

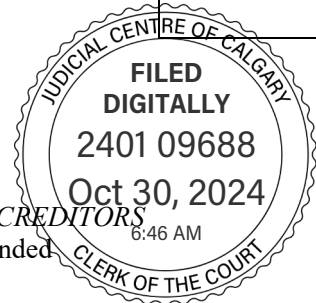
COURT FILE NUMBER 2401-09688

Clerk's Stamp

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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



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

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

October 29, 2024

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

MONITOR
ALVAREZ & MARSAL CANADA INC.
Bow Valley Square IV
Suite 1110, 250 – 6th Avenue SW
Calgary, Alberta T2P 3H7
Orest Konowalchuk / Duncan MacRae
Telephone: (403) 538-4736 / 7514
Email: okonowalchuk@alvarezandmarsal.com
dmacrae@alvarezandmarsal.com

COUNSEL
Burnet, Duckworth & Palmer LLP
Barristers & Solicitors
David LeGeyt / Ryan Algar
2400, 525 – 8th Ave. SW.
Phone: (403) 260-0210 / 0126
Fax: (403) 260-0332
Email: dlegeyt@bdplaw.com
ralgar@bdplaw.com



TABLE OF CONTENTS

INTRODUCTION	3
PURPOSE.....	7
TERMS OF REFERENCE AND DISCLAIMER	8
BACKGROUND	9
ACTIVITIES OF THE MONITOR.....	9
OPERATIONAL & RESTRUCTURING UPDATE.....	11
UPDATE ON THE CLAIMS PROCEDURES	16
PROPOSED AMENDMENT TO THE CLAIMS PROCEDURE ORDER.....	18
PLAN OF ARRANGEMENT	18
CREDITORS' MEETING	25
MONITOR'S ANALYSIS OF THE PLAN	27
RESTRICTED COURT ACCESS ORDER.....	32
CASH FLOW RESULTS COMPARED TO FORECAST.....	32
INCREASED INTERIM FINANCING CHARGE AND BORROWINGS	38
APPROVAL OF PROFESSIONAL FEES AND EXPENSES	39
EXTENSION TO THE STAY OF PROCEEDINGS	41
CONCLUSIONS AND RECOMMENDATIONS.....	42

APPENDICES

APPENDIX A	Amended Interim Financing Facility
APPENDIX B	Abridged Liquidation Analysis
APPENDIX C	Updated Cash Flow Forecast
APPENDIX D	Updated Cash Flow Forecast Assumptions
CONFIDENTIAL APPENDIX 1	Liquidation Analysis

INTRODUCTION

1. On July 15, 2024 (the "**Filing Date**"), Delta 9 Cannabis Inc. ("**Delta Parent**"), Delta 9 Bio-Tech Inc. ("**Bio-Tech**"), Delta 9 Lifestyle Cannabis Clinic Inc. ("**Lifestyle**"), Delta 9 Cannabis Store Inc. ("**Store**") and Delta 9 Logistics Inc. ("**Logistics**" and collectively, the "**Delta 9 Group**", the "**Company**" or the "**Applicants**") were granted an initial Order (the "**Initial Order**") by the Court of King's Bench of Alberta (the "**Court**"), in relation to proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Alvarez & Marsal Canada Inc., ("**A&M**") was appointed as monitor (the "**Monitor**") in the CCAA Proceedings.
2. The Initial Order provided for limited relief to the Applicants including, but not limited to, the imposition of a stay of proceedings in favour of the Applicants and their assets (the "**Stay Period**") initially only through to July 25, 2024 (the "**Initial Stay Period**"), an administrative charge to a maximum amount of \$350,000 (the "**Initial Administration Charge**") and a directors and officers charge to a maximum amount of \$300,000 (the "**Initial Directors' Charge**").
3. On July 24, 2024, the Applicants sought and obtained the following relief from this Honourable Court:
 - a) an amended and restated Initial Order (the "**ARIO**");
 - b) an Order (the "**Bio-Tech SISP Order**") approving a sales and investment solicitation process with respect to Bio-Tech (the "**Bio-Tech SISP**"); and
 - c) an Order (the "**Claims Procedure Order**") approving a claims procedure to determine the claims of creditors and establish a claims bar date to prove such claims (the "**Claims Procedure**").

4. The ARIO, among other things:
- a) extended the Initial Stay Period to September 15, 2024;
 - b) approved the interim financing facility (the "**Interim Financing Facility**") and related charge (the "**Interim Financing Charge**") in the amount of \$16 million, plus interest, costs and expenses;
 - c) approved a key employee retention plan (the "**KERP**") and related charge (the "**KERP Charge**") in the amount of \$655,000;
 - d) increased the Initial Administration Charge from \$350,000 to \$750,000 (the "**Amended Administration Charge**");
 - e) increased the Initial Directors' Charge from \$300,000 to \$900,000, and extended the same in favour of legal counsel of the directors and officers of the Applicants, Norton Rose Fulbright LLP (the "**Amended Directors' Charge**"); and
 - f) granted a break fee charge in favour of the Plan Sponsor (the "**Break Fee Charge**") of \$1.5 million, and the appointment of a chief restructuring officer (the "**CRO**").
5. On September 11, 2024, the Applicants sought and obtained the following relief from this Honourable Court (the "**Stay Extension and Approval Order**"):
- a) an extension of the Stay Period to November 1, 2024;
 - b) an amendment to the Interim Financing Term Sheet (the "**Amended Interim Financing Term Sheet**") authorizing borrowing up to \$17,500,000 from 2759054 Ontario Inc. o/a Fika Herbal Goods ("**Fika**", the "**Interim Lender**" and/or the "**Plan Sponsor**");
 - c) approval of the Monitor and Monitor's counsel's fees and disbursements as set out in the Second Report; and

- d) approval of the Monitor's activities, actions, and conduct, as set out in the Pre-Filing Report, the First Report, and the Second Report.
6. Capitalized terms not defined in this Monitor's Third Report (this "**Report**" or the "**Third Report**") are as defined in the ARIO, the Prior Monitor Reports,¹ the Affidavit of John Arbuthnot IV sworn October 21, 2024 (the "**Fourth Arbuthnot Affidavit**") together, with all other affidavits of John Arbuthnot IV and any supplements thereto sworn in these CCAA Proceedings (the "**Arbuthnot Affidavits**"), or the materials filed by the Applicants, the Plan Sponsor, or any other party in connection with the CCAA Proceedings.
7. The Plan Sponsor and the Applicants have filed separate applications with this Honourable Court, both returnable November 1, 2024. The relief sought by the Plan Sponsor includes:
- a) accepting the filing of the plan of compromise and arrangement (the "**Plan**") as proposed by the Plan Sponsor;
 - b) authorizing Delta Parent, Lifestyle, Store and Logistics (collectively, the "**Plan Applicants**") to establish a single class of creditors for the purpose of considering and voting on the plan (the "**Affected Creditors**");
 - c) authorizing the Plan Applicants to convene a virtual meeting of the Affected Creditors (the "**Creditors' Meeting**") on November 25, 2024 at 10:00 am MST to consider and vote on the Plan proposed to be circulated to creditors in these proceedings by the Plan Applicants (the "**Creditors' Meeting Order**");

¹ The Pre-Filing Report of the Monitor dated July 12, 2024 (the "**Pre-Filing Report**"), the First Report of the Monitor dated July 22, 2024, (the "**First Report**"), and the Second Report of the Monitor dated September 10, 2024, (the "**Second Report**") are collectively referred to as the "**Prior Monitor Reports**".

- d) setting a date on November 25, 2024 at 10:00 am MST for the hearing of the application for an order sanctioning the plan (the "**Plan Sanction Hearing**"), should the Plan be approved for filing and approved by the requisite majorities of creditors at the Creditors' Meeting; and
- e) such further and other relief as may be sought by the Applicants and this Honourable Court may deem appropriate in the CCAA Proceedings.

8. The relief sought by the Applicants includes:

- a) extending the Stay Period to January 31, 2025 (the "**Stay Extension**");
- b) approving the actions, activities and conduct of the Monitor, along with the fees and disbursements of the Monitor and its counsel, as set out in this Report;
- c) increasing the borrowing limit of Tranche 1 of the Interim Financing Facility by \$1.0 million, to a total of \$5.5 million, and a corresponding increase in the amount of the Interim Financing Charge from \$17.5 million to \$18.5 million, plus interests, costs and expenses, as attached as Appendix "A" to this Report;
- d) a Restricted Court Access Order (the "**Restricted Court Access Order**") temporarily sealing Confidential Appendix "1" to this Report (the "**Confidential Appendix**") on the Court Record; and
- e) such further and other relief as may be sought by the Applicants and this Honourable Court may deem appropriate in the CCAA Proceedings.

9. In addition, the Monitor is applying to this Honourable Court for approval of a minor amendment to the Claims Procedure Order to address the Monitor and the Company's ability to accept and consider Claims filed subsequent to the Claims Bar Date (the "**Amended and Restated Claims Procedure Order**").

10. This Report should be read in conjunction with the Fourth Arbuthnot Affidavit and the Affidavit of Mark Townsend sworn October 21, 2024, which are available on the Monitor's website at: www.alvarezmarsal.com/delta9 (the "**Monitor's Website**").

