

**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.**

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

FEBRUARY 12, 2026

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1.0 INTRODUCTION

1.1 On February 11, 2026, the Monitor filed its Second Report (the “**Second Report**”) describing, among other things, the relief being sought by the Applicants pursuant to the Sale Process Approval Order and the Second ARIO, and providing the Monitor’s views and recommendations in connection therewith.

1.2 This report is now filed as a supplement to the Second Report (the “**Supplemental Second Report**”), to provide:

- (i) an update to the Court in connection with the Applicants’ Updated Cash Flow Forecast attached as Appendix “C” to the Second Report (the “**Prior Cash Flow Forecast**”); and
- (ii) the Monitor’s recommendation that the Court approve an increase to the maximum aggregate amount the Applicants are authorized to pay to critical suppliers who actually supplied goods and/or services to the Applicants prior to the Filing Date, with the consent of the Monitor, as set out in a revised Second ARIO to be filed by the Applicants.

1.3 This Supplemental Second Report should be read in conjunction with the Second Report and is subject to the restrictions and limitations described therein. Capitalized terms used and not defined in this Supplemental Second Report have the meanings given to them in the Second Report.

2.0 REVISION TO THE UPDATED CASH FLOW FORECAST

- 2.1 On February 9, 2026, the Court granted the ARIO, which among other things, authorized the Applicants, with the Monitor’s consent, to pay up to \$300,000 to certain suppliers (the “**Critical Suppliers**”) who provided essential goods and/or services to the Applicants prior to the Filing Date. The Monitor’s support for this relief was set out in the First Report of the Monitor dated February 6, 2026.
- 2.2 In connection with the Applicants’ motion scheduled to be heard on February 13, 2026, the Applicants are seeking Court approval to enter into the DIP Agreement and borrow under the DIP Facility. The DIP Agreement requires the DIP Lender’s approval of the Applicants’ cash flow projections¹.
- 2.3 The Cash Flow Forecast provides for payments to Critical Suppliers who are vital to maintaining ongoing operations and preserving the going-concern value of the Applicants’ business. The Critical Suppliers play a key role in the Applicants’ sales and trading functions, support important customer relationships, and are not easily replaceable. The Monitor is satisfied with the Applicants’ assessment that the goods and services provided by these suppliers are critical to the business, including that such goods and services are required to achieve the Applicants’ sales forecast. Further, the Monitor is of the view that any prospective purchaser of the Applicants’ business would also view these suppliers as critical.

¹ Referred to in the DIP Facility as the “Updated Cash Flow Projections” and to be approved by the DIP Lender on or prior to February 12, 2026.

2.4 Since the preparation of the Prior Cash Flow Forecast, the Applicants and the DIP Lender, in consultation with the Monitor, have identified items requiring adjustment:

- (i) certain costs included in the Prior Cash Flow Forecast were classified as post-filing obligations, but actually relate to services provided during the pre-filing period, for which invoices have not yet been received. While the Prior Cash Flow Forecast correctly reflected the amounts payable during the CCAA Proceedings, it did not properly classify these disbursements as pre-filing obligations; and
- (ii) certain additional pre-filing amounts owing to Critical Suppliers, for which invoices have not yet been received, will be required to be paid during the CCAA Proceedings in order to maintain essential relationships with Critical Suppliers.

2.5 In consultation with the Monitor, and with the support of the DIP Lender, the Applicants have prepared a revised cash flow forecast (the “**Revised Cash Flow Forecast**”), which reflects these increased disbursements and reclassifies certain disbursements in the “Sale and Marketing” line item as pre-filing obligations. As a result, the projected payments for pre-filing goods and services during the CCAA Proceedings has increased from \$300,000 (as previously reflected in the Prior Cash Flow Forecast and as approved in the ARIO) to \$800,000.

2.6 In addition, the Revised Cash Flow Forecast contemplates an incremental draw of \$100,000 under the DIP Facility to support these expenditures. However, the Monitor notes that the \$2 million provided for under the DIP Facility continues to be sufficient to fund the Applicants’ business and operations during the CCAA Proceedings, and no additional

borrowings beyond those contemplated in the Prior Cash Flow Forecast are anticipated to be required.

