



Auxly Reports Second Quarter 2025 Results

TORONTO, Ontario, August 14, 2025 – 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 three and six months ended June 30, 2025. These filings and additional information regarding Auxly are available for review on SEDAR+ at www.sedarplus.ca.

Financial highlights for the second quarter:

- Net revenues of \$38.8 million, an increase of 33% year-over-year
- Gross Margin on Finished Cannabis Inventory Sold of 52%, compared to 41% in Q2 2024
- SG&A of \$10.3 million, an increase of 11% year-over-year
- Adjusted EBITDA of \$11.6 million or 30% of net revenue, an increase of 123% year-over-year
- Net income of \$8.3 million, an increase of 315% year-over-year
- Cash flow from operations of \$4 million
- Cash at quarter end totalled \$17 million.

Balance sheet enhancement initiatives after the second quarter:

- Amended senior debt, extended maturity, and added \$10 million in new credit
- Imperial Brands converted remaining debt into equity, reinforcing long-term support
- Pro forma Total Debt to TTM Adjusted EBITDA of 1.4x
- Pro forma net working capital at June 30, 2025 of \$35 million.

See definitions and reconciliation of non-GAAP measures elsewhere in this release.

Commercial highlights for the second quarter:

- #3 largest Canadian Licensed Producer with market share of 6.2% at quarter end¹
- Back Forty exited the quarter as the #1 cannabis brand in Canada
- Liquid Imagination and Fire Breath 28g were the top two best-selling SKUs nationwide
- Leader in the all-in-one vape category, holding 12 of the top 15 SKUs nationally
- Maintained the #1 non-infused pre-roll brand in Ontario.

Management Commentary

Hugo Alves, CEO of Auxly, commented: "Amidst a record quarter for net revenue, gross profit, and Adjusted EBITDA, we believe we are still *Just Getting Started*. Net revenue increased 33% year-over-year through increased demand for our products, deeper distribution across the country, increasing production volumes, and higher pricing. Customers and consumers love and trust our brands which bodes well for maintaining and increasing market share. Gross margin improved to 52% as we gained production efficiencies, and a stable cost base has translated to a 30% Adjusted EBITDA margin. Subsequent to quarter-end, we were delighted to announce a recapitalization that decreased our debt burden and materially reduced interest expense going forward. Looking forward, we are remaining focused on what

¹ HiFyre IQ (July 2025)

works. We are going to provide innovative products to Canadian cannabis consumers, and we plan to capitalize on our scale and market leadership to deliver sustainable financial performance.”

Financial Highlights and Key Performance Indicators

For the three months ended: (000's)	June 30, 2025	June 30, 2024	Change	% Change
Net revenues	\$ 38,802	\$ 29,178	\$ 9,624	33%
Gross margin on finished cannabis inventory sold*	20,268	12,049	8,219	68%
Gross margin on finished cannabis inventory sold (%)*	52%	41%	11%	27%
Net income/(loss)	8,310	2,002	6,308	315%
Adjusted EBITDA*	11,545	5,173	6,372	123%
Weighted average shares outstanding	1,315,584,918	1,250,513,293	65,071,625	5%

For the six months ended: (000's)	June 30, 2025	June 30, 2024	Change	% Change
Net revenues	\$ 71,471	\$ 54,419	\$ 17,052	31%
Gross margin on finished cannabis inventory sold*	36,099	21,618	14,481	67%
Gross margin on finished cannabis inventory sold (%)*	51%	40%	11%	28%
Net income/(loss)	20,421	(24,010)	44,431	185%
Adjusted EBITDA*	18,978	7,413	11,565	156%
Weighted average shares outstanding	1,312,952,853	1,133,676,385	179,276,468	16%

As at: (000's)	June 30, 2025	December 31, 2024	Change	% Change
Cash and equivalents	\$ 17,026	\$ 18,356	\$ (1,330)	-7%
Total assets	258,486	261,530	(3,044)	-1%
Debt*	48,989	55,683	(5,694)	-10%