PURPOSE

11. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
- a) the activities of the Monitor since the filing of the Second Report;
 - b) an update on the Delta 9 Group's business and financial affairs, including an update on the Bio-Tech SISP and the Claims Procedure;
 - c) the request for the Amended and Restated Claims Procedure Order;
 - d) an overview of the Plan proposed to be filed and circulated to creditors by the Plan Applicants;
 - e) the proposed Creditors' Meeting Order outlining the process to be followed at the meeting of creditors to vote on the Plan;
 - f) the Monitor's analysis of the Plan (including the application for the Restricted Court Access Order concerning Confidential Appendix "1" to this Report) and Creditors' Meeting Order;
 - g) the actual cash flow results of Delta 9 Group compared to its Updated Cash Flow Forecast (defined and discussed below) for the period of August 31, 2024 to October 18, 2024;
 - h) the Applicant's updated cash flow forecast through to January 31, 2025 (the "**Updated Cash Flow Forecast**");
 - i) the request for approval of the Monitor's activities and the professional fees and costs of the Monitor's Legal Counsel (defined below);

- j) the request for a further extension of the Stay Period to January 31, 2025; and
- k) the Monitor's overall recommendation in respect of the foregoing.

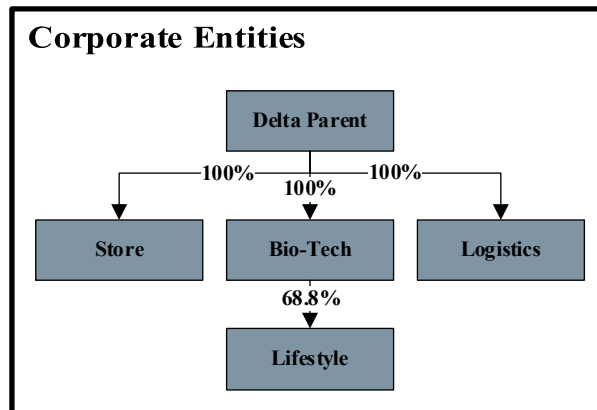
TERMS OF REFERENCE AND DISCLAIMER

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

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

BACKGROUND

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



16. Further information regarding the Delta 9 Group's ownership structure and operations, the cause of the Applicants' insolvency and these CCAA Proceedings, including the Initial Order, the ARIO, other Orders of this Honourable Court, the Arbuthnot Affidavits, other affidavits and the Prior Monitor's Reports are available on the Monitor's Website.

ACTIVITIES OF THE MONITOR

17. The Monitor's activities since the filing of the Second Report have included the following:
- a) engaging with its independent legal counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**") and Taylor McCaffrey LLP ("**Manitoba Counsel**") and together with BD&P, the "**Monitor's Counsel**") regarding various matters pertaining to these CCAA Proceedings;

- b) conducting numerous and ongoing discussions, communications and meetings with Management, the Delta 9 Group's legal counsel, the Plan Sponsor and the Plan Sponsor's legal counsel regarding the Delta 9 Group's business and financial affairs, the Claims Procedure, the Bio-Tech SISP, the proposed Plan and the proposed Creditors' Meeting;
- c) engaging in various discussions with, and providing reporting to, SNDL, the Plan Sponsor and the Company with respect to the repayment of the SNDL Debenture, and conducting further analysis of the same with the Monitor's Counsel;
- d) assisting Management with the roll-out of the Delta 9 Group's post-filing communication plans to various trade creditors, suppliers and other stakeholders;
- e) reviewing and discussing weekly payables with Management;
- f) assisting in various communications and meetings with the Delta 9 Group's financial accounting team;
- g) reviewing the Delta 9 Group's bank details and assisting the Delta 9 Group with the compilation of their budget to actual reporting for purposes of communicating the same to this Honourable Court;
- h) responding to information requests from SNDL and its legal counsel and providing a weekly update on cash flows;
- i) implementing the Bio-Tech SISP, with the assistance of the CRO and the real property sales agent, Capital Commercial Real Estate Services Inc. (the "**Real Property Sales Agent**");
- j) conducting numerous and ongoing discussions, communications and meetings with Management, the CRO and the Real Property Sales Agent regarding the marketing, solicitation and due diligence activities

of the Bio-Tech SISP, and providing SNDL with regular updates regarding same;

- k) administering the Claims Procedure, with the assistance of Management and the CRO, including ongoing discussions and communications with Claimants to resolve outstanding disputes; and
- l) ongoing monitoring of the Delta 9 Group's financial affairs, and other activities by the Monitor.

OPERATIONAL & RESTRUCTURING UPDATE

Overview

18. The Company has been working diligently to ensure that its operations and communication with key customers and suppliers remain ongoing throughout the CCAA Proceedings. In consultation with the Monitor, the Company's activities include, but are not limited to, the following:
- a) continuing employment of, and managing dialogue with, all employees, except those who have been terminated during the CCAA Proceedings, to operate Delta 9 Group and assist with major restructuring processes such as the Claims Procedure and Bio-Tech SISP;
 - b) administering the cash flow reporting and funding request process, under the direction of the Monitor, in accordance with the Interim Financing Term Sheet made available by Fika. To date, the Interim Lender has advanced the entire \$4.5 million available under Tranche 1 of the Interim Financing Facility;
 - c) attending to ongoing communication with various key stakeholders of the Company, including, customers, suppliers, shareholders and other stakeholders;

- d) assisting the Monitor with preparation of marketing materials, list of potential bidders, and addressing due diligence requests, consistent with the Bio-Tech SISP Order; and
- e) assisting the Monitor with the administration of the Claims Procedure Order.

SNDL Senior Debt

- 19. As discussed in further detail below, the liquidation analysis in support of the Plan (the "**Liquidation Analysis**") contemplates that there would be no distributions to unsecured creditors in a liquidation scenario. The Liquidation Analysis assumes the validity and enforceability of the security interests held by SNDL solely in its capacity as lender under the SDNL Senior Debt.
- 20. To that end, the Monitor requested a written opinion from the Monitors' Counsel, confirming the validity and enforceability of the security interests held by SNDL solely in its capacity as lender under the SDNL Senior Debt (the "**SNDL Senior Debt Security**"), that the same has been validly executed and delivered, and has been perfected and registered in accordance with the laws of the Provinces of British Columbia, Alberta, Saskatchewan and Manitoba.
- 21. The Monitor's Counsel has confirmed that, subject to standard qualifications and assumptions, the SNDL Senior Debt Security is enforceable in accordance with its terms as against the subject real and present and after-acquired personal property of the Applicants. As detailed in the Second Report, the Monitor previously received confirmation from the Monitor's Counsel that, subject to standard qualifications and assumptions, the SNDL Debenture Security is enforceable in accordance with its terms as against the subject real and present and after-acquired personal property of the Applicants.

Investment in Retail Stores Inventory

22. In the weeks following the Initial Order, the Plan Sponsor and the Company, in consultation with the Monitor, reviewed the retail inventory levels at Store and Lifestyle and determined that there was insufficient inventory and limited product diversity at most retail locations, which was adversely affecting the Company's cannabis sales.
23. In an effort to improve cannabis sales and restore customer confidence, the Company, with the support of the Plan Sponsor through draws on Tranche 1 of the Interim Financing Facility, purchased an additional \$1.25 million in cannabis products between early August and mid-October. These purchases have significantly increased inventory levels from a 4-week to a 6-week supply at the Manitoba retail locations, and from a 3-week to a 4-week supply at the Alberta retail locations. Inventory levels have now reached target levels, and the Company has observed moderate increases in weekly sales, which are continuing to trend in a positive direction. Additionally, reports from the Company's retail store managers suggest that customer confidence has returned to pre-CCAA levels, as customers are noticing that the locations are carrying significantly more product than prior to the Company's purchase of additional cannabis products.

Closure of Retail Stores and Lease Negotiations

24. As discussed in the Second Report, the Company issued 4 notices to disclaim agreements pursuant to section 32 of the CCAA (each a "**Disclaimer**") in respect of certain leased premises (the "**Lease Disclaimers**"). The Lease Disclaimers with respect to Store's retail locations in Calgary and Grand Prairie, Alberta, were effective on August 31, 2024, while the Lease Disclaimer for Store's retail location in St. Albert, Alberta, was effective on September 28, 2024. Finally, the Lease Disclaimer for Lifestyle's retail location in Kirkfield, Manitoba, was effective on September 21, 2024. As of the date of this Report, the Landlords have not submitted a restructuring claim to the Monitor in response to the Lease Disclaimers.

25. On October 1, 2024, the Company mailed letters to 9 landlords of certain retail locations in Manitoba and Alberta, seeking to negotiate better lease terms. The basis for the negotiations includes, among other things that: (i) the current base rent exceeds prevailing market rates and (ii) the amount of leased space under the existing agreements exceeds the Company's requirements. The Company continues to negotiate with these landlords and is evaluating its options regarding the issuance of additional Disclaimers for these locations. The Monitor will report to the Court with further updates on this matter in due course.

Logistics Wind-Down

26. In connection with of the wind down of Logistics' operations, which is discussed in the Second Report, the Company determined that it would need Disclaimers with respect to 12 Customer Agreements (the "**Logistics Disclaimers**"). The Logistics Disclaimers were issued on August 30, 2024 following the Monitor's determination that they would not cause significant hardship to the affected customers and became effective on September 29, 2024. As of the date of this Report, none of the affected customers have submitted restructuring claims to the Monitor in response to the Logistics Disclaimers.
27. In addition to issuing the Logistics Disclaimers, the Company also terminated certain employees who were solely dedicated to Logistics' operations. The terminations took effect in late September, and as of September 30, 2024, Logistics has fully ceased operations. The Company continues to evaluate its options with regards to the remaining Logistics inventory, and the Monitor will provide an update on the status of this inventory in a future Report.

