



AUXLY REPORTS FOURTH QUARTER AND FULL YEAR 2023 FINANCIAL RESULTS AND PROVIDES OUTLOOK FOR 2024

News Release

TORONTO, Ontario, March 25, 2024 – Auxly Cannabis Group Inc. (TSX: XLY) (OTCQB: CBWTF) ("Auxly" or the "Company") a leading consumer packaged goods company in the cannabis products market, today released its financial results for the fourth quarter and full year ended December 31, 2023. These filings and additional information regarding Auxly are available for review on SEDAR at www.sedar.com. All amounts are Canadian dollars except common shares ("**Shares**") and per Share amounts.

2023 Highlights and Subsequent Events

- Achieved record net revenues of \$101.1 million in 2023, an increase of 7% compared to 2022;
- Fourth quarter net revenues of \$26.9 million, a \$2.2 million increase YoY;
- Achieved positive adjusted EBITDA¹ of \$1.5 million and positive cash flow from operations of \$8.2 million in 2023, including generating \$7.8 million in cash from operating activities in Q4 2023;
- Industry leading margins amongst peers in the adult-use recreational market with Gross Margin on Finished Cannabis Inventory Sold¹ of 34% in 2023 and securing 40% in Q4 2023;
- SG&A declined by over 17% compared to the previous year, while the Company continued to enhance and expand its product portfolio;
- Exited 2023 as the 5th largest LP in Canada by share of market based on total recreational retail sales, securing 5% of the total market²;
- Maintained leadership in national vape sales, securing the #3 LP position in Canada and holding the top four all-in-one SKU positions in Ontario³, with continued recognition and awards for its quality hardware and unique, first-to-market formats;
- Successfully expanded its product portfolio in the pre-roll and dried flower categories throughout the year, as the Company continued to win over consumers with its superior strains, innovative formats and product quality, with its Wedding Pie 10x0.35g pre-rolls becoming the #1 best-selling non-infused pre-roll SKU nationally²;
- Subsequent to year end, the Company strengthened its financial position by entering into an agreement to amend and extend the maturity date of Auxly Leamington's credit facility to December 31, 2025;
- Subsequent to year end, substantially improved the Company's balance sheet and financial position by securing the support of its strategic partner Imperial Brands plc ("Imperial") through Imperial's election to convert of \$123.4 million of its debt, including accrued interest,

¹ Non-IFRS or supplementary financial measure. Refer to the Non-GAAP Measures section in the MD&A for definitions.

² Hifyre IQ, as of December 2023 and March 2024

³ Ontario Cannabis Store Data, as of February 2024

outstanding under the 4% unsecured convertible debenture of the Company due September 25, 2026 held by Imperial (the “Imperial Debenture”) in exchange for 241,316,117 Shares of Auxly, increasing its holdings to 19.8% of Auxly.

Year End Highlights and Key Performance Indicators

For the three months ended: (000's)	December 31, 2023	December 31, 2022	Change	% Change
Net revenues	\$ 26,909	\$ 24,681	\$ 2,228	9%
Gross margin on finished cannabis inventory sold*	10,804	7,436	3,368	45%
Gross margin on finished cannabis inventory sold (%)*	40%	30%	10%	33%
Net income/(loss)	(54,020)	(16,056)	(37,964)	-236%
Adjusted EBITDA*	2,294	(783)	3,077	393%
Weighted average shares outstanding	1,005,194,829	905,819,080	99,375,749	11%

For the years ended: (000's)	December 31, 2023	December 31, 2022	Change	% Change
Net revenues	\$ 101,078	\$ 94,472	\$ 6,606	7%
Gross margin on finished cannabis inventory sold*	34,295	24,210	10,085	42%
Gross margin on finished cannabis inventory sold (%)*	34%	26%	8%	32%
Net income/(loss)	(44,511)	(130,293)	85,782	66%
Adjusted EBITDA*	1,471	(16,878)	18,349	109%
Weighted average shares outstanding	990,994,056	889,871,187	101,122,869	11%

As at: (000's)	December 31, 2023	December 31, 2022	Change	% Change
Cash and equivalents	\$ 15,608	\$ 14,636	\$ 972	7%
Total assets	261,904	331,820	(69,916)	-21%
Debt*	142,737	174,475	(31,738)	-18%

*Non-IFRS or supplementary financial measure. Refer to the Non-GAAP Measures section for definitions.