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

Results of Operations

For the periods ended: (000's)	Three months June 30, 2025		Six months June 30, 2025	
	2025	2024	2025	2024
Revenues				
Revenue from sales of cannabis products	\$ 59,124	\$ 43,433	\$ 108,336	\$ 81,790
Excise taxes	(20,322)	(14,255)	(36,865)	(27,371)
Total net revenues	38,802	29,178	71,471	54,419
Costs of sales				
Costs of finished cannabis inventory sold	18,534	17,129	35,372	32,801
Inventory impairment	147	473	270	929
Gross profit/(loss) excluding fair value items	20,121	11,576	35,829	20,689
Unrealized fair value gain/(loss) on biological transformation	15,842	8,817	28,154	11,590
Realized fair value gain/(loss) on inventory	(13,274)	(4,464)	(22,611)	(6,899)
Gross profit	22,689	15,929	41,372	25,380
Expenses				
Selling, general, and administrative expenses	10,315	9,311	19,987	17,932
Equity-based compensation	1,092	701	2,597	2,628
Depreciation and amortization	1,276	1,067	2,572	2,297
Interest and accretion expenses	1,866	2,749	4,013	9,617
Total expenses	14,549	13,828	29,169	32,474
Other income/(loss)				
Interest and other income	32	140	79	159
Gain/(loss) on settlement of assets and liabilities and other expenses	(243)	391	(204)	(243)

Gain/(loss) on disposal of assets held for sale	-	(453)	-	(453)
Foreign exchange gain/(loss)	381	(177)	218	(387)
Total other income/(loss)	170	(99)	93	(924)
Net income/(loss) before income tax	8,310	2,002	12,296	(8,018)
Income tax recovery/(expense)	-	-	8,125	(15,992)
Net income/(loss)	\$ 8,310	\$ 2,002	\$ 20,421	\$ (24,010)
Adjusted EBITDA	\$ 11,545	\$ 5,173	\$ 18,978	\$ 7,413
Net income/(loss) per common share – basic (\$)	\$ 0.01	\$ 0.00	\$ 0.02	\$ (0.02)
Net income/(loss) per common share – diluted (\$)	\$ 0.01	\$ 0.00	\$ 0.01	\$ (0.02)
Weighted average shares outstanding – basic	1,315,584,918	1,250,513,293	1,312,952,853	1,133,676,385
Weighted average shares outstanding – diluted	1,473,690,262	1,304,108,532	1,459,289,465	1,133,676,385

Net Revenues

For the three and six months ended June 30, 2025, net revenues were \$38.8 million and \$71.5 million as compared to \$29.2 million and \$54.4 million during the same periods in 2024, representing increases of 33% and 31% respectively. The year-over-year growth in net revenue was primarily driven by higher incremental volumes and improved pricing across the portfolio. The increase was particularly supported by strong performance in the Company's flower portfolio, which benefited from increased demand and improved distribution.

Revenues for the three and six months ended June 30, 2025 were comprised of approximately 65% (2024 – 63%) and 64% (2024 – 61%) in sales of dried flower and pre-roll Cannabis Products, with the remainder from oils and Cannabis 2.0 Product sales. For the three and six months ended June 30, 2025, approximately 75% (2024 – 78%) and 75% (2024 – 77%) of cannabis sales originated from sales to British Columbia, Alberta and Ontario. Since 2024, the Company had sales in all Canadian provinces and the Yukon and Northwest Territories.

Gross Profit

Auxly realized a gross profit of \$22.7 million and \$41.4 million for the three and six months ended June 30, 2025, resulting in a 58% Gross Profit Margin for both periods, as compared to \$15.9 million (55%) and \$25.4 million (47%) during the same periods in 2024. The Gross Margin on Finished Cannabis Inventory Sold for the three months ended June 30, 2025 improved to 52% from 41% in 2024. The Gross Margin on Finished Cannabis Inventory Sold for the six months ended June 30, 2025 improved to 51% from 40% in 2024. The higher Gross Margin on Finished Cannabis Inventory Sold resulted from the improvements made in our manufacturing process to reduce operating costs as well as benefiting from increased demand and pricing of adult-use recreational market and bulk flower products. Higher cultivation yields lowered costs, and efficiency improvements at our Auxly Charlottetown facility further reduced costs.

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 second quarter of 2025 of \$0.1 million were associated with charges related to reductions in net realizable value of dried cannabis under the Company's product specifications, a decrease of \$0.3 million from the comparative period.

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 \$10.3 million in the second quarter of 2025, \$1.0 million or 11% higher than the same period in 2024. Year-to-date expenditures of \$20.0 million in 2025 were \$2.1 million higher than the same period in 2024. The increase in SG&A was primarily driven by investments to support higher sales.