Overholding Rent Dispute and Building D Lease Disclaimer

28. As noted in the Second Report, the Company and 6599362 Canada Ltd. ("**659**") are in dispute regarding the amount owed under the lease agreement (the "**Building D Lease**") for the property located at 770 Pandora Avenue East, Winnipeg, Manitoba ("**Building D**"). The Company has agreed to pay the Overholding Rent (being the difference between the monthly Overholding Rate of \$76,351.32 as determined by

- 659) and the monthly Base Rate of \$37,642.65) to the Monitor for the post-filing period during which the Delta 9 Group continues to occupy Building D.
29. As of the date of this Report, the Company has paid \$135,500 in Overholding Rent to the Monitor for the period of July 15, 2024 to October 31, 2024. The Overholding Rent will be held by the Monitor pending resolution of the dispute regarding the correct rent payable under the Building D Lease.
30. On October 28, 2024, Delta 9 issued a Disclaimer with respect to the Building D Lease (the "**Building D Lease Disclaimer**"). The Delta 9 Group no longer requires the use of Building D as it was primarily used for Logistics' operations. Subject to any potential challenge by 659, the Building D Lease Disclaimer be effective on November 30, 2024. As outlined in the Updated Cash Flow Forecast, on November 1, 2024, the Company will pay additional Overholding Rent of \$38,709 to the Monitor, covering the period from November 1 to 30, 2024. No further Overholding Rent or Base Rate payments are forecasted beyond November 30, 2024.

SNDL Debenture Repayment

31. The Monitor understands that, on or about September 12, 2024, the Plan Sponsor paid the undisputed amount of the SNDL Debenture to SNDL, totaling approximately \$11.6 million (the "**Undisputed Amount**"). There remains approximately \$3.1 million under dispute between the parties (the "**Disputed Amount**"). The Disputed Amount is comprised of \$2.5 million of interest and approximately \$615,000 relating to protective disbursements and other costs. The Monitor is advised that SNDL and the Plan Sponsor have scheduled an application before this Honourable Court on December 5, 2024 to argue their respective positions regarding payment of the Disputed Amount.

Bio-Tech SISP Update

32. The Monitor, in consultation with the Company and the CRO:
- a) has conducted a number of marketing and solicitation activities which were described further in the Second Report; and

b) has continued to provide due diligence focused information to the Prospective Bidders who signed NDAs. The bid deadline for the Bio-Tech SISP was October 28, 2024.

33. The Monitor will provide a further update to the Court in a subsequent Report.

UPDATE ON THE CLAIMS PROCEDURES

34. On July 24, 2024, this Honourable Court granted the Claims Procedure Order, which is described in greater detail in the Second Report.

35. The claims bar date was August 17, 2024 (the "**Claims Bar Date**"). Following the Claims Bar Date, and in consultation with the Company and the Claimants, the Monitor has continued, and will continue, to: (i) review and accept Proofs of Claims and (ii) issue Notices of Dispute. A summary of the status of the Claims is below:

Delta 9 Group
Summary of Claims
\$CAD, thousands, unaudited

Claim per Entity	Claims Accepted	Claims Under Review			Late Claims	Issued Responses	
	Total	Proofs of Claim Under Review	Notices of Dispute Under Review	Total	Total	Notices of Disallowance	Notices of Revision
Unsecured							
Delta 9 Cannabis Inc.	\$ 864	\$ 12,335	\$ -	\$ 12,335	\$ 3	\$ 1,036	\$ -
Delta 9 Stores	4,658	270	-	270	3	-	-
Delta 9 Lifestyle	5,886	673	15	688	16	-	35
Delta 9 Bio-Tech	2,548	3,049	204	3,253	487	7	15
Delta 9 Logistics	27	-	-	-	-	-	-
	13,983	16,327	219	16,546	509	1,043	50
Secured							
Delta 9 Cannabis Inc.	251	-	-	-	-	-	-
Delta 9 Stores	251	-	-	-	-	-	-
Delta 9 Lifestyle	251	-	-	-	-	-	-
Delta 9 Bio-Tech	251	7,596	-	7,596	-	-	-
Delta 9 Logistics	251	-	-	-	-	-	-
	1,255	7,596	-	7,596	-	-	-
D&O¹							
Delta 9 Cannabis Inc.	-	-	-	-	-	-	-
Delta 9 Stores	-	233	-	233	-	-	-
Delta 9 Lifestyle	-	356	-	356	-	-	-
Delta 9 Bio-Tech	-	8,842	-	8,842	-	-	-
Delta 9 Logistics	-	-	-	-	-	-	-
	-	9,431	-	9,431	-	-	-
Total Value	\$15,238	\$ 33,354	\$ 219	\$ 33,573	\$ 509	\$ 1,044	\$ 50
Total Number	179	18	3	21	9	6	7

(1) CRA claims include both secured and unsecured claims against the Delta 9 entities, and also D&O claims for the same amounts

36. The Monitor received 9 late filed claims totaling \$508,910 after the Claims Bar Date (the "**Late Claims**"). The Monitor, in consultation with the Company, has completed its review of 7 of the 9 Late Claims. As discussed below, the Monitor is seeking the Amended and Restated Claims Procedure Order to allow the Monitor to admit late claims for review and assessment.
37. The Monitor intends to admit 7 of the Late Claims as they were, in the Monitor's respectful view, submitted late for: (i) valid reasons, (ii) the Claims are admitted by the Company, and (iii) their acceptance does not prejudice other claimants. The

Monitor is continuing its review of the other remaining Late Claims and has accepted them for review purposes only at this stage. The Monitor will report to the Court on any further Late Claims in a subsequent Reports.

38. At the Creditors' Meeting (which is described later in this Report), any unresolved or late unadmitted claims will be separately factored into the Affected Creditors' vote to determine whether they would have an impact on if the proposed Plan is accepted or rejected.

PROPOSED AMENDMENT TO THE CLAIMS PROCEDURE ORDER

39. The Claims Procedure Order contemplates that Claims not filed and received by the Monitor by the respective Claims Bar Dates will be forever barred, estopped and extinguished, unless otherwise ordered by the Court (*i.e.*, late claims require Court approval to be admitted).
40. The Monitor is respectfully requesting to amend the Claims Procedure Order to authorize the Monitor to admit late claims for review and assessment, and, if the Monitor is satisfied that there is a valid reason for the Claim being a Late Claim, to accept the Claims. The proposed form of Amended and Restated Claims Procedure Order will give the Monitor the discretion to admit any additional late claims beyond the Late Claims detailed above.

PLAN OF ARRANGEMENT

Overview

41. The Plan Sponsor and the Plan Applicants, in consultation with the Monitor and the CRO, have developed the proposed Plan to ensure that persons with an economic interest that is impacted by the Plan will, collectively, derive a greater benefit from the implementation of this Plan than they would derive from a bankruptcy or liquidation of the Plan Applicants.
42. In general, the Plan includes the following key elements, as more fully particularized in the Plan:

- a) the Applicants' cannabis retail operations (Store and Lifestyle) will continue as normal and without disruption following Plan implementation;
 - b) a Creditor Cash Pool in the amount of \$750,000 and Creditor Equity Pool² will be established to be distributed *pro rata* among eligible voting creditors; and
 - c) a Shareholder Equity Pool³ will be established to be distributed *pro rata* among existing common shareholders of Delta 9 Parent; and
 - d) the secured debt owed to SNDL will be reduced from the monetization of the Bio-Tech assets (either through a successful bid resulting from the Bio-Tech SISP or otherwise through the acquisition steps of the Plan Sponsor subject to the terms contemplated in the Plan).
43. The purpose of the Plan is to, among other things: (i) facilitate the distributions contemplated in the Plan; (ii) effect a compromise, settlement, release and discharge of all Affected Claims in exchange for distributions to Affected Creditors; and (iii) ensure the continuation of the Applicants' cannabis retail operations.

Arrangement and Compromise under the Plan

44. The structure of the Plan is as follows:
- a) the Plan is presented to the Affected Creditors by the Plan Applicants on a joint and consolidated basis for the purpose of voting on the Plan

² The Creditor Equity Pool consists of 270,270 Class "A" voting common shares in the capital of the Plan Sponsor with an aggregate value of \$4,000,000.

³ The Shareholder Equity Pool consists of 135,135 Class "A" voting common shares in the capital of the Plan Sponsor with an aggregate value of \$2,000,000.

and receiving distributions under the Plan. An Affected Creditor is defined as having a Claim⁴ that is not an Unaffected Claim;⁵

- b) the Plan does not affect persons who hold Unaffected Claims. Such claims will be dealt with in accordance with the arrangement in effect on the Filing Date between the Plan Applicants and the holders of such claims, or such other arrangements as may be agreed between the Plan Applicants and the holders of such claims;
- c) Convenience Creditors⁶ having a Convenience Claim or Affected Creditors who have made a Convenience Election to reduce their Allowed Affected Claims will be deemed to vote in favour of the plan and shall receive a cash payment of the Plan Implementation Date equal to the Convenience Amount, which is, the lesser of (i) a cash amount equal to \$4,000; and (ii) the amount of such allowed Affected Claim;
- d) the Plan Sponsor shall establish the Cash Creditor Pool (consisting of \$750,000) and the Creditor Equity Pool consisting of shares of Fika in the aggregate amount of \$4,000,000. Each Eligible Voting Creditor shall be entitled to receive a Cash Payment from the Cash Creditor Pool and Equity Payment⁷ on the Plan Implementation Date, in full consideration for the irrevocable, full and final compromise and satisfaction of such Affected Creditors' Affected Claim;

⁴ Any or all Pre-Filing Claims, Restructuring Period Claims and D&O Claims, including any Claim arising through subrogation against any Applicant or any Director or Officer.