Hugo Alves, CEO of Auxly, commented: “2023 was a pivotal year for Auxly. Thanks to a tremendous team effort, we achieved our profitability targets despite overall industry and macro-economic headwinds. For the first time in our corporate history, we achieved full year adjusted EBITDA profitability; broke one hundred million dollars in net revenue; and generated positive cash flow from operations. We focused and optimized our business, resulting in meaningful cost savings and industry-leading margins, all done while delivering quality products and meeting the ongoing demands of our consumers. We also successfully strengthened our balance sheet and improved the financial position of the Company, including, most recently, by securing the continued support of our secured lending syndicate through the extension of our Auxly Leamington credit facility and through the support of our strategic partner Imperial, who has elected to convert \$123.4 million of debt owed under the Imperial Debenture, which will increase its ownership in Auxly to 19.8%. We are positioned to succeed in the current cannabis environment and to continue growing and thriving as the market matures. In 2024, we will remain focused on sustainable, profitable growth and passionately committed to our consumers.”

Results of Operations

(000's)	December 31, 2023	December 31, 2022
For the years ended:		
Revenues		
Revenue from sales of cannabis products	\$ 151,762	\$ 138,885
Excise taxes	(50,684)	(44,413)

Total Net Revenues	101,078	94,472
Cost of Sales		
Costs of finished cannabis inventory sold	66,783	70,262
Biological asset impairment	-	704
Inventory impairment	10,474	10,732
Gross profit/(loss) excluding fair value items	23,821	12,774
Unrealized fair value gain / (loss) on biological transformation	16,207	28,518
Realized fair value gain/(loss) on inventory	(18,751)	(24,780)
Gross profit	21,277	16,512
Expenses		
Selling, general, and administrative expenses	38,641	46,649
Equity-based compensation	1,641	4,023
Depreciation and amortization	6,943	14,816
Interest and accretion expense	25,715	21,578
Total expenses	72,940	87,066
Other incomes / (losses)		
Interest and other income	32	337
Impairment of assets	(39,706)	(67,180)
Gain/(loss) on settlement of assets and liabilities and other expenses	48,365	(2,231)
Gain on disposal of assets held for sale	-	2,150
Gain/(loss) on disposal of subsidiary	(4,006)	-
Foreign exchange gain/(loss)	(771)	923
Total other income/(loss)	3,914	(66,001)
Net income/(loss) before income tax	(47,749)	(136,555)
Income tax recovery	3,238	6,262
Net income/(loss)	\$(44,511)	\$(130,293)
Adjusted EBITDA	\$ 1,471	\$ (16,878)
Net income/(loss) per common share (basic and diluted)	\$ (0.04)	\$ (0.15)
Weighted average shares outstanding (basic and diluted)	990,994,056	889,871,187

Net Revenues

For the year ended December 31, 2023, net revenues were \$101.1 million as compared to \$94.5 million during the same period in 2022, an increase of 7%. Revenues for 2023 were comprised of approximately 61% (2022 – 42%) in sales of dried flower and pre-roll Cannabis Products, with the remainder from oils and Cannabis 2.0 Product sales. Net revenues included wholesale bulk flower sales of approximately \$15.7 million during the year.

Consistent with prior periods, as the Company does not directly participate in the Quebec market, approximately 82% of cannabis sales in 2023 originated from sales to British Columbia, Alberta and Ontario.

