facility, without which, the Applicants would have to cease going concern operations in the near term and not have the liquidity to fund their operations until the end of the Sale Process.

#### Bid Protections Charge

6.5 The Applicants seeks the granting of a Court-ordered charge up to the maximum amount of \$264,200 over the Property in favour of the Stalking Horse Bidder as security for the Stalking Horse Bid.

6.6 The Bid Protections Charge is a requirement of the Stalking Horse Bidder to enter into the Stalking Horse Purchase Agreement which is a key feature of the Sale Process. The Bid Protections are an integral term of the Stalking Horse Purchase Agreement, which is a key feature of the Sale Process. Without the Bid Protections, the Stalking Horse Bidder has advised that it would not have agreed to act as the Stalking Horse Bid in the Sale Process.

6.7 As described above, the Monitor believes that the Charges are reasonable in the circumstances.

### **7.0 CASH FLOW RESULTS RELATIVE TO FORECAST**

7.1 Receipts and disbursements for the period from January 31, 2026 to February 6, 2026 (the “**Reporting Period**”), as compared to the cash flow forecast attached as Appendix “C” to the First Report (the “**Cash Flow Forecast**”), are summarized here:

<b>Cash Flow Variance Report</b>			
<i>(CAD \$000s, unaudited)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
<b>Receipts</b>	<b>641</b>	<b>389</b>	<b>252</b>
<b>Disbursements</b>			
Payroll & Benefits	(--)	(8)	8
Sales and Marketing	(--)	(--)	--
Excise Taxes	(--)	(--)	--
Sales Taxes	(--)	(--)	--
Office and General	(74)	(100)	27
Professional Fees	(--)	(--)	--
<b>Total Disbursements</b>	<b>(74)</b>	<b>(108)</b>	<b>35</b>
<b>Net Cash Flow</b>	<b>567</b>	<b>281</b>	<b>287</b>
Beginning Cash	876	876	--
Net Cash Flow	567	281	287
<b>Ending Cash</b>	<b>1,444</b>	<b>1,157</b>	<b>287</b>

7.2 As at February 6, 2026, Ayurcann’s cash balance was approximately \$1.4 million.

7.3 During the Reporting Period, the Applicants’ net cash flow was approximately \$287,000 greater than projected in the Cash Flow Forecast. This variance is primarily attributed to the timing of collection and disbursements, and is expected to 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 12-week period ending May 1, 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 “C”**.

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

<b>Ayurcann Cash Flow Forecast</b>	<b>12-Weeks \$000's</b>
<b>Receipts</b>	\$7,474
<b>Disbursements</b>	
Payroll & Benefits	(927)
Sales and Marketing	(4,543)
Excise Taxes	(2,479)
Sales Taxes	(464)
Office and General	(864)
KERP	(66)
Restructuring Professional Fees	(1,080)
<b>Total Disbursements</b>	<b>(10,423)</b>
<b>Net Cash Flow</b>	<b>(2,949)</b>
Opening Cash Balance	1,444
Net Cash Flow	(2,949)
DIP Draws	1,900
<b>Ending Cash Balance</b>	<b>\$395</b>

8.3 The Monitor notes the following:

- (i) receipts include the collection of existing accounts receivable and forecast sales from the continuing operations;
- (ii) payroll and benefits include salaries, benefits, and taxes;
- (iii) sales and marketing include cost of supplies and materials relating to product sales along with other selling expenses required for operations;
- (iv) office and general include non-merchandise vendor payments, including rent, insurance and other expenses; and
- (v) restructuring professional fees include the fees of Ayurcann's counsel, the Monitor and the Monitor's counsel.

8.4 During the Cash Flow Period, net cash flows are projected to be negative \$2.9 million, which is projected to be funded by cash on hand, and anticipated draws under the DIP Facility.

#### Monitor's Review

8.5 Based on the Monitor's review<sup>1</sup>, 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 Second Report, the Updated Cash Flow Assumptions are not suitably supported and consistent with the plans of Ayurcann 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 STAY OF PROCEEDINGS**

9.1 The Stay under the Amended and Restated Initial Order expires on February 29, 2026. Pursuant to the proposed Second ARIO, the Applicants are seeking an extension of the Stay to and including April 30, 2026.