⁵ Unaffected Claims include Post-Filing Claims; Crown Claims; Secured Claims; Claims secured by a Charge; Employee Priority Claims; Intercompany Claims, subject to section 6.6(f) of the Plan; D&O Claims that cannot be compromised pursuant to the provisions of section 5.1(2) of the CCAA; and Claims that cannot be compromised pursuant to section 19(2) of the CCAA.

⁶ Any creditor having a Convenience Claim, which is a claim that is less than \$4,000, subject to some qualifications set out in the Plan. The Plan provides that creditors may not divide a claim for the purpose of qualifying their claim as a Convenience Claim.

⁷ The applicable creditors' *pro rata* share of the equity comprising of the Creditor Equity Pool.

- e) upon the Plan Sponsor delivering the Plan Implementation Fund, the Monitor shall make a payment to each Convenience Creditor on the Plan Implementation Date equal to such creditors' Convenience Amount, in exchange for the full and final compromise and satisfaction of such Convenience Creditors' Affected Claim;
- f) Unsecured Claims (if any) that are Proven Claims and not Convenience Claims will be paid by the Monitor, on behalf of the Applicants, as a pro-rata share of the amount remaining in the Creditor Equity Pool after (i) payment of or provision for the Convenience Claims and (ii) any provision or holdback (as determined in the discretion of the Monitor for a Unsecured Claims that were properly filed on a timely basis but which has not been finally determined (each, an "**Unresolved Claim**");
- g) the Plan Sponsor shall establish the Shareholder Equity Pool, consisting of voting common shares in the capital of the Plan Sponsor (*i.e.*, Fika) with an aggregate value of \$2,000,000 at a valuation that has been agreed to among Delta 9 Parent and the Plan Sponsor, with the approval of the Monitor. It is contemplated that the equity comprising the Shareholder Equity Pool will be distributed to the existing common shareholders of Delta 9 Parent in proportion to their holdings as of the Filing Date; and
- h) Upon being sanctioned and approved by the Court (the "**Sanction Order**"), the Plan shall be effective and binding, and shall constitute (a) full, final and absolute settlement of all rights by any Affected Creditor; and (b) an absolute release, extinguishment and discharge of all indebtedness, liabilities and obligations of the Plan Applicants in respect of any Affected Creditor. Additionally, the Plan shall provide for a release of the Plan Applicants; the past and current employees, legal and financial advisors, and other representatives of the Plan Applicants; the D&O; the Monitor and its legal advisors; and the Plan Sponsor.

Treatment of Creditors

45. The Plan proposes to treat claims in the following manner:

Claim Type	Treatment
Convenience Claims	Allowed Affected Claims that have made a Convenience Election shall receive a cash payment equal to the Convenience Amount.
Affected Claims	Eligible Voting creditors with Allowed Affected Claims that do not constitute Convenience Claims, shall receive, <i>pro rata</i> , a Cash Payment and an Equity Payment.
Intercompany Claims	All Intercompany Claims shall be preserved or extinguished at the election of the Plan Sponsor.
D&O Claims	All D&O Claims shall be fully, finally, and irrevocably compromised, released, discharged, cancelled, extinguished and barred. All D&O Indemnity Claims shall be treated for all purposes under the Plan as Pre-Filing Claims and shall be fully, finally, and irrevocably compromised, released, discharged, cancelled, extinguished and barred.
SNDL Claim	<p>The SNDL Claim shall constitute valid outstanding indebtedness of the Applicants, which shall be serviced in the ordinary course. The SNDL Credit Agreement and the SNDL Security shall constitute Continuing Contracts which shall remain in place, unaffected by the implementation of the Plan.</p> <p>The Plan Sponsor will keep the SNDL Credit Agreement in good standing and, if necessary, will provide a guarantee of the outstanding obligations of the Applicants and Bio-Tech under the SNDL Credit Agreement.</p>
Bio-Tech Claims	<p>As a result of the decision to sell or liquidate Bio-Tech, creditors of Bio-Tech shall not be considered Affected Creditors for the purposes of the Plan, and shall not be entitled to vote on the Plan.</p> <p>If the Bio-Tech SISP results in a Successful Bid providing cash proceeds greater than the Bio-Tech Threshold⁸ (such cash proceeds in excess of the Bio-Tech Threshold being the "Bio-Tech Excess") then 50% of such Bio-Tech Excess will be paid to SNDL, and the Plan Sponsor shall contribute the other 50% of the Bio-Tech Excess to Bio-Tech's other creditors, in accordance with their respective priorities under applicable law. It is expected that the primary beneficiary of such contribution will be the Canada Revenue Agency.</p>

⁸ "**Bio-Tech Threshold**" means an amount equal to the outstanding indebtedness on Tranche 1 (the commercial mortgage loan) and Tranche 3 (the authorized overdraft facility) as of the date on which a Successful Bid closes, such amount being \$23,592,036.25 as of July 31, 2024.

Bio-Tech Transaction

46. In the event that the Bio-Tech SISP results in a Successful Bid from a Person other than the Plan Sponsor or an affiliate, the Plan Sponsor, the Applicants and Bio-Tech, as applicable, shall move to close such transaction as soon as practicable. Subject to the conditions set forth above relating to the Bio-Tech Threshold, the proceeds of such sale transaction are anticipated to be used to repay SNDL to permanently reduce its claim in accordance with the terms of the Plan.
47. In the event that the Bio-Tech SISP does not result in a Successful Bid from a Person other than the Plan Sponsor or an affiliate, Bio-Tech will take the necessary steps to discontinue production and surrender its cannabis license. Upon receipt of written confirmation from Health Canada confirming that the licence termination has occurred, the Plan Sponsor shall acquire 100% equity interest in Delta Parent subject to the Bio-Tech Restructuring Steps Supplement and the Approval and Vesting Order (the "AVO")⁹. The AVO shall (a) vest in the Plan Sponsor all right, title and interest in and to new Delta Parent common shares, free and clear from any encumbrances; (b) cancel all of the existing Delta Parent common shares; and (c) seek a release of the directors and officers of Bio-Tech.

Funds & Reserves

48. On or prior to the Implementation Date, the Plan Sponsor shall deliver, or cause to be delivered, to the Monitor, an amount equal to the Creditor Cash Pool, together with funding sufficient to satisfy the Allowed Affected Claims of Convenience Creditors (the "**Plan Implementation Fund**").
49. On or prior to the Implementation Date, the Plan Sponsor shall pay to the Monitor the Administrative Expense Reserve. From and after the Implementation Date, the Monitor shall pay from the Administrative Expense Reserve, the reasonable and

⁹ The Bio-Tech Restructuring Steps Supplement and the AVO have not been reviewed by the Monitor and are to be completed and finalized on or before the date that is 15 days prior to the Meeting Date.

documented fees and disbursements (plus any applicable taxes thereon) for any post-Implementation Date services incurred by the Applicants and Bio-Tech and their legal counsel, the CRO, the Monitor, its legal counsel, and any other persons from time to time retained or engaged by the Monitor, in connection with administrative and estate matters (collectively, the "**Administration Expenses**"). The Monitor shall return any unused portion of the Administrative Expense Reserve to the Plan Sponsor.

Conditions Precedent to Plan Implementation

50. The implementation of the Plan is subject to certain conditions precedent, separately in favour of the Plan Sponsor and of the Applicants, including, *inter alia*:
- a) the Plan shall have been approved by the Required Majority in accordance with the CCAA;
 - b) the Sanction Order shall have been issued by the Court and it shall have become a final order;
 - c) the Plan Implementation Fund and Administrative Expense Reserve shall have been paid to the Monitor; and
 - d) the Voting Trust, Creditor Equity Pool and Shareholder Equity Pool shall have been established to the satisfaction of the Applicants and such shares shall be authorized for issuance.

Plan Implementation Date

51. The Plan becomes effective on the business day on which both the Plan Sponsor and the Plan Applicants notify the Monitor of the satisfaction or waiver of the conditions set out in Section 8.1 and Section 8.2 of the Plan (as summarized above).

CREDITORS' MEETING

52. The Plan Sponsor is seeking a Creditors' Meeting Order, which will give the Plan Applicants the authority to circulate the Plan and related meeting materials to the Affected Creditors for the purpose of voting on the Plan.
53. The Creditors' Meeting Order, proposes, *inter alia*:
- a) the Meeting shall be held virtually by Microsoft Teams video-conference on November 25, 2024 at 10:00 am MST for the purposes of considering and voting on, with or without variation, the Plan;
 - b) a representative of the Monitor shall act as the Chair of the Meeting and, subject to any further Order of this Court, shall decide all matters relating to the conduct of the Meeting;
 - c) the Monitor shall post electronic copies of the meeting materials (the "**Meeting Materials**") within two (2) business days following the granting of the Creditors' Meeting Order, and send the Meeting Materials by mail or personal delivery to each Affected Creditor within five (5) business days of the date of the Creditors' Meeting Order. The Meeting Materials include (i) the Notice to Affected Creditors; (ii) the Creditors' Meeting Order; (iii) a blank form of Affected Creditor Proxy; and (iv) the Convenience Election Notice;
 - d) no later than seven (7) business days before the date of the Meeting, the Monitor shall serve a report regarding the Plan pursuant to section 23(1)(d.1) of the CCAA by posting such report on the Monitor's Website; and
 - e) in the event the Plan is approved by the requisite majorities of creditors at the Creditor Meeting, the Plan Applicants may file an Application with this Court seeking an order sanctioning the Plan.