Gross Profit

Auxly realized a gross profit of \$21.3 million in 2023 resulting in a 21% Gross Profit Margin, as compared to \$16.5 million or 17%, respectively, during the same period in 2022. The Gross Margin on Finished Cannabis Inventory Sold improved to 34% versus 26% in 2022, while increasing from 37% in the first quarter of 2023 to 40% in the fourth quarter as a result of the higher proportion of Cannabis 1.0

Products sold by the Company that leverage the cost efficiencies of the Auxly Leamington cultivation facility, the streamlining of certain Cannabis 2.0 Products, and the reduction in operating costs that includes input costs and overhead, especially in vapes, a key category for the Company.

Realized and unrealized fair value gains and losses reflect accounting treatments associated with Auxly Leamington cultivation activities and sales and are influenced by changes in production, sales and net realizable value assumptions.

Inventory impairments during the year of \$10.5 million were associated with charges related to reductions in net realizable value of dried cannabis under the Company's product specifications and obsolescence of certain retired products and packaging, a decrease of \$0.2 million from the comparative period. The impairments recognized in 2022 include impairments related to the closure of the Auxly Annapolis facilities.

Total Expenses

Selling, general and administrative expenses ("SG&A") are comprised of wages and benefits, office and administrative, professional fees, business development, and selling expenses. SG&A expenses were \$38.6 million in 2023, \$8.0 million or 17% lower than the same period in 2022, primarily due to measures taken to reduce overhead in the organization and lower selling expenditures.

Wages and benefits were \$16.3 million for the year, as compared to \$18.7 million for the same period of 2022. The decrease in expenses was related to the streamlining of operations and support staff as a result of a more focused product portfolio.

Office and administrative expenses were \$10.4 million for the year, \$1.2 million lower than the same period in 2022. The decreased expenditures primarily relate to streamlining of operations, reduced waste and insurance expenses, partially offset by a provision for bad debt related to Fire & Flower Holdings Corp. filing for creditor protection under the Companies' Creditors Arrangement Act.

Auxly's professional fees were \$3.0 million during 2023, flat to 2022. Professional fees incurred primarily related to accounting fees, regulatory matters, reporting issuer fees, and legal fees associated with certain corporate activities and as a result can fluctuate significantly from one period to the next. Business development expenses were \$0.5 million for the year ended December 31, 2023 as compared to \$0.3 million during the same period in 2022. These expenses primarily relate to business development and travel related expenses.

Selling expenses were \$8.4 million for the year ended December 31, 2023, a decrease of \$4.7 million over 2022, primarily as a result of cost reductions associated with the internalization of our sales team and reduced marketing initiatives, partially offset by higher Health Canada fees related to higher revenues.

Equity-based compensation for the year ended December 31, 2023 was \$1.6 million. In 2022, equity-based compensation was \$4.0 million, primarily reflecting the impact of restricted share units ("RSU") granted in June 2022, in respect of services provided by employees in 2021.

Depreciation and amortization expenses were \$6.9 million for the year ended December 31, 2023, representing a decrease of \$7.9 million over the same period in 2022, primarily as a result of reductions in intangible assets, completion of certain leases and right of use assets, and depreciation associated

with disposed assets.

Interest expenses were \$25.7 million for the year ended December 31, 2023, an increase of \$4.1 million over the same period in 2022. The increase in expense is primarily a result of the impact of rising interest rates where such obligations are subject to variable charges, interest from newly financed obligations and higher accretion expense on convertible debentures. Interest expense includes accretion on the convertible debentures and interest paid in kind on the Imperial Debenture. Subsequent to year end, Imperial elected to convert \$123.4 million of indebtedness owing under the Imperial Debenture, including accrued interest, increasing its holdings to 19.8% of the equity of the Company which, when closed, will result in substantially lower interest accretion expense in future periods. Interest payable in cash was approximately \$9.4 million for the year ended December 31, 2023, an increase of \$2.7 million over the same period in 2022.