---

<sup>1</sup> 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 Ayurcann'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.

9.2 The Monitor supports the Applicants' request to extend the Stay for the following reasons:

- (i) the proposed Stay extension will provide the Applicants with the time and stability necessary to implement the proposed Sale Process and pursue a value maximizing going concern sale transaction and return to Court to seek approval of the Successful Bid in the Sale Process;
- (ii) as demonstrated in the Updated Cash Flow Forecast and subject to the approval of the DIP Facility, the Applicants are expected to have sufficient liquidity to fund their operations through the requested extension of the Stay;
- (iii) 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
- (iv) The Monitor is not aware of any party that would be materially prejudiced by the proposed Stay extension.

## **10.0 ACTIVITIES OF THE MONITOR**

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

- (i) together with the Monitor's legal counsel, Reconstruct LLP ("**Reconstruct**"), assisting the Applicants to negotiate the DIP Facility and Stalking Horse Purchase Agreement, and develop the Sale Process;
- (ii) preparing for and attending by videoconference the comeback hearing held on February 9, 2026;

- (iii) monitoring the Applicants' cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (iv) engaging with certain customers, and stakeholders who have reached out to the Monitor;
- (v) coordinating and uploading of Court-filed documents to the Case Website;
- (vi) with the Applicants' management, developing a list of potentially interested parties in the Sale Process as well as the Teaser Letter;
- (vii) responding to creditor and other inquiries received via the Monitor's toll-free number and email account for the CCAA Proceedings; and
- (viii) with the assistance of Reconstruct, preparing this Second Report.

## **11.0 MONITOR'S RECOMMENDATION**

11.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the Sale Process Approval Order and the Second ARIO in the form sought by the Applicants.

All of which is respectfully submitted to this Court this 11<sup>th</sup> day of February, 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**  
**FIRST REPORT OF THE MONITOR**

**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.**

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

**FEBRUARY 6, 2026**

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### APPENDICES

**Appendix A** – Pre-Filing Report of the Proposed Monitor (without Appendices)

**Confidential Appendix B** – Key Employee Retention Plan

**Appendix C** – Updated Cash Flow Forecast for the Period Ending March 13, 2026

**Appendix D** – Management’s Representation Letter Regarding the Cash Flow Forecast

## 1.0 INTRODUCTION

- 1.1 On January 30, 2026 (the “**Filing Date**”), Ayurcann Holdings Corp. and Ayurcann Inc. (collectively, the “**Applicants**”) 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 (the “**Stay**”) in favour of the Applicants until February 9, 2026; (iii) extended the benefit of the Stay to Ayurcann Holding Corp. and Ayurcann Merger Sub Inc. (the “**Non-Applicant Stay Parties**” and together with the Applicants, “**Ayurcann**”); and (iv) granted the Administration Charge and the Directors’ Charge (each as defined in the Initial Order).
- 1.3 Additional details regarding Ayurcann as well as their business and financial circumstances are set out in the Pre-Filing Report of the Proposed Monitor dated January 29, 2026 (the “**Pre-Filing Report**”) filed by A&M prior to the commencement of the CCAA Proceedings. The Pre-Filing Report and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: [www.alvarezandmarsal.com/Ayurcann](http://www.alvarezandmarsal.com/Ayurcann) (the “**Case Website**”). A copy of the Pre-Filing Report is attached hereto (without appendices) as **Appendix “A”**.

1.4 This first report of the Monitor (the “**First Report**”) should be read in conjunction with the Pre-Filing Report, the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann, sworn January 29, 2026 (the “**First Sudman Affidavit**”), and the affidavit of Igal Sudman sworn February 3, 2026 (the “**Second Sudman Affidavit**” and together with the First Sudman Affidavit, the “**Sudman Affidavits**”). Capitalized terms used and not defined in this First Report have the meanings given to them in the Pre-Filing Report, the Initial Order, or the Sudman Affidavits, as applicable.