54. Affected Creditors shall each be entitled to one (1) vote as part of the Affected Creditor Class, in an amount equal to their Affected Claim. Any Affected Creditor that is entitled to vote at the Creditors' Meeting must:
- a) complete and sign an Affected Creditor Proxy substantially in the form attached as a Schedule to the Creditors' Meeting Order;
 - b) specify in the proxy the name of the person with the power to attend and vote at the Creditors' Meeting on behalf of such Affected Creditor; and
 - c) deliver such proxy to the Monitor so that it is received at or prior to 5:00 p.m. on the day that is two (2) Business Days before the Creditors' Meeting and such delivery must be made in accordance with the instructions accompanying such proxy.
55. Any Affected Creditor with a Disputed Claim against the Plan Applicants shall be entitled to attend the Creditors' Meeting and shall be entitled to one vote in respect of their Disputed Claim. The Monitor shall keep a separate record of votes cast by Affected Creditors with Disputed Claims and shall report to the Court with respect thereto at the Plan Sanction Hearing. If approval or non-approval of the Plan by Affected Creditors would be affected by the votes cast in respect of Disputed Claims, such result shall be reported to the Court as soon as reasonably practicable after the Creditors' Meeting.
56. The results of the vote conducted at the proposed Creditors' Meeting are proposed to be binding all of the Affected Creditors, whether or not the Affected Creditor is present in person or by proxy for voting at the Creditors' Meeting.
57. Further details of the Creditors' Meeting, including conduct at the Creditors' Meeting and other general provisions are included in the Creditors' Meeting Order.

MONITOR'S ANALYSIS OF THE PLAN

Overview

58. The Plan Applicants and the Plan Sponsor have made considerable efforts to prepare the Plan in a manner that addresses, to the extent possible, the various stakeholder groups' concerns. The Plan Sponsor and the Applicants, in consultation with the Monitor and the CRO, have prepared the Plan in a manner they believe achieves a result that is a fair and reasonable compromise between the Company and the Affected Creditors.
59. Management has indicated that there are no other viable restructuring options available other than the Plan, the alternative to which would be a formal liquidation. As discussed below, the Monitor agrees with Management's estimate that a liquidation scenario provides a materially worse recovery position to the Affected Creditors, (*i.e.*, \$0).
60. It is a condition of the Plan that the Affected Creditors must approve the Plan by the Required Majority. For greater certainty, the Affected Creditors shall not be bound by the terms of the Plan unless they have agreed to the Plan by the Required Majority. If the Affected Creditors do not approve the Plan, the likely scenario would be liquidation proceedings, under which the Plan Applicants' unsecured creditors would be anticipated to receive no distributions.
61. The Plan Applicants support the Plan and related reorganization as they believe the Plan provides the Companies' businesses with a greater opportunity to service their outstanding debts to SNDL and to continue with a stronger entity (*i.e.*, Fika).
62. The Plan contemplates that the Affected Creditors will be handled on a consolidated basis (excluding the creditors of Bio-Tech). The Plan Applicants, with the support of the Monitor, believe that there will be no material prejudice experienced by any of the Affected Creditors from the consolidated Plan given, as indicated below, that there would be no distributions to unsecured creditors in a liquidation scenario.

63. The Applicants are of the view that the Plan and the related distribution process not only provides for a better return than in a liquidation scenario, but also provides the Affected Creditors with the following advantages:
- a) in a liquidation scenario, the distributions to creditors would (in the case of bankruptcy) be subject to a statutory levy pursuant to the BIA, which is deducted from the distributions and payable to the Superintendent of Bankruptcy. No levy is payable in respect of distributions under the CCAA Proceedings;
 - b) a liquidation scenario would result in increased professional fees and costs as a result of the potential requirement for another claims process and associated administrative costs;
 - c) a bankruptcy or liquidation scenario may fail to realize any value from certain corporate attributes that are available when the Plan Applicants' business continues as a going concern; and
 - d) a bankruptcy or liquidation scenario may impact the validity of the licenses the Applicants hold in relation to their cannabis operations (e.g., retail cannabis licenses from provincial authorities).

Creditor Analysis

64. The Monitor has prepared the Liquidation Analysis, which details the anticipated recoveries by the Affected Creditors, and which is attached to this Report as Confidential Appendix "1". The Liquidation Analysis includes sensitive information, including an estimate of the potential proceeds contemplated in the Bio-Tech SISP (which remains ongoing). As a result, an abridged version of the liquidation analysis is included in Appendix "B".
65. The notes to the Liquidation Analysis are included in both Confidential Appendix "1" and Appendix "B" and should be read in conjunction with the Liquidation Analysis as they describe the assumptions and analysis used by the Monitor.

66. In preparing this Liquidation Analysis, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made to us, by either Management or certain external information. Although the information has been reviewed for reasonableness, the Monitor has not independently verified the accuracy or completeness of the information provided by Management nor conducted an audit, and accordingly, the Monitor is not providing any form of assurance thereon. This preliminary assessment of value is not considered a formal business and/or asset valuation opinion and the Monitor has not provided such an opinion thereon and is based on the assumptions as discussed in Confidential Appendix “1”. The Monitor has not provided any assurance on the reasonableness of the assumptions considered in Confidential Appendix “1”. Any changes to one or more of the underlying assumptions or the information provided may have a material impact on any calculations and/or conclusions contained in this Report. The Monitor is not providing an opinion on the fair market value in accordance with CICBV Practice Standard 110.

67. The Liquidation Analysis is also summarised in the table below:

Delta 9 Group Liquidation Analysis			
	Liquidation Analysis		Plan Distribution
	<u>Low</u>	<u>High</u>	
Liquidation Proceeds	22,436,000	30,162,000	
SNDL Senior Debt	(27,707,826)	(27,707,826)	Unaffected
SNDL Debenture	(3,156,251)	-	Unaffected/Discharged
Interim Financing Facility: Tranche 2	(11,696,814)	(11,696,814)	Discharged
Interim Financing Facility: Tranche 1	(5,702,515)	(5,702,515)	Discharged
Secured Indebtedness	(48,263,406)	(45,107,155)	
Shortfall	(25,827,406)	(14,945,155)	
Affected Creditors - Unsecured Recovery	-	-	4,750,000
Bio-Tech Creditors - Unsecured Recovery	-	-	-
Equity Recovery	-	-	2,000,000

68. Setting aside the position of SNDL (which is discussed further below), the Monitor is of the view that the Plan addresses various stakeholders' positions relating to the

distribution and recovery to each creditor class by taking into account the following:

- a) the Plan Sponsor would be the fulcrum creditor under a liquidation scenario and is proposing to advance cash and equity to the Affected Creditors in support of the Plan;
- b) the Affected Creditors will receive *pro rata* consideration in the aggregate amount of \$4,750,000 (plus additional consideration provided to the Convenience Class Creditors) versus no recovery under a liquidation scenario;
- c) existing common shareholders holding 50,000 or more common shares of Delta Parent will receive pro rata consideration in the amount of \$2,000,000 versus no recovery under a liquidation scenario;
- d) the Plan allows for the employees and contractors of the retail cannabis stores to continue their employment, avoiding any further store closures and resulting terminations; and
- e) the Plan was negotiated between arm's length parties, in good faith, and is commercially reasonable in the circumstances.

69. As a result of the decision to sell or liquidate Bio-Tech, its creditors will not be considered Affected Creditors for the purposes of the Plan, and will not be entitled to vote on the Plan. Other than SNDL, Bio-Tech's creditors would have otherwise no recovery under a liquidation scenario. Nevertheless, the Plan offers Bio-Tech's creditors a recovery if the corresponding cash proceeds from a Successful Bid exceed a designated threshold.

SNDL Position

70. Notwithstanding that the Restructuring Term Sheet (appended as Exhibit "1" to the Affidavit of John Arbuthnot IV sworn July 18, 2024) contemplates in section 1(d) that the Plan Sponsor will pay out the balance of the SNDL Debt upon Plan

implementation, the Plan now classifies SNDL's Senior Debt as unaffected and contemplates survival of the SNDL Senior Debt beyond Plan implementation. Specifically, the Plan proposes that servicing of the SNDL Senior Debt will resume in the ordinary course and, if necessary, Fika will provide a guarantee of the outstanding obligations of the Applicants and Bio-Tech under the SNDL Credit Agreement.

71. Prior to the Plan being finalized, the Monitor, the Monitor's Counsel, and counsel to the Applicants met with counsel to the Plan Sponsor to advise the Plan Sponsor of the Monitor's concerns regarding the uncertainty surrounding the position of SNDL. Counsel to the Plan Sponsor advised that the Plan Sponsor intended to proceed with its application for the Creditors' Meeting Order and, if necessary, would seek a determination from this Court confirming whether or not SNDL is affected by the Plan.
72. The Monitor understands that SNDL opposes the Plan Sponsor's classification of the SDNL as unaffected within the Plan. On October 28, 2024, SNDL served a brief of law supporting SNDL's position that this Court should not grant the Meeting Order being sought by the Plan Sponsor. As at the date of this Report, the Monitor and the Monitor's Counsel are continuing to review the position advanced by SNDL and the case law provided in support.

Conclusion

73. The quantum of senior secured debt (including the SNDL Senior Debt and the Interim Financing Facility, with or without the remaining Disputed Amount of the SNDL Debenture) is greater than the estimated net proceeds if the property of the Applicants were to be liquidated. Hence, the Affected Creditors will receive a greater recovery under the Plan.
74. Pursuant to section 23(1)(i) of the CCAA, the Monitor is of the opinion that the Plan is fair and reasonable and provides the best available return, as the Affected

Creditors will receive a greater recovery than under the alternative (formal liquidation proceedings).