Total Other Incomes and Losses

Total other incomes and losses for the year were a net income of \$3.9 million compared to a net loss of \$66.0 million in the comparative period. Total other incomes and losses in 2023 included a gain due to the extension of the Imperial Debenture and the unsecured promissory notes, partially offset by \$35.9 million of impairment of other assets, noting that the Company's market capitalization trades significantly below its shareholders' equity. Other income and losses in 2023 also included the closure of the Auxly Ottawa facility where the carrying value exceeded the fair value less cost to sell, and the disposal of Inverell. Total other incomes and losses during 2022 included \$45.0 million impairment of goodwill and other assets and \$25.7 million of losses associated with the closure of the Auxly Annapolis and Auxly Annapolis OG facilities where the carrying value exceeds the fair value less cost to sell.

Net Income and Loss

Net loss for the year ended December 31, 2023 was \$44.5 million, representing a net loss of \$0.04 per share on a basic and diluted basis. The change in net loss in 2023 as compared to a net loss of \$130.3 million in 2022 was primarily driven by improved gross profits, lower expenses, and changes in total other incomes and losses in 2023 as compared to the other losses recorded in 2022.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2023 was \$1.5 million, an improvement of \$18.4 million over the same period of 2022, primarily as a result of improvements in gross profits and SG&A.

Outlook

In 2023, Auxly committed to improving its earnings performance. The Company is pleased to have achieved its goal of becoming Adjusted EBITDA profitable for an entire fiscal year, while maintaining its leadership position in the Canadian cannabis market. The Company's high-level objectives for 2023 were:

- Increase net revenues by 15%, with a focus on key product categories, enhanced by strategic expansion of Auxly's product portfolio, while supporting strong retail distribution through the Company's internal sales team.
 - In 2023, net revenues were \$101.1 million, an increase of approximately \$6.6 million or 7% over 2022. This was driven by a focused expansion of Cannabis 1.0 Products and continued leadership in the Cannabis 2.0 Product category. In 2023, the Company was the

5th largest licensed producer in Canada by total recreational retail sales. Highlights⁴ include:

- Moved from the #9 licensed producer in dried flower sales in 2022 to the #6 licensed producer in 2023, securing 4.8% share of market nationally;
 - Back Forty's Wedding Pie 10x0.35g pre-rolls established itself as the #1 best selling non-infused pre-roll SKU nationally;
 - Moved from the #9 licensed producer in pre-roll sales in 2022 to the #5 ranked producer nationally in 2023, in large part driven by Back Forty 40s with their innovative, single-strain, straight roll format;
 - Launched new Back Forty all-in-one vapes in Alberta, Ontario, Saskatchewan and Manitoba in November, which quickly secured the top four disposable vape SKU positions in Ontario by February 2024.
- Although the Company did not meet its full growth ambitions, it made significant progress in optimizing its portfolio to expand margins by leveraging the Company's competitive advantages in vapes, pre-rolls and dried flower products, the product formats which mirror how Canadians are choosing to consume cannabis, and represent, in aggregate, approximately 85% of the adult-use recreational market.
- Continue to leverage Auxly Leamington's large-scale, low-cost cultivation facility and the Company's manufacturing automation to increase blended Gross Margin on Finished Cannabis Inventory Sold to an average of 35-40%.
 - The shift in sales mix towards Cannabis 1.0 Products allowed the Company to better leverage Auxly Leamington's cost efficiencies and contributed to the improved Gross Margin on Finished Cannabis Inventory Sold of 34% in 2023. Notably, this margin increased to 40% in Q4 2023, driven by permanent improvements in the Company's pre-roll manufacturing capabilities, the benefits of consolidating functions previously conducted at its Auxly Ottawa facility into its state-of-the-art Auxly Leamington facility starting in Q2 2023 and the continuous operational improvements at its Charlottetown facility where the majority of Cannabis 2.0 product margins increased throughout 2023, including vape profitability, a key category for the Company.
 - Despite price compression in the adult-use recreational market as consumer preferences have evolved to focus more on value offerings, the Company has maintained industry-leading margins amongst its peers in the adult-use recreational market. The Company is well-positioned to compete in the value price segment given Auxly Leamington's cost structure and has taken steps to adjust product pricing to maintain distribution for its value offerings.
 - Vigorously manage SG&A as a percentage of net revenues to keep it below 40%.
 - SG&A expenses were \$38.6 million in 2023, representing 38% of net revenue. Compared to the same period in 2022, SG&A expenses were \$8.0 million or 17% lower, primarily due to measures taken to reduce overhead in the organization and as a result of lower selling expenditures.