## **2.0 PURPOSE OF THIS REPORT**

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

- (i) certain updates on Ayurcann’s business and restructuring efforts during the 10 day period since the granting of the Initial Order;
- (ii) the relief sought by Ayurcann pursuant to the proposed Amended and Restated Initial Order (the “**ARIO**”), which among other things:
  - (a) extends the Stay in favour of the Applicants and the Non-Applicant Stay Parties to and including February 27, 2026;
  - (b) approves a key employee retention plan (the “**KERP**”), grants a corresponding super-priority charge up to a maximum amount of \$66,250 over the Property as security for the obligation of the Applicants to make the payments under the KERP (the “**KERP Charge**”), and seals a summary

of the KERP appended hereto as **Confidential Appendix “B”** (the “**KERP Summary**”), subject to further order of the Court;

- (c) preserves the *status quo* of the Regulatory Licences (as defined below);
  - (d) authorizes the Applicants to pay, with the consent of the Monitor, certain amounts owing to critical suppliers who supplied goods and/or services prior to the Filing Date; and
  - (e) increases the quantum of the Administration Charge to \$800,000, and the Directors’ Charge to \$3,020,000;
- (iii) the activities of the Monitor since the Filing Date; and
  - (iv) the Monitor’s conclusions and recommendations in connection with the relief sought at the comeback hearing returnable February 9, 2026.

### **3.0 TERMS OF REFERENCE AND DISCLAIMER**

3.1 In preparing this First 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 Ayurcann, and has had discussions with management of Ayurcann and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this First Report in respect of Ayurcann’s cash flow forecast:

- (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 First 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 First Report was prepared based on Ayurcann’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 UPDATES SINCE THE INITIAL ORDER**

4.1 Since the Filing Date, the Applicants have made efforts to stabilize their business, develop a sale process (the “**Sale Process**”), advance negotiations with a potential third-party purchaser (the “**Potential Stalking Horse Bidder**”) regarding a proposed stalking horse purchase agreement (the “**Stalking Horse Purchase Agreement**”) as well as potential debtor-in-possession financing (“**DIP Financing**”) to be provided by the Potential Stalking

Horse Bidder, and deploy a communication plan, which among other things notified key stakeholders of the CCAA Proceedings.

- 4.2 Active discussions among the Applicants, the Monitor and the Potential Stalking Horse Bidder are ongoing at this time. The Applicants intend to return to Court in the near term once definitive documents have been finalized to seek approval of the proposed DIP Financing, the Stalking Horse Purchase Agreement, and the Sale Process.

## **5.0 AMENDED AND RESTATED INITIAL ORDER**

- 5.1 The Applicants are seeking approval of the ARIO. The following paragraphs summarize the material changes from the Initial Order.

### Extension of the Stay

- 5.2 The Stay under the Initial Order expires on February 9, 2026. Pursuant to the proposed ARIO, the Applicants are seeking a brief extension of the Stay to and including February 27, 2026.
- 5.3 The Monitor supports the Applicants' request to extend the Stay for the following reasons:
- (i) the proposed Stay extension will provide the Applicants with the time and stability necessary to operate the business in the normal course, and provide the Applicants with additional time to complete negotiations with the Potential Stalking Horse Bidder in respect to the Stalking Horse Purchase Agreement and the related Sale Process, and finalize terms of the proposed DIP Financing;

- (ii) as demonstrated in the Updated Cash Flow Forecast (as defined below), the Applicants are expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the requested Stay extension without the need for additional financing;
- (iii) 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
- (iv) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay extension.

#### Key Employee Retention Plan & KERP Charge

- 5.4 To facilitate and encourage the continued participation of key employees during the CCAA Proceedings, the Applicants are seeking approval of: (i) a KERP for four employees and one contractor who are considered by the Applicants to be critical to the business and to advance the Sale Process and the CCAA Proceedings generally (collectively, the “**KERP Participants**”); and (ii) the granting of the KERP Charge to secure the obligation of the Applicants to make payments due under the KERP.
- 5.5 The proposed KERP provides for retention bonuses calculated as a percentage of the KERP Participants' annual salary, totaling approximately \$66,250 in the aggregate across the KERP Participants. The retention bonuses will be payable pursuant to the terms of agreements to be entered into with the KERP Participants, which agreements, among other things, will require that each KERP Participant continues to be employed by the Applicants through the earlier of: (i) the closing date of a sale of all or substantially all of the assets of

the Company to an acquiring entity; (ii) the date specified in a notice of termination on which the KERP Participant's employment with the Applicants ends without cause; or (iii) the Applicants' exit from the CCAA Proceedings.