75. The Monitor is aware that SNDL opposes the treatment of SNDL's Senior Debt in the Plan. However, as the Plan Sponsor continues to fund these proceedings and is aware of the material uncertainty, the Monitor is of the opinion that granting the Creditors' Meeting Order is fair and reasonable.

RESTRICTED COURT ACCESS ORDER

76. The Applicants are seeking a Restricted Court Access Order temporarily sealing Confidential Appendix "1" on the Court Record, which includes the Liquidation Analysis.
77. The information within Confidential Appendix "1" includes sensitive information, including an estimate of the potential proceeds contemplated in the Bio-Tech SISP.
78. The sealing of this type of sensitive information is the common practice in insolvency proceedings to avoid disruption to debtor companies and maximize value. The Monitor does not believe that any stakeholder will be prejudiced if the Liquidation Analysis is temporarily sealed nor has the Monitor identified any public interest that would be served if Confidential Appendix "1" is disclosed in full.
79. As such, the Monitor is respectfully of the view that it is appropriate for this Honourable Court to seal Confidential Appendix "1" until (a) six-months after the closing of a sale(s) of all or substantially all of Bio-Tech's assets contemplated by the Bio-Tech SISP; or (b) further order of the Court, in accordance with the proposed form of Restricted Court Access Order.

CASH FLOW RESULTS COMPARED TO FORECAST

80. The Delta 9 Group's actual cash receipts and disbursements as compared to the Updated Cash Flow Forecast presented in the Second Report during the period of August 31, 2024 to October 25, 2024 (the "**Reporting Period**") is summarized below.

Delta 9 Group
Cash Flow Variance Analysis
For the period from August 31, 2024 to October 25, 2024
\$CAD, thousands, unaudited

	August 31, 2024 to October 25, 2024			
	Actual ¹	Forecast	Actual	Variance
Receipts				
Accounts Receivable - Government	1,691	1,251	793	(458)
Accounts Receivable - Other	2,226	1,529	1,218	(311)
Cannabis Sales	16,509	9,987	8,912	(1,075)
Total Receipts	20,426	12,767	10,923	(1,844)
Operating Disbursements				
Cannabis Product Purchases	12,807	7,690	7,104	586
Payroll and Source Deductions	4,707	2,368	2,328	40
Consultant Fees	85	63	47	16
Rent, Utilities and Insurance	1,727	920	971	(51)
Overholding Rent	135	135	135	-
Logistics, Product Treatment and Lab Testing	357	280	200	80
Production Supplies and Materials	735	380	361	19
SG&A Expenses	798	520	425	95
Contingency	-	120	-	120
Excise Tax Remittance	193	314	193	121
GST Remittance	105	113	105	8
Total Operating Disbursements	21,649	12,903	11,869	1,034
Net Cash Flow from Operations	(1,223)	(136)	(946)	(810)
Non-Operating Disbursements				
Critical Supplier Payments	76	50	37	13
Key Employee Retention Plan	105	105	105	-
Professional Fees	2,463	1,415	625	790
Debt Service	838	838	838	-
Total Non-Operating Disbursements	3,482	2,408	1,605	803
Net Cash Flow	(4,705)	(2,544)	(2,551)	(7)
Opening Cash	528	1,374	1,374	-
Net Cash Flow	(4,705)	(2,544)	(2,551)	(7)
Interim Financing Advance/(Repayment)	4,500	1,500	1,500	-
Ending Cash	323	330	323	(7)
Opening Interim Financing Balance	-	3,000	3,000	-
Advances	4,500	1,500	1,500	-
Repayments	-	-	-	-
Closing Interim Financing Balance	4,500	4,500	4,500	-
Opening Overholding Rent Funds Balance	-	-	-	-
Funds Held by Monitor	135	135	135	-
Closing Overholding Rent Funds Balance	135	135	135	-

(1) Actuals for the period from July 15, 2024 to October 25, 2024.

81. Over the Reporting Period, the Delta 9 Group experienced a negative cash flow variance of approximately \$7,000, primarily as a result of various temporary and permanent timing differences, which are described below:
- a) a negative permanent variance related to accounts receivable collections being lower than originally forecasted;
 - b) a negative permanent variance related to cannabis sales being lower than originally forecasted;
 - c) a positive permanent variance related to cannabis product purchases being lower than forecasted as inventory diversity was achieved earlier than projected;
 - d) a positive permanent variance to payroll and related source deductions being lower than anticipated for certain hourly employees;
 - e) a positive timing variance to consulting fees related to the delayed payment of one invoice owing to the CRO;
 - f) a negative temporary timing variance to rent, utilities, and insurance, related to certain utilities and insurance being paid earlier than originally forecasted;
 - g) a positive permanent variance to logistics, product treatment and lab testing related to lower actual expenditures than originally forecasted;
 - h) a positive timing variance to production supplies and materials, primarily related to lower than forecasted payments of certain production materials and storage products;
 - i) a positive permanent variance to sales, general, and administrative expenses related to lower actual expenditures than originally forecasted;

- j) a positive permanent variance to the contingency as a result of it not being required in the Reporting Period;
 - k) a positive permanent variance to excise tax remittance related to lower actual excise tax remittance payments being made during the period than originally forecasted;
 - l) a positive permanent variance to GST remittance related to lower actual GST remittance payments being made during the period than originally forecasted;
 - m) a positive permanent variance related to less critical supplier costs being paid compared to what was originally forecasted; and
 - n) a positive timing variance to professional fees primarily related to the delayed payment of certain fees, which will be paid outside of the Reporting Period.
82. As at October 25, 2024, available ending cash was \$323,000 compared to forecast available cash of approximately \$330,000. Based on the upcoming Forecast Period (as defined below), the Company will require a \$1.0 million increase in its Interim Financing Facility.

UPDATED CASH FLOW FORECAST

83. Management has prepared a weekly Updated Cash Flow Forecast for the 14-week period from October 26, 2024 to January 31, 2025 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast. A copy of the Updated Cash Flow Forecast, together with a summary of the assumptions are attached hereto as Appendix "C" and "D", respectively.
84. The Updated Cash Flow Forecast is summarized on the following page:

Delta 9 Group Management Prepared 14 Week Cash Flow Forecast For the period from October 26, 2024 to January 31, 2025 <i>in CAD \$000's</i>	
	14 Week Total
Receipts	
Accounts Receivable - Government	1,610
Accounts Receivable - Other	2,520
Cannabis Sales	16,625
Total Receipts	20,755
Operating Disbursements	
Cannabis Product Purchases	11,325
Payroll and Source Deductions	3,622
Consultant Fees	126
Rent, Utilities and Insurance	1,165
Overholding Rent	39
Logistics, Product Treatment and Lab Testing	350
Production Supplies and Materials	658
SG&A Expenses	845
Contingency	210
Excise Tax Remittance	270
GST Remittance	240
Total Operating Disbursements	18,850
Net Cash Flow from Operations	1,905
Non-Operating Disbursements	
Potential Critical Supplier Payments	-
Key Employee Retention Plan	-
Professional Fees	1,356
Debt Service	842
Total Non-Operating Disbursements	2,198
Net Cash Flow	(293)
Opening Cash	323
Net Cash Flow	(293)
Interim Financing Advance/(Repayment)	1,000
Ending Cash	1,030
Opening Interim Financing Balance	4,500
Advances	1,000
Repayments	-
Closing Interim Financing Balance	5,500
Opening Overholding Rent Funds Balance	135
Funds Held by Monitor	39
Closing Overholding Rent Funds Balance	174

85. A summary of the Updated Cash Flow Forecast and select assumptions underlying the same are as follows:

a) total projected cash receipts of approximately \$20.76 million;

- b) total projected operating cash disbursements of approximately \$18.85 million and non-operating cash disbursements of approximately \$2.20 million, resulting in a net decrease in cash of approximately \$293,000 million during the Forecast Period. Outside of invoices already received, the Company is no longer forecasting to pay invoices of the Plan Sponsor's counsel, who will be paid directly by the Plan Sponsor;
- c) subject to Court approval, borrowings from the Interim Financing Facility of an additional \$1.0 million.

86. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Monitor hereby reports as follows:

- a) the Updated Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Updated Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Updated Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Updated Cash Flow Forecast;
- c) based on the Monitor's preliminary review of the Updated Cash Flow Forecast, nothing has come to the Monitor's attention to believe that, in all material respects:
 - i. the hypothetical assumptions are inconsistent with the purpose of the Updated Cash Flow Forecast;

- ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the Delta 9 Group's plans or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Updated Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
- d) since the Updated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor does not express any assurance as to whether the Updated Cash Flow Forecast will be accurate. The Monitor does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

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

INCREASED INTERIM FINANCING CHARGE AND BORROWINGS

88. Pursuant to paragraphs 32 to 37 of the ARIO, the Delta 9 Group, may, on further application to the Court, obtain and borrow additional interim financing under the Interim Financing Facility from the Interim Lender in order to financing the Applicants' working capital requirements and other general corporate purposes and capital expenditures.

89. As of the date of this Report, the Interim Lender has advanced the \$4.5 million available under Tranche 1. As previously discussed, the Monitor understands that the Interim Lender has already advanced nearly the entirety of Tranche 2 to SNDL

as payment of the Undisputed Amount. The current limit under the Interim Financing Charge is \$17.5 million.

90. In order for the Company to complete the Bio-Tech SISP and restructuring under the proposed Plan, it will require additional funding of approximately \$1.0 million in order to pay for operational and restructuring costs throughout the Stay Extension period.
91. Accordingly, the Monitor respectfully supports the Company's request of this Honourable Court to approve the Applicants request to increase the limit on the Interim Financing Charge from \$17.5 million to \$18.5 million.