2.7 The Revised Cash Flow Forecast is attached hereto as **Appendix “A”**, and a summary is set out in the table below. Save for the changes described above, no other changes have been made as compared to the Prior Cash Flow Forecast attached to the Second Report.

Ayurcann Cash Flow Forecast	12-Weeks \$000's
Receipts	\$7,474
Disbursements	
Payroll & Benefits	(927)
Sales and Marketing	(4,843)
Excise Taxes	(2,479)
Sales Taxes	(464)
Office and General	(864)
KERP	(66)
Restructuring Professional Fees	(1,080)
Total Disbursements	(10,723)
Net Cash Flow	(3,249)
Opening Cash Balance	1,444
Net Cash Flow	(3,249)
DIP Draws	2,000
Ending Cash Balance	\$195

2.8 Before any payments are made for goods and/or services supplied to the Applicants prior to the Filing Date, the Monitor will work closely with the Applicants to ensure that only Critical Suppliers are paid. In determining whether to consent to the payment of any pre-filing debt to a supplier, the Monitor will consider among other factors, whether: (i) the supplier or service provider is essential to the Applicants’ business and ongoing operations, and the payment is required to ensure ongoing and uninterrupted supply of good and/or

services; (ii) making such payment will preserve, protect or enhance the Property (as defined in the ARIO) and the going-concern value of the business; and (iii) the Critical Supplier is required to continue to provide goods or services to the Applicants after the Filing Date.

3.0 MONITOR'S RECOMMENDATION

3.1 For the reasons set out in this Supplemental Second Report, the Monitor respectfully recommends that the Court authorize the Applicants to pay, with the consent of the Monitor and the DIP Lender, amounts owing to critical suppliers for goods and/or services supplied prior to the Filing Date up to a maximum aggregate amount of \$800,000, as reflected in the revised Second ARIO to be filed by the Applicants.

All of which is respectfully submitted to this Court this 12th 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
SUPPLEMENTAL REPORT TO
THE SECOND REPORT OF THE
MONITOR**

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
Receipts	1	31,687	81,517	266,261	531,086	464,419	782,016	1,126,895	523,967	1,167,156	916,394	932,734	650,000	7,474,132
Disbursements														
Payroll & Benefits	2	(161,459)	--	(147,514)	--	(161,459)	--	(147,514)	--	(161,459)	--	(147,514)	--	(926,920)
Sales and Marketing	3	(320,120)	(376,000)	(338,555)	(457,960)	(459,006)	(308,774)	(371,801)	(353,397)	(247,988)	(488,271)	(373,628)	(747,255)	(4,842,755)
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)
Total Disbursements		(703,753)	(595,451)	(747,486)	(554,653)	(778,237)	(461,618)	(2,255,581)	(460,544)	(607,696)	(519,502)	(886,328)	(2,151,928)	(10,722,777)
Net Cash Flow		(672,067)	(513,934)	(481,225)	(23,567)	(313,818)	320,399	(1,128,686)	63,423	559,460	396,891	46,407	(1,501,928)	(3,248,645)
Beginning Cash		1,443,897	771,831	257,897	276,671	253,105	339,287	659,686	231,000	294,423	853,882	1,250,774	1,297,180	1,443,897
+/- Net Cash Flow		(672,067)	(513,934)	(481,225)	(23,567)	(313,818)	320,399	(1,128,686)	63,423	559,460	396,891	46,407	(1,501,928)	(3,248,645)
DIP - Cash Draws		--	--	500,000	--	400,000	--	700,000	--	--	--	--	400,000	2,000,000
Ending Cash		771,831	257,897	276,671	253,105	339,287	659,686	231,000	294,423	853,882	1,250,774	1,297,180	195,252	195,252
DIP Facility														
Opening DIP Balance		--	40,000	40,000	542,400	542,400	942,400	942,400	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	--	400,000	--	700,000	--	--	--	--	400,000	2,000,000
Ending DIP Balance		40,000	40,000	542,400	542,400	942,400	942,400	1,642,400	1,707,488	1,707,488	1,707,488	1,707,488	2,304,576	2,304,576

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

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

**SUPPLEMENTAL REPORT TO THE
SECOND REPORT OF THE MONITOR**

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