5.6 The proposed ARIO provides for the granting of a KERP Charge over the Property in an amount not to exceed \$66,250 in favour of the KERP Participants.

5.7 As part of its review and consideration of the KERP, the Monitor examined key employee retention plans that have recently been approved by the Court in similar proceedings. The Monitor supports the approval of the KERP and the granting of the KERP Charge as:

- (i) the KERP will provide stability to the business and facilitate the Sale Process and successful completion of the CCAA Proceedings by appropriately incentivizing the retention and continued participation of the KERP Participants;
- (ii) the Applicants consider the KERP Participants crucial to advancing the Sale Process and the CCAA Proceedings in order to successfully restructure the business for the benefit of the Applicants' stakeholders;
- (iii) the Applicants believe the KERP Participants would likely consider other employment opportunities without the KERP, and that the process to find appropriately qualified replacements would be lengthy, difficult and costly;
- (iv) the Applicants exercised their business judgment in developing the KERP; and
- (v) the Monitor was consulted in the development of the KERP and terms of the KERP, including the quantum of the payments expected to be made thereunder. The

Monitor is of the view that the terms of the KERP are appropriate, reasonable and justified in the circumstances and are comparable to other key employee retention and incentive plans approved in similar CCAA proceedings.

### Sealing

5.8 The Applicants are requesting a sealing order for the KERP Summary, which includes personal employee information, including compensation information. The Monitor believes it is appropriate to seal the KERP Summary until further order of the Court. The sealing of this type of sensitive and personal information is consistent with the approach taken in other CCAA proceedings for sensitive personal and financial information of this nature, protects the privacy of the KERP Participants and will help to avoid any unnecessary disruption or distraction to Ayurcann’s business that such disclosure may cause. The Monitor does not believe that any stakeholder will be prejudiced if the information in the confidential KERP Summary is sealed, including because the aggregate cost of the KERP has been disclosed.

### Regulatory Licenses

5.9 The proposed ARIO contemplates the preservation of certain Regulatory Licenses, which will provide the Applicants the ability to process and sell cannabis inventory in the ordinary course.

5.10 The Monitor understands that Ayurcann holds a standard processing license with Health Canada (the “**Health Canada License**”), a license with the CRA to apply cannabis excise stamps to its products (the “**CRA Cannabis License**”), and an excise duty license with the

CRA to use bulk-alcohol, non-duty paid packaged alcohol and restricted formulation, on a duty-free basis (the “**Excise Duty License**” and collectively with the Health Canada License and the CRA Cannabis License, the “**Regulatory Licenses**”).

- 5.11 The Monitor understands that the Regulatory Licenses are necessary for the business to preserve the *status quo* and continue as a going concern during the CCAA Proceedings, with the intention of maintaining enterprise value to maximize value for the benefit of all stakeholders. The Monitor also understands that the preservation of the Regulatory Licenses contemplated in the ARIO will avoid costly disruptions to the Applicants’ business, and the Monitor is of the view that protection of the Regulatory Licenses is consistent with the spirit of the Stay provisions granted in the model Initial Order.

#### Critical Vendor and Other Payments

- 5.12 The proposed ARIO permits, but does not obligate, the Applicants to pay, with the consent of the Monitor, up to a maximum amount of \$300,000 to certain suppliers for amounts owing for goods and services actually supplied to the Applicants prior to the Filing Date.
- 5.13 The Monitor understands that the Applicants acquire products and services from a relatively small number of suppliers given the regulated nature of the cannabis industry. Any interruption of service from these third parties may prevent the Applicants from operating in the ordinary course and continuing to provide uninterrupted services to their customers.
- 5.14 The Monitor intends to work closely with the Applicants to identify certain critical suppliers that will be paid for these pre-filing amounts. In considering whether a pre-filing

debt shall be paid to a supplier, the Monitor shall consider among other factors, whether:

- (i) the supplier or service provider is essential to the business and ongoing operations of the Applicants and the payment is required to ensure ongoing supply;
- (ii) making such payment will preserve, protect or enhance the value of the Property or the business;
- (iii) making such payment is required to address regulatory concerns necessary for the preservation of the business; and
- (iv) the supplier or service provider is required to continue to provide goods or services to the Applicants after the Filing Date.