APPROVAL OF PROFESSIONAL FEES AND EXPENSES

92. The Monitor and the Monitor's Counsel have now rendered their invoices for their respective fees and disbursements for services in connection with the CCAA Proceedings through October 20, 2024 (the "**Invoices**") and the Monitor is now seeking approval of the Invoices from this Honourable Court. The Court has previously approved the fees and costs of the Monitor and those of BD&P from the Filing Date up to on or about August 25, 2024.
93. The Applicants now seek approval from this Honourable Court of the professional fees and disbursements of the Monitor for the period to October 20, 2024 (the "**Monitor Taxation Period**"), BD&P for the period to October 19, 2024 (the "**BD&P Taxation Period**"), and Taylor McCaffrey LLP for the period to October 7, 2024 (the "**Taylor McCaffrey Taxation Period**").
94. The total fees and expenses of the Monitor during the Monitor Taxation Period are \$310,279 (exclusive of GST), a summary of which is included below:

Delta 9 Group							
Summary of the Monitor's Statements of Account							
For the period August 25, 2024 to October 20, 2024							
Invoice	Period	Fees	Disbursements	Subtotal	GST	PST	Total
Alvarez & Marsal Canada							
4	25-Aug-24 to 7-Sep-24	104,678	10,260	114,938	5,747	-	120,685
5	8-Sep-24 to 22-Sep-24	81,042	5,402	86,444	4,322	-	90,767
6	23-Sep-24 to 6-Oct-24	52,893	-	52,893	2,645	-	55,538
7	7-Oct-24 to 20-Oct-24	55,779	225	56,004	2,800	-	58,804
Total		294,392	15,887	310,279	15,514	-	325,793

95. The total fees and expenses of the Monitor's Counsel during the BD&P Taxation Period total \$165,027 (exclusive of GST), a summary of which is included below:

Delta 9 Group							
Summary of the Monitor's Counsel's Statements of Account							
For the period August 25, 2024 to October 19, 2024							
Invoice	Period	Fees	Disbursements	Subtotal	GST	PST	Total
BD&P LLP							
203489779	25-Aug-24 to 7-Sep-24	57,537	354	57,891	2,895	-	60,785
203489988	8-Sep-24 to 20-Sep-24	59,309	236	59,545	2,977	-	62,522
203490346	21-Sep-24 to 5-Oct-24	25,634	-	25,634	1,282	-	26,916
203490877	6-Oct-24 to 19-Oct-24	21,957	-	21,957	1,098	-	23,055
Total		164,437	590	165,027	8,251	-	173,278

96. The total fees and expenses of the Monitor's Counsel during the Taylor McCaffrey Taxation Period total \$13,319 (exclusive of GST), a summary of which is included below:

Delta 9 Group							
Summary of the Monitor's Counsel's Statements of Account							
For the period July 17, 2024 to October 7, 2024							
Invoice	Period	Fees	Disbursements	Subtotal	GST	PST	Total
Taylor McCaffrey LLP							
708371	17-Jul-24 to 13-Aug-24	5,912	397	6,309	312	414	7,034
711357	25-Jul-24 to 7-Oct-24	6,658	353	7,011	351	466	7,827
Total		12,569	750	13,319	662	880	14,861

97. The Invoices outline the date of the work completed, the description of the work completed, the length of time taken to complete the work and the name of the individual who completed the work. If necessary, copies of the Invoices will be made available to the Court upon request, if necessary.

98. The Monitor respectfully submits that its professional fees and disbursements and those of the Monitor's Counsel are fair and reasonable in the circumstances, given the substantive tasks required to be performed by the Monitor and the Monitor's Counsel in connection with the CCAA Proceedings.

EXTENSION TO THE STAY OF PROCEEDINGS

99. Pursuant to the Stay Extension and Approval Order, the Stay Period will expire on November 1, 2024. The Applicants are now seeking the Stay Extension to extend the Stay Period until January 31, 2025.

100. The Monitor supports the Stay Extension for, among others, the following reasons:

- a) it will afford the Applicants and the Monitor sufficient time to:
 - i. continue implementing the Bio-Tech SISP;
 - ii. allow for the Company and the Monitor to finalize the review of Claims under the Claims Procedure and understand the results and implications of the final determination of the claims on the Plan;
 - iii. allow the Plan Sponsor and the Applicants, in consultation with the Monitor, to finalize the Plan;
 - iv. allow the Applicants to convene the Creditors' Meeting; and
 - v. allow the Applicants to apply for the Plan Sanction Hearing, should the Plan be approved for filing and approved by the requisite majorities of creditors at the Creditors' Meeting;
- b) assuming the Interim Financing Facility is increased by the requested additional \$1.0 million, the Applicants are forecasted to have sufficient liquidity up to January 31, 2025;
- c) the Monitor does not believe any creditor of the Applicants who will be materially prejudiced by the proposed Stay Extension; and

- d) in the Monitor's opinion, the Applicants have acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Order.

CONCLUSIONS AND RECOMMENDATIONS

- 101. As noted, the Monitor understands that the Plan Sponsor's classification of the SDNL as unaffected within the Plan is contested by SNDL. The Plan Sponsor is a sophisticated party who continues to fund these proceedings and is aware of the significant uncertainty regarding the outcome of SNDL's position.
- 102. Based on the current information that has been made available to the Monitor, the Monitor is of the opinion that the relief sought by the Plan Sponsor is appropriate and respectfully recommends that this Honourable Court approve:
 - a) the filing of the Plan;
 - b) that the Plan Applicants are authorized to establish a single class of creditors for the purpose of considering and voting on the Plan;
 - c) that the Applicants are authorized to convene the Creditors' Meeting in accordance with the Creditors' Meeting Order; and
 - d) that the Applicants set a hearing on December 9, 2024 for the Plan Sanction Hearing, should the Plan be approved for filing and approved by the requisite majorities of creditors at the Creditors' Meeting.
- 103. Based on the current information that has been made available to the Monitor by the Applicants, the Monitor is also of the opinion that the relief sought by the Applicants is appropriate and respectfully recommends that this Honourable Court approve:
 - a) the Stay Extension to January 31, 2025;
 - b) the Applicant's request for the Restricted Court Access Order;

- c) the proposed increase to the Interim Financing Facility and Interim Lender's Charge from \$17.5 million to \$18.5 million; and
- d) the activities, fees and disbursements of the Monitor and the Monitor's Counsel, as set out in this Report.

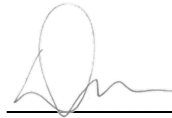
104. Finally, the Monitor is also of the opinion that approving the Amended and Restated Claims Procedure Order substantially in the form sought by the Monitor is appropriate and respectfully recommends that this Honourable Court approve the same.

All of which is respectfully submitted this 29th day of October, 2024.

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



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



Duncan MacRae, CPA, CA, CIRP, LIT
Vice-President

APPENDIX "A"

AMENDMENT NO. 2 TO THE INTERIM FINANCING TERM SHEET

This amending agreement (this "**Agreement**") is made as of October 29, 2024, among all of the entities identified on the signature page hereto as a borrower (collectively, the "**Borrowers**"), and 2759054 Ontario Inc. o/a Fika Herbal Goods, as interim lender (the "**Interim Lender**").

WHEREAS:

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

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

ARTICLE 1 INTERPRETATION

Section 1.1 Definitions

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

Section 1.2 References to the Interim Financing Term Sheet

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

Section 1.3 Continued Effectiveness

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

Section 1.4 Benefit of the Agreement

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

Section 1.5 Currency

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

Section 1.6 Invalidity of any Provisions

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

Section 1.7 Captions and Headings

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

ARTICLE 2 AMENDMENTS

Section 2.1 Amendments

The Interim Financing Term Sheet is hereby amended as follows:

- (a) Paragraph D of the recitals is amended by deleting "\$17,500,000" and replacing it with "\$18,500,000";
- (b) The first paragraph of Section 3 titled "**Interim Financing Facility**" is amended by deleting "\$17,500,000" and replacing it with "\$18,500,000";
- (c) Subparagraph (a) of the first paragraph of Section 3 titled "**Interim Financing Facility**" is amended by deleting "\$4,500,000" and replacing it with "\$5,500,000"; and
- (d) Clause (iii) of subparagraph (a) of Section 10 titled "**Funding Conditions**" is amended by deleting "\$17,500,000" and replacing it with "\$18,500,000";

ARTICLE 3 CONDITIONS PRECEDENT

Section 3.1 Conditions Precedent

This Agreement shall not become effective until:

- (a) this Agreement is duly executed and delivered to the Interim Lender; and

- (b) the Court grants an order amending the ARIO approving the increase to the Interim Financing Facility and the Interim Lender's Charge.