Wages and benefits were \$4.5 million for the quarter, as compared to \$4.8 million during the same period in 2024. Year-to-date wages and benefits of \$9.2 million were \$0.1 million higher than that of the same period in 2024. Year-to-date wages and benefits increased compared to 2024 due to an increase in bonus accruals which was partially offset by cost savings from the streamlining of operations and support staff as a result of a more focused product portfolio. Wages and benefits in the second quarter of 2024 included non-recurring restructuring related cost of \$0.7 million.

Office and administrative expenses were \$1.2 million for the quarter, flat compared to the same period in 2024. Year-to-date expenditures of \$2.7 million were \$0.1 million higher than the same period in 2024. The Company continues to actively control overhead spend in the organization while growing sales.

Auxly's professional fees were \$0.5 million during the second quarter of 2025, flat compared to the same period in 2024. Year-to-date expenditures of \$0.9 million were \$0.1 million lower than that of the same period in 2024. 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 \$0.1 million for the six months ended June 30, 2025 as compared to \$0.2 million for the same period in 2024. These expenses primarily relate to business development and travel related expenses.

Selling expenses were \$4.0 million and \$7.1 million for the three and six months ended June 30, 2025, an increase of \$1.3 million and \$2.0 million from the same periods in 2024. The increase in expenditures was primarily as a result of investments in marketing initiatives and higher Health Canada fees related to higher revenues.

Equity-based compensation for the three and six months ended June 30, 2025 was \$1.1 million and \$2.6 million, respectively, primarily driven by the Cash Settled RSUs granted in 2023 and RSUs issued in 2025 and 2024. During the same periods in 2024, equity-based compensation was \$0.7 million and \$2.6 million, respectively.

Depreciation and amortization expenses were \$1.3 million for the three months ended June 30, 2025 and \$2.6 million year-to-date, representing an increase of \$0.2 million and \$0.3 million over the same periods in 2024 as a result of capital investments made during 2024.

Interest expenses were \$1.9 million and \$4.0 million for the three and six months ended June 30, 2025, a decrease of \$0.9 million and \$5.6 million over the same periods in 2024. The decrease in expenses were primarily a result of the conversion of Imperial Debentures into Shares and lower interest expense on adjustable-rate debt. Interest expense includes accretion on the convertible debentures and interest paid in kind on the Imperial Debenture. Interest payable in cash was approximately \$1.5 million for the second

quarter of 2025, \$0.7 million lower than the same period in 2024 as a result of lower principal amounts outstanding on debt instruments.

Total Other Income and Losses

Total other income and losses was a net gain of \$0.2 million for the three months ended June 30, 2025, compared to a net loss of \$0.1 million in the same period in 2024. The other income and losses in the second quarter of 2025 were primarily driven by foreign exchange gains, partially offset by non-recurring expenses related to the Bank of Montreal Amended Credit Facility. The other income and losses in second quarter of 2024 were primarily driven by the loss on the sale of the Auxly Inc. facility and foreign exchanges losses, partially offset by the gains on the extensions of the unsecured promissory notes and interest and other income.

Total other income and losses for the six months ended June 30, 2025 was a net gain of \$0.1 million compared to a net loss of \$0.9 million in the comparative period. The year-to-date net loss for 2024 included the loss on the adjustment to the provision related to the claim filed by Kindred Partners Inc.

Net Income and Loss

Net income for the three months ended June 30, 2025 was \$8.3 million, representing a net income of \$0.01 per share on a basic and diluted basis. The change in net income in 2025 as compared to a net income of 2.0 million in the same period in 2024 was primarily driven by improved gross profits and reduction in interest and accretion expenses.

The net income of \$20.4 million for the six months ended June 30, 2025 includes \$8.1 million of deferred tax recovery related to the change in estimated useful life of intangible assets. The net loss of \$24.0 million for the six months ended June 30, 2024 included \$16.0 million of deferred tax expense on the conversion of Imperial Debenture into Shares. Excluding the deferred tax recovery related to the change in estimated useful life of intangible assets in 2025 and the deferred tax expense on the conversion of Imperial Debenture into Shares in 2024, year-to-date net income increased by \$20.3 million primarily due to improved gross profits and reduction in interest and accretion expenses.