## **6.0 COURT-ORDERED CHARGES**

6.1 The proposed ARIO seeks an increase to the Administration Charge, and the Directors' Charge, and the granting of a KERP Charge over the Property (collectively, the "**Charges**")

### Administration Charge

6.2 The Initial Order provides for a super-priority charge over the Property in an amount not to exceed \$250,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the "**Administration Charge**"). The Applicants are seeking to increase the quantum of the Administration Charge to \$800,000 in the ARIO.

6.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the amount of the charge is reasonable and appropriate in the circumstances having regard to: (i) the nature of the proceedings; (ii) the need for the continued participation of the proposed beneficiaries of the Administration Charge during the CCAA Proceedings to complete a successful restructuring; (iii) the distinct roles of the proposed beneficiaries; and (iv) the quantum of administration charges approved in similar CCAA proceedings.

## Directors' Charge

- 6.4 The Initial Order provides that the Applicants shall indemnify their respective directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after the commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct.
- 6.5 The Initial Order approved a super priority charge over the Property in the amount of \$625,000 in favour of the Applicants' directors and officers as security for such indemnity (the "**Directors' Charge**"). The Applicants are seeking an increase in the amount of the Directors' Charge to \$3,020,000 in the ARIO.
- 6.6 The Monitor assisted the Applicants in the calculation of the quantum of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay, federal and provincial sales tax liabilities, and excise tax liabilities. The components that comprise the Directors' Charge are as follows:

<b>Proposed Director's Charge</b>	
Provision for employee wages and source deductions (2 pay periods)	\$200,000
Provision for accrued vacation, employee benefits, and other amounts	80,000
Provision for sales taxes (HST, GST) (2 months)	340,000
Provision for post-filing excise taxes (2 months)	2,400,000
<b>Total</b>	<b>\$3,020,000</b>

- 6.7 The priorities of the Charges are proposed to be as follows:

<b>Proposed Charges &amp; Priorities</b>	
1. Administration Charge	\$800,000
2. Directors' Charge	\$3,020,000
3. KERP Charge	\$66,250

6.8 As described above, the Monitor believes that the Charges are reasonable in the circumstances.

## **7.0 UPDATED CASH FLOW FORECAST**

7.1 Ayurcann, with the assistance of the Monitor, has prepared an updated cash flow (the “**Updated Cash Flow Forecast**”) for the 6-week period ending March 13, 2026 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “C”** and **“D”**, respectively.

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

<b>Ayurcann Cash Flow Forecast</b>	<b>6-Week \$000's</b>
<b>Receipts</b>	\$1,944
<b>Disbursements</b>	
Payroll & Benefits	(458)
Sales and Marketing	(1,139)
Excise Taxes	(-)
Sales Taxes	(165)
Office and General	(331)
Restructuring Professional Fees	(443)
<b>Total Disbursements</b>	(2,536)
<b>Net Cash Flow</b>	<b>(592)</b>
Opening Cash Balance	876
Net Cash Flow	(592)
<b>Ending Cash Balance</b>	<b>\$284</b>

7.3 The Monitor notes the following:

- (i) receipts include the collection of existing accounts receivable and forecast sales from the continuing operations;
- (ii) payroll and benefits include salaries, benefits, and taxes;
- (iii) sales and marketing include cost of supplies and materials relating to product sales along with other selling expenses required for operations;
- (iv) office and general include non-merchandise vendor payments, including rent, insurance and other expenses; and
- (v) restructuring professional fees include the fees of Ayurcann's counsel, the Monitor and the Monitor's counsel.