ARTICLE 4 MISCELLANEOUS

Section 4.1 Governing Law

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

Section 4.2 Time of the Essence

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

Section 4.3 Counterparts

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

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

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

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

Signed by:
Per: Mark Vasey
Name: Mark Vasey
Title: CEO

DELTA 9 CANNABIS INC., as Borrower

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

DELTA 9 LOGISTICS INC., as Borrower

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

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

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

- 2 -

DELTA 9 BIO-TECH INC., as Borrower

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

**DELTA 9 LIFESTYLE CANNABIS CLINIC
INC., as Borrower**

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

APPENDIX "B"

ABRIDGED LIQUIDATION ANALYSIS

Delta 9 Group Liquidation Analysis				
	Liquidation Analysis		Plan Distribution	Notes
	<u>Low</u>	<u>High</u>		
Liquidation Proceeds	22,436,000	30,162,000		1
SNDL Senior Debt	(27,707,826)	(27,707,826)	Unaffected	2
SNDL Debenture	(3,156,251)	-	Unaffected/Discharged	3
Interim Financing Facility: Tranche 2	(11,696,814)	(11,696,814)	Discharged	3
Interim Financing Facility: Tranche 1	(5,702,515)	(5,702,515)	Discharged	4
Secured Indebtedness	(48,263,406)	(45,107,155)		
Shortfall	(25,827,406)	(14,945,155)		
Affected Creditors - Unsecured Recovery	-	-	4,750,000	5
Bio-Tech Creditors - Unsecured Recovery	-	-	-	
Equity Recovery	-	-	2,000,000	6
<p>Note 1: Liquidation proceeds calculated by entity, as per the assumptions disclosed in Confidential Appendix "1".</p> <p>Note 2: SNDL Senior Debt valid and enforceable first-lien debt is secured by each of Bio-Tech, Lifestyle and Store.</p> <p>Note 3: The undisputed SNDL Debenture has been paid to SNDL by Fika and maintains the valid and enforceable subordinated position secured by each of Bio-Tech, Lifestyle and Store. The illustrative "Low" scenario includes the disputed unpaid portion of the SNDL Debenture.</p> <p>Note 4: The Tranche 1 Interim Financing Facility includes amounts drawn to date, including estimated accrued interest, plus anticipated further draws on the Tranche 1 facility based on the Cash Flow Forecast. For illustrative purposes, the amount outstanding is shown as at January 31, 2025.</p> <p>Note 5: Includes a cash payment of \$750,000 and voting common shares in the capital of Fika with an aggregate value of \$4,000,000.</p> <p>Note 6: Includes voting common shares in the capital of Fika with an aggregate value of \$2,000,000.</p>				

APPENDIX "C"

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc.
Management Prepared 14-Week Cash Flow Forecast
For the period from October 26, 2024 to January 31, 2025
unaudited, in CAD \$000's

Notes	Week 1 01-Nov-24	Week 2 08-Nov-24	Week 3 15-Nov-24	Week 4 22-Nov-24	Week 5 29-Nov-24	Week 6 06-Dec-24	Week 7 13-Dec-24	Week 8 20-Dec-24	Week 9 27-Dec-24	Week 10 03-Jan-25	Week 11 10-Jan-25	Week 12 17-Jan-25	Week 13 24-Jan-25	Week 14 31-Jan-25	14 Week Total
Receipts															
1 Accounts Receivable - Government	115	115	115	115	115	115	115	115	115	115	115	115	115	115	1,610
2 Accounts Receivable - Other	180	180	180	180	180	180	180	180	180	180	180	180	180	180	2,520
3 Cannabis Sales	1,150	1,150	1,150	1,150	1,150	1,225	1,275	1,275	1,275	1,275	1,150	1,150	1,150	1,150	16,625
Total Receipts	1,445	1,445	1,395	1,445	1,445	1,520	1,570	1,570	1,570	1,570	1,445	1,445	1,445	1,445	20,755
Operating Disbursements															
4 Cannabis Product Purchases	725	800	800	825	825	850	850	850	850	850	775	775	775	775	11,325
5 Payroll and Source Deductions	-	530	-	519	-	519	-	514	-	514	-	514	-	514	3,622
6 Consultant Fees	16	16	-	16	-	16	-	16	-	16	-	16	-	16	126
7 Rent, Utilities and Insurance	290	-	-	-	-	270	-	112	-	270	-	-	-	-	1,165
8 Overholding Rent	39	-	-	-	-	-	-	-	-	-	-	-	-	-	39
9 Logistics, Product Treatment and Lab Testing	25	25	25	25	25	25	25	25	25	25	25	25	25	25	350
10 Production Supplies and Materials	73	45	45	45	45	45	45	45	45	45	45	45	45	45	658
11 SG&A Expenses	65	60	60	60	60	60	60	60	60	60	60	60	60	60	845
12 Contingency	15	15	15	15	15	15	15	15	15	15	15	15	15	15	210
13 Excise Tax Remittance	-	90	-	-	-	90	-	-	-	-	90	-	-	-	270
14 GST Remittance	80	-	-	-	-	80	-	-	-	80	-	-	-	-	240
Total Operating Disbursements	1,327	1,561	945	1,617	1,617	1,879	1,085	1,636	995	1,874	1,010	1,449	1,032	1,449	18,850
Net Cash Flow from Operations	118	(136)	450	(172)	475	(359)	485	(66)	575	(304)	435	(4)	413	(4)	1,905
Non-Operating Disbursements															
15 Key Employee Retention Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16 Professional Fees	97	476	-	210	-	190	-	153	-	115	-	58	-	58	1,356
17 Debt Service	281	-	-	-	-	280	-	-	-	281	-	-	-	-	842
Total Non-Operating Disbursements	378	476	-	210	-	470	-	153	-	396	-	58	-	58	2,198
Net Cash Flow	(260)	(612)	450	(382)	475	(829)	485	(219)	575	(700)	435	(62)	413	(62)	(293)
Opening Cash	323	63	451	901	519	994	165	650	431	1,006	306	741	679	741	323
Net Cash Flow	(260)	(612)	450	(382)	475	(829)	485	(219)	575	(700)	435	(62)	413	(62)	(293)
Interim Financing Advance/(Repayment)	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Ending Cash	63	451	901	519	994	165	650	431	1,006	306	741	679	1,092	1,030	1,030
Opening Interim Financing Balance	4,500	4,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	4,500
Advances	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000
Repayments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Interim Financing Balance	4,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Opening Overholding Rent Funds Balance	135	174	174	174	174	174	174	174	174	174	174	174	174	174	135
Funds Held by Monitor	39	-	-	-	-	-	-	-	-	-	-	-	-	-	39
Closing Overholding Rent Funds Balance	174	174	174	174	174	174	174	174	174	174	174	174	174	174	174

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & MONITOR'S REPORT ON THE CASH FLOW STATEMENT

John Ashworth
Director

Gast Konowachuk, LIT
Senior Vice President

APPENDIX "D"

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc.

Notes to Management Prepared 14-Week Cash Flow Forecast

For the period from October 28, 2024 to January 31, 2025

Note 1 (AR - Government): Forecast collections of existing and forecast accounts receivable, primarily from the Manitoba Liquor & Lotteries Corporation and the Alcohol, Gaming, Lottery and Cannabis Authority of Alberta. Payment terms are generally 15 to 30 days.

Note 2 (AR - Other): Forecast collections of existing and forecast accounts receivable from private customers. Payment terms are generally 30 to 60 days.

Note 3 (Cannabis Sales): Forecast sales of inventory are based on the trailing 3-month sales for Store and Lifestyle retail locations, with an anticipated increase in December to account for increased sales around the holidays.

Note 4 (Cannabis Product Purchases): Forecast purchases are based on maintaining existing inventory levels and SKU diversity, with an increase to purchases from weeks 4 to 10 to account for an anticipated increase in sales in December.

Note 5 (Payroll and Source Deductions): Forecast salaries, wages, statutory remittances and benefits for salaried and hourly employees disbursed bi-weekly.

Note 6 (Consultant and Contractor Fees): Bi-weekly payments to consultant and contractors related to the CCAA Proceedings.

Note 7 (Rent, Utilities & Insurance): Forecast monthly rent payments for Delta Group's logistics facility and retail locations, as well as monthly utilities and insurance costs. Rent is payable on the 1st of every month, utilities are payable on the 21st of every month and insurance is payable on the 20th of every month.

Note 8 (Overholding Rent): On October 28, 2024, Delta 9 issued a notice of disclaimer pursuant to section 32 of the CCAA to 6593362 Canada Ltd. ("659") for the lease agreement concerning the property at 770 Pandora Avenue East, Winnipeg, Manitoba ("Building D"). The lease disclaimer will take effect on November 30, 2024. As previously reported, Delta 9 and 659 are in dispute over the amount owed under the lease, with 659 asserting the monthly rent should be \$76,351.32, while Delta 9 claims it should be \$37,642.65. The overholding rent will be held by the Monitor until the parties resolve the dispute over the rent payable under the lease.

Note 9 (Logistics, Product Treatment and Lab Testing): Forecast shipping costs and required quality control and biological testing for cannabis product.

Note 10 (Production Supplies and Materials): Estimated supplies and materials related to cannabis product sales.

Note 11 (\$&GA Expenses): Estimated selling, general, and administrative expenses required for operations.

Note 12 (Contingency): A weekly contingency of \$15,000 has been included to account for possible unforeseen expenditures.

Note 13 (Excise Tax Remittance): Excise tax and regulatory fees relating to the sale of cannabis product in the CCAA Proceedings.

Note 14 (GST Remittance): Goods and Sales tax net of input tax credits.

Note 15 (KERP): There may be an additional \$550,000 payable upon the completion of a Restructuring and upon a Qualifying Bio-Tech Transaction (both defined in the KERP). Payment of this additional amount has been excluded from the cash flow forecast for conservatism; however, sufficient funding is in place to ensure that it can be paid in the event that a Restructuring and Qualifying Bio-Tech transaction occur.

Note 16 (Professional Fees & Expenses): Expected professional fees to be paid to Delta Group's legal advisors as well as the CCAA Monitor, Monitor's Counsel, and Director's & Officers' Counsel. Forecasted fees are to be paid on a bi-weekly basis.

Note 17 (Debt Service): Forecast debt service for the senior secured indebtedness payable to SNDL.

John Arbutnot
Director

CONFIDENTIAL APPENDIX "1"