⁴ Data provided by HiFyre IQ as of January 23, 2024

- Focused efforts were made in 2023 to reduce overhead, which included consolidation of the Company's pre-roll and dried flower manufacturing activities, streamlining of operations and support staff, and increasing efficiency, which included reducing waste and finding cost efficiencies with product development.
- Selling expenses in 2023 were \$8.4 million, a decrease of \$4.7 million over 2022, primarily as a result of cost reductions associated with the internalization of the sales team and reduced marketing initiatives, partially offset by higher Health Canada fees related to higher revenues.
- Prudently manage the Company's balance sheet and streamline assets where possible.
 - The Company raised additional capital of \$8.4 million, including a private placement of Shares in February 2023 resulting in gross proceeds of \$3.4 million, and an inventory financing in October 2023 for gross proceeds of \$5.0 million.
 - Subsequent to year end, the Company was able to strengthen its balance sheet by working with its strategic partner Imperial, who recently elected to convert \$123.4 million of its indebtedness outstanding on the Imperial Debenture, including accrued interest, increasing Imperial's equity holding in the Company to 19.8%.
 - Subsequent to year end, the Company entered into a definitive agreement with the syndicate of lenders led by BMO to extend the maturity date of Auxly Leamington's credit facility to December 31, 2025.

The Canadian cannabis industry continues to face challenges posed by fierce competition and continued fragmentation, ongoing price compression, oppressive taxation, a robust and increasingly sophisticated illicit market, and restrictive regulations which impede the Company's ability to compete with the illicit market, which were further exacerbated by inflation, global conflict, negative macroeconomic impacts from the COVID-19 pandemic, global supply chain disruptions, and constrained capital markets.

Despite these challenges, the Company has seen improvements in its revenues, gross margins, and material improvements in Adjusted EBITDA resulting from significant reductions in its supporting cost structure. This has also improved the Company's operating cash flows. Cash generated in operating activities in 2023 was \$8.2 million, an improvement of approximately \$10.7 million over 2022, primarily as a result of higher net revenues, gross profit improvements, lower SG&A expenditures and improved inventory management practices. Operating cash flows improved throughout the year as the Company successfully advanced its optimization strategy and grew gross margins. In Q4 of 2023 the Company generated \$7.8 million of cash from operating activities which is a 208% improvement from the previous quarter.

In 2024, the Company remains dedicated to sustainable growth, improved profitability, and the excellence of our people. The Company will prioritize focused and efficient growth in its key product categories of vape, pre-roll and dried flower and continue to optimize and improve distribution and sales of its products. It will continue to foster a collaborative team environment and pursue continued improvements in efficiency to reduce costs and deliver strong gross margins and increased profitability. The Company will also continue to pursue opportunities to strengthen its balance sheet.

The Company has a clear focus on its growth trajectory and as it continues to invest in its future, it stands on the strong foundation of its industry-leading capabilities including state-of-the-art facilities, outstanding and dedicated employees, and Auxly's collective mission to help our consumers live happier

lives by delivering quality products that they trust and love.

Non- GAAP Measures

Please see the Company's MD&A dated March 24, 2024, under "Non-GAAP Measures" for a further description of the following financial and supplementary financial measures.

Financial Measures

EBITDA and Adjusted EBITDA

These are non-GAAP measures used in the cannabis industry and by the Company to assess operating performance removing the impacts and volatility of non-cash and other adjustments. The definition may differ by issuer. The Adjusted EBITDA reconciliation is as follows:

(000's)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23
Net income/(loss)	\$ (39,846)	\$ (14,289)	\$ (60,102)	\$ (16,056)	\$ (10,249)	\$ (12,863)	\$ 32,621	\$ (54,020)
Interest and accretion expense	5,080	5,336	5,507	5,655	5,808	6,457	6,613	6,837
Interest and other income	(85)	(84)	(105)	(63)	(14)	20	(16)	(22)
Income tax recovery	(2,955)	(85)	(2,110)	(1,112)	-	-	-	(3,238)
Depreciation and amortization included in cost of sales	1,211	2,180	681	1,296	1,120	911	1,151	1,084
Depreciation and amortization included in expenses	4,600	3,900	3,525	2,791	1,745	1,673	1,817	1,708
EBITDA	(31,995)	(3,042)	(52,604)	(7,489)	(1,590)	(3,802)	42,186	(47,651)
Impairment of biological assets	704	-	-	-	-	-	-	-
Impairment of inventory	4,878	1,778	2,014	2,062	673	1,459	3,233	5,109
Unrealized fair value loss/(gain) on biological transformation	(6,473)	(11,735)	(7,496)	(2,814)	(4,247)	(4,713)	(4,766)	(2,481)
Realized fair value loss/(gain) on inventory	2,325	6,898	8,175	7,382	4,639	3,146	5,538	5,428
Restructuring related costs	-	-	193	-	165	86	29	131
Equity-based compensation	203	2,916	475	429	409	377	707	148
Impairment of assets	23,673	-	42,831	676	-	2,588	-	37,118
Non-recurring bad debt expense	-	-	-	-	-	780	360	-
(Gain)/loss on settlement of assets, liabilities and disposals	-	(163)	1,574	(1,330)	-	(1,478)	(46,887)	4,006
Foreign exchange loss/(gain)	361	(647)	(938)	301	89	479	(283)	486
Adjusted EBITDA	\$ (6,324)	\$ (3,995)	\$ (5,776)	\$ (783)	\$ 138	\$ (1,078)	\$ 117	\$ 2,294

Supplementary Financial Measures

Gross Margin on Finished Cannabis Inventory Sold

"Gross Margin on Finished Cannabis Inventory Sold" is a supplementary financial measure and is defined as net revenues less cost of finished cannabis inventory sold divided by net revenues.

Gross Profit Margin

"Gross Profit Margin" is defined as gross profit divided by net revenues. Gross Profit Margin is a supplementary financial measure.

Debt

“Debt” is defined as current and long-term debt and is a supplementary financial measure. It is a useful measure in managing the Company’s capital structure and financing requirements.

Imperial Debt Conversion

On March 22, 2024, Imperial, through its wholly owned subsidiary, provided the Company with notice of its election to convert (i) approximately \$121.9 million of the principal amount outstanding under the Imperial Debenture and (ii) approximately \$1.6 million of accrued interest under the Imperial Debenture, which, together with Imperial’s existing equity holdings, will result in Imperial holding an equity position in the Company of approximately 19.8% (the “Imperial Debt Conversion”).

In connection with the Imperial Debt Conversion:

- \$121.9 million of the principal amount under the Imperial Debenture will be converted at an exercise price of \$0.81 for 150,433,450 common shares in the capital of the Company;
- approximately \$1.6 million of accrued interest will be converted and issued, on a private placement basis, into 90,882,667 common shares in the capital of the Company at a price of \$0.017, subject to the approval of the Toronto Stock Exchange (the “TSX”); and
- Imperial and Auxly have agreed to amend the existing amended and restated investor rights agreement dated July 6, 2021 between the parties to, among other things, remove the existing requirement that Imperial will use the Company as its exclusive cannabis partner.

After completing the Imperial Debt Conversion: (i) a principal amount of \$1.0 million will remain outstanding under the Imperial Debenture convertible at \$0.81 per share and due on September 25, 2026; (ii) approximately \$20.5 million of accrued interest due September 25, 2026 will remain outstanding, without accruing further interest thereon, unless otherwise converted in accordance with the terms of the Imperial Debenture; and (iii) Imperial will own approximately 19.8% of the Company’s common shares.

The closing of the Imperial Debt Conversion is conditional upon certain customary closing conditions for a transaction of this nature, including the approval of the TSX. The parties anticipate the Imperial Debt Conversion will close by early April 2024.