7.4 During the Cash Flow Period, net cash flows are projected to be negative \$592,000, which is projected to be sufficiently funded by cash on hand, and customer collections. No additional interim financing is required during the Cash Flow Period, however as described above, the Applicants are currently negotiating the contemplated DIP Financing to fund its ongoing operations during the CCAA Proceedings.

#### Monitor's Review

7.5 Based on the Monitor's review<sup>1</sup>, 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 First Report, the Updated Cash Flow Assumptions are not suitably supported and consistent with the plans of Ayurcann 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.

7.6 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.

### **8.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE**

8.1 Since the Filing Date, the primary activities of the Monitor have included the following:

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<sup>1</sup> 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 Ayurcann'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.

- (i) together with the Monitor’s legal counsel, Reconstruct LLP (“**Reconstruct**”) assisting the Applicants to negotiate the DIP Financing and Stalking Horse Purchase Agreement, and develop the Sale Process;
- (ii) monitoring the Applicants’ cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (iii) activating the Case Website and coordinating the posting of Court-filed documents thereon;
- (iv) engaging with certain suppliers, and stakeholders who have reached out to the Monitor;
- (v) completing and/or coordinating the notice requirements pursuant to paragraph 39 of the Initial Order, including, among other things:
  - (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail (National Edition)* on February 4, 2026 and February 11, 2026;
  - (b) posting the Initial Order to the Case Website on January 30, 2026;
  - (c) arranging for notice of the CCAA Proceedings to be emailed or mailed to all known creditors having a claim against the Applicants’ of more than \$1,000 (“**Notice Creditors**”), in the prescribed manner on February 3, 2026;

- (d) preparing and posting to the Case Website on February 3, 2026 a listing of the names and addresses of Notice Creditors; and
- (e) activating the Monitor's toll-free number and email account for the CCAA Proceedings and responding to creditors and other inquiries received through those and other contact points; and
- (vi) with the assistance of Reconstruct, preparing this First Report.

## 9.0 MONITOR'S RECOMMENDATION

- 9.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the ARIO in the form sought by the Applicants.

All of which is respectfully submitted to this Court this 6<sup>th</sup> day of February, 2026.

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

Per:

  
\_\_\_\_\_  
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

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

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**FIRST REPORT OF THE MONITOR**