Adjusted EBITDA

Adjusted EBITDA was \$11.5 million and \$19.0 million for the three and six months ended June 30, 2025, an improvement of \$6.4 million and \$11.6 million over the same periods in 2024, primarily as a result of improved gross profits, partially offset by higher selling expenses to support higher sales.

Outlook

Auxly remains focused on delivering sustainable, profitable growth by building on its leadership in the Canadian cannabis market. The Company continues to advance its strategy through focused innovation, operational excellence, and prudent financial management. With a strengthened balance sheet, the Company is well-positioned to drive long-term shareholder value.

We expect the Canadian recreational cannabis market will continue to provide tailwinds in the near-term from increasing social acceptability, capture of market share from the illicit market, the reduction of supply from shuttered capacity and the divergence of existing supply to international markets.

Due to these market factors, increasing demand for our trusted brands, focused product innovations, efficiencies across our operations and favourable product mix, we expect continued growth in net revenue in the second half of 2025. Considering the improvements we have made towards operational efficiencies, increasing net revenue should continue to translate into higher gross profit, and Adjusted EBITDA should benefit from operating leverage given a consistent overhead cost structure.

We expect to allocate \$1.5 million to \$2.5 million of cash flow from operations towards capital projects at Auxly Leamington and Auxly Charlottetown in 2025, part of which has already been invested. Excess cash flow after these expenditures will be allocated towards strengthening our balance sheet and/or pursuing accretive strategic initiatives.

We continue to see long-term potential in international markets, and we are actively evaluating export opportunities. The Company is well-positioned to succeed internationally, supported by our strong brands, scalable production, and strategic partnership with Imperial Brands.

Over the long-term, Auxly remains confident in its ability to deepen its leadership position in Canada's largest cannabis categories: dried flower, vapes, and pre-rolls. With its consumer-trusted brands, best-in-class operating assets, national distribution, and data-driven approach to innovation, Auxly is well-positioned to meet evolving consumer preferences and deliver strong financial performance.

Non- GAAP Measures

Please see the Company's MD&A dated August 13, 2025, 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)	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25
Net income/(loss)	\$ 32,621	\$ (54,020)	\$(26,012)	\$ 2,002	\$ 3,239	\$ 4,423	\$12,111	\$ 8,310
Interest and accretion expense	6,613	6,837	6,868	2,749	3,133	2,291	2,147	1,866
Interest and other income	(16)	(22)	(19)	(140)	(54)	(27)	(47)	(32)
Income tax expense/(recovery)	-	(3,238)	15,992	-	-	-	(8,125)	-
Depreciation and amortization included in cost of sales	1,151	1,084	1,292	1,780	1,382	1,338	1,274	1,785
Depreciation and amortization included in expenses	1,817	1,708	1,230	1,067	1,197	990	1,296	1,276
EBITDA	42,186	(47,651)	(649)	7,458	8,897	9,015	8,656	13,205
Impairment of inventory	3,233	5,109	456	473	674	729	123	147
Unrealized fair value loss/(gain) on biological transformation	(4,766)	(2,481)	(2,773)	(8,817)	(9,964)	(11,073)	(12,312)	(15,842)
Realized fair value loss/(gain) on inventory	5,538	5,428	2,435	4,464	7,703	11,625	9,337	13,274

Restructuring and acquisition costs	29	131	-	655	(75)	271	-	-
Equity-based compensation	707	148	1,927	701	1,324	1,103	1,505	1,092
Impairment of assets	-	37,118	-	-	-	-	-	-
Non-recurring expense/(recovery)	360	-	-	-	(123)	-	-	(193)
(Gain)/loss on settlement of assets, liabilities and disposals	(46,887)	4,006	634	62	(183)	(1,461)	(39)	243
Foreign exchange loss/(gain)	(283)	486	210	177	33	797	163	(381)
Adjusted EBITDA	\$ 117	\$ 2,294	\$ 2,240	\$ 5,173	\$ 8,286	\$ 11,006	\$ 7,433	\$11,545

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.

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/.

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, licensing or commercialization of the Company's facilities and projects; 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 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 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; risks relating to the overall macroeconomic environment, which may impact customer spending, the Company's costs and margins, including tariffs (and related retaliatory measures), the levels of inflation, and interest rates; 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, 2024 dated March 20, 2025.

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.