ON BEHALF OF THE BOARD

"Hugo Alves" CEO

About Auxly Cannabis Group Inc. (TSX: XLY)

Auxly is a leading Canadian consumer packaged goods company in the cannabis products market, headquartered in Toronto, Canada. Our mission is to help consumers live happier lives through quality cannabis products that they trust and love.

Our vision is to be a leader in branded cannabis products that deliver on our consumer promise of quality, safety and efficacy.

Learn more at www.auxly.com and stay up to date at Twitter: @AuxlyGroup; Instagram: @auxlygroup; Facebook: @auxlygroup; LinkedIn: [company/auxlygroup/](https://www.linkedin.com/company/auxlygroup/).

Investor Relations:

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Notice Regarding Forward Looking Information:

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities law. Forward-looking information is frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. This information is only a prediction. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking information throughout this news release. Forward-looking information includes, but is not limited to: the proposed operation of Auxly, its subsidiaries and partners; the intention to grow the business, operations and existing and potential activities of Auxly; proposed timelines for the build-out, expansion, licencing or commercialization of the Company's facilities and projects; the impact of the COVID-19 pandemic on the Company's current and future operations; the Company's execution of its innovative product development, commercialization strategy and expansion plans; the Company's intention to introduce innovative new cannabis products to the market and the timing thereof; the anticipated benefits of the Company's partnerships, research and development initiatives and other commercial arrangements; the intention of the Company to sell the Auxly Ottawa assets and the proposed use of any proceeds; expectations regarding the Imperial Debt Conversion and the timing and anticipated benefits thereof; the expectation, timing and quantum of future revenues, Gross Margin on Finished Cannabis Inventory Sold, SG&A and of positive Adjusted EBITDA; expectations regarding the Company's expansion of sales, operations and investment into foreign jurisdictions; future legislative and regulatory developments involving cannabis and cannabis products; the timing and outcomes of regulatory or intellectual property decisions; the ability of the Company to maintain and grow its market share; the relevance of Auxly's subsidiaries' current and proposed products with provincial purchasers and consumers; consumer preferences; political change; competition and other risks affecting the Company in particular and the cannabis industry generally.

A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this release including, but not limited to, whether: the Company will be able to execute on its business strategy or achieve its goals; Auxly's subsidiaries are able to maintain the necessary governmental and regulatory authorizations to conduct business; the Company is able to successfully manage the integration of its various business units with its own; the

Company's subsidiaries obtain and maintain all necessary governmental and regulatory permits and approvals for the operation of their facilities and the development of cannabis products, and whether such permits and approvals can be obtained in a timely manner; the Company will be able to sell the Auxly Ottawa assets and achieve the anticipated cost savings from the closure of the facility; the Company will be able to complete the Imperial Debt Conversion on the terms and timeline expected, or at all; the expected benefits of the Imperial Brands Debenture amendment materialize in the manner expected, or at all; the expected benefits of the Auxly Leamington credit facility amendment agreement materialize in the manner expected, or at all; the Company will be able to successfully launch new product formats and enter into new markets; there is acceptance and demand for current and future Company products by consumers and provincial purchasers; the Company will be able to increase and maintain revenues, maintain positive Adjusted EBITDA, and/or achieve and maintain its target Gross Margin on Finished Cannabis Inventory Sold; and general economic, financial market, legislative, regulatory, competitive and political conditions in which the Company and its subsidiaries and partners operate will remain the same. Additional risk factors are disclosed in the annual information form of the Company for the financial year ended December 31, 2023 dated March 24, 2024.

New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information. The forward-looking information in this release is based on information currently available and what management believes are reasonable assumptions. Forward-looking information speaks only to such assumptions as of the date of this release. In addition, this release may contain forward-looking information attributed to third party industry sources, the accuracy of which has not been verified by the Company. The forward-looking information is being provided for the purposes of assisting the reader in understanding the Company's financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this release.

The forward-looking information contained in this release is expressly qualified by the foregoing cautionary statements and is made as of the date of this release. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Neither Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this release.