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Lawyers for the Monitor

**APPENDIX B**  
**SUMMARY OF RECENT COMPARABLE DIP FACILITIES**

## Overview of DIP Facilities Granted

Debtor	DIP Lender	Filing Date	Industry	Jurisdiction	DIP Loan (C\$) <sup>1</sup>	Fees as a % of Loan <sup>2</sup>	Interest Rate <sup>3</sup>
Cabot Energy Inc.	High Power Petroleum LLC	Dec-25	Oil & Gas	AB	675,000	0.0%	12.0%
AgraCity Crop & Nutrition Ltd. et al.	2011329 Alberta Ltd.	Dec-25	Agriculture	SK	4,200,000	4.8%	20.0%
Jameson Broadway & Birch Limited Partnership et al	Maynbridge Capital Inc.	Nov-25	Real Estate	BC	31,000,000	5.4%	10.0%
Mera Cannabis Corp. et al.	Aggregated Investments Inc.	Oct-25	Cannabis	ON	2,600,000	0.0%	8.0%
Christenson Group of Companies	Canada ICI Capital Corporation	Oct-25	Real Estate	AB	2,125,000	0.0%	9.8%
AMCO Farms Inc. et al.	RBC	Aug-25	Agriculture	ON	4,100,000	3.0%	13.0%
QM GP Inc.	WeShall Investments Inc.	Jul-25	Construction	ON	14,000,000	1.0%	14.0%
Li-Cycle Holdings Corp. et al.	Glencore International AG	May-25	Cleantech	ON	14,175,000	0.0%	11.3%
Mernova Medicinal Inc. and Creso Canada Limited	La Plata Capital	Apr-25	Cannabis	NS	500,000	0.0%	12.0%
Ecoation Innovative Solutions Inc.	1001199137 Ontario Limited	Apr-25	Agriculture	BC	1,000,000	2.0%	12.0%
Joriki Inc.	BNS as agent	Jan-25	Food Manufacturing	ON	1,200,000	2.5%	12.5%
True North Cannabis Co. et al.	The Vancor Group	Jan-25	Cannabis	ON	2,000,000	2.0%	12.0%
Upper Canada Growers Ltd.	BNS	Jan-25	Agriculture	ON	2,700,000	1.9%	10.0%
Comark Holdings Inc.	CIBC	Jan-25	Retail	ON	18,000,000	1.5%	10.0%
Dykman Cattle Co. Ltd. et al.	BNS	Nov-24	Agriculture	BC	1,500,000	1.3%	10.0%
Noya Holdings Inc. et al.	Lending Stream Inc.	Nov-24	Cannabis	ON	400,000	6.3%	12.0%
Tokyo Smoke	TS Investments Corp.	Aug-24	Cannabis	ON	8,000,000	1.0%	13.0%
Freedom Cannabis Inc.	JL Legacy Ltd.	Aug-24	Cannabis	AB	3,000,000	2.0%	15.0%
Galaxie Brands Corporation	The Vancor Group Inc.	Aug-24	Cannabis	ON	1,650,000	2.0%	14.0%
Delta 9 Cannabis Inc. et al.	FIKA Herbal Goods	Jul-24	Cannabis	SK	16,000,000	0.0%	10.0%
Atlas Global Brands Inc. et al.	Shalcor Management Inc.	Jun-24	Cannabis	ON	7,000,000	3.0%	13.0%
Cannmart Labs Inc.	Lifeist Wellness Inc.	May-24	Cannabis	ON	400,000	2.0%	10.0%
Heritage Cannabis Holding Corp.	BJK Holdings Ltd.	Apr-24	Cannabis	ON	1,500,000	0.0%	12.5%
Hempsana Inc.	Movengo Developments Inc.	Mar-24	Cannabis	ON	500,000	7.0%	8.0%
Bifano Consolidated Inc.	BNS	Feb-24	Agriculture	BC	1,500,000	1.3%	15.0%
Wayne Patrick Consumer Products Ltd. et al.	1000592191 Ontario Inc.	Feb-24	Cannabis	ON	950,000	0.0%	12.0%
Safari Flower Company	NE SPEC II LP	Jan-24	Cannabis	ON	1,000,000	3.0%	14.0%
Humble & Fume Inc.	1000760498 Ontario Inc.	Jan-24	Cannabis	ON	3,375,000	0.0%	12.0%
<b>Max</b>					<b>31,000,000</b>	<b>7.0%</b>	<b>20.0%</b>
<b>Average</b>					<b>5,180,000</b>	<b>1.9%</b>	<b>12.0%</b>
<b>Min</b>					<b>400,000</b>	<b>0.0%</b>	<b>8.0%</b>

Source: Insolvency Insider and Government of Canada Public CCAA Records

1. US dollar denominated loans are translated at 1.35 USD/CAD. Certain DIP Loans are presented as the maximum draw reported in the latest court materials.
2. Excludes amounts for "reasonable fees and expenses of the DIP Lender" if these are not specifically defined.
3. Interest rates that are determined by a benchmark rate (i.e. prime rate, SOFR) were calculated as of the respective filing date.

**APPENDIX C**  
**UPDATED CASH FLOW FORECAST**

Ayurcann  
Cash Flow Forecast

Unaudited, in CAD \$

	Notes	Week 1 Feb-13	Week 2 Feb-20	Week 3 Feb-27	Week 4 Mar-06	Week 5 Mar-13	Week 6 Mar-20	Week 7 Mar-27	Week 8 Apr-03	Week 9 Apr-10	Week 10 Apr-17	Week 11 Apr-24	Week 12 May-01	12 Week Total
<b>Receipts</b>	<b>1</b>	<b>31,687</b>	<b>81,517</b>	<b>266,261</b>	<b>531,086</b>	<b>464,419</b>	<b>782,016</b>	<b>1,126,895</b>	<b>523,967</b>	<b>1,167,156</b>	<b>916,394</b>	<b>932,734</b>	<b>650,000</b>	<b>7,474,132</b>
<b>Disbursements</b>														
Payroll & Benefits	2	(161,459)	--	(147,514)	--	(161,459)	--	(147,514)	--	(161,459)	--	(147,514)	--	(926,920)
Sales and Marketing	3	(370,120)	(326,000)	(338,555)	(357,960)	(359,006)	(308,774)	(271,801)	(353,397)	(247,988)	(488,271)	(373,628)	(747,255)	(4,542,755)
Excise Taxes	4	--	--	--	--	--	--	(1,262,434)	--	--	--	--	(1,216,593)	(2,479,027)
Sales Taxes	5	--	--	(156,265)	--	--	--	(156,367)	--	--	--	(151,578)	--	(464,210)
Office and General	6	(81,360)	(24,451)	(105,152)	(96,692)	(40,680)	(35,751)	(147,464)	(107,147)	(28,250)	(31,231)	(43,608)	(121,830)	(863,615)
Professional Fees	7	(140,815)	(195,000)	--	--	(117,093)	(117,093)	(170,000)	--	(170,000)	--	(170,000)	--	(1,080,000)
KERP	8	--	--	--	--	--	--	--	--	--	--	--	(66,250)	(66,250)
<b>Total Disbursements</b>		<b>(753,753)</b>	<b>(545,451)</b>	<b>(747,486)</b>	<b>(454,653)</b>	<b>(678,237)</b>	<b>(461,618)</b>	<b>(2,155,581)</b>	<b>(460,544)</b>	<b>(607,696)</b>	<b>(519,502)</b>	<b>(886,328)</b>	<b>(2,151,928)</b>	<b>(10,422,777)</b>
<b>Net Cash Flow</b>		<b>(722,067)</b>	<b>(463,934)</b>	<b>(481,225)</b>	<b>76,433</b>	<b>(213,818)</b>	<b>320,399</b>	<b>(1,028,686)</b>	<b>63,423</b>	<b>559,460</b>	<b>396,891</b>	<b>46,407</b>	<b>(1,501,928)</b>	<b>(2,948,645)</b>
Beginning Cash		1,443,897	721,831	257,897	276,671	353,105	439,287	759,686	531,000	594,423	1,153,882	1,550,774	1,597,180	1,443,897
+/- Net Cash Flow		(722,067)	(463,934)	(481,225)	76,433	(213,818)	320,399	(1,028,686)	63,423	559,460	396,891	46,407	(1,501,928)	(2,948,645)
DIP - Cash Draws		--	--	500,000	--	300,000	--	800,000	--	--	--	--	300,000	1,900,000
<b>Ending Cash</b>		<b>721,831</b>	<b>257,897</b>	<b>276,671</b>	<b>353,105</b>	<b>439,287</b>	<b>759,686</b>	<b>531,000</b>	<b>594,423</b>	<b>1,153,882</b>	<b>1,550,774</b>	<b>1,597,180</b>	<b>395,252</b>	<b>395,252</b>
<b>DIP Facility</b>														
Opening DIP Balance		--	40,000	40,000	542,400	542,400	842,400	842,400	1,642,400	1,707,488	1,707,488	1,707,488	1,707,488	--
Accrued Interest and Fees		40,000	--	2,400	--	--	--	--	65,088	--	--	--	197,088	304,576
Cash Draws	9	--	--	500,000	--	300,000	--	800,000	--	--	--	--	300,000	1,900,000
<b>Ending DIP Balance</b>		<b>40,000</b>	<b>40,000</b>	<b>542,400</b>	<b>542,400</b>	<b>842,400</b>	<b>842,400</b>	<b>1,642,400</b>	<b>1,707,488</b>	<b>1,707,488</b>	<b>1,707,488</b>	<b>1,707,488</b>	<b>2,204,576</b>	<b>2,204,576</b>

**Ayurcann**  
**12-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) Receipts**

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

**2) Payroll & Benefits**

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

**3) Sales and Marketing**

Includes supplies and materials related to forecast sales.

**4) Excise Taxes**

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

**5) Sales Taxes**

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

**6) Office and General**

Includes rent, insurance and other overhead costs.

**7) Professional Fees**

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

**8) KERP**

Represents payments related to the Key Employee Retention Plan.

**9) 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,  
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

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

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**SECOND REPORT OF THE MONITOR**

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