



Auxly Reports Third Quarter 2025 Results

TORONTO, Ontario, November 13, 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 nine months ended September 30, 2025. These filings and additional information regarding Auxly are available for review on SEDAR+ at www.sedarplus.ca.

Financial highlights for the quarter as compared to the three months ended September 30, 2024:

- Net revenues of \$39.9 million, an increase of 20%
- Gross Margin on Finished Cannabis Inventory Sold of 56%, compared to 47% in Q3 2024
- SG&A of \$11.6 million, an increase of 38%
- Adjusted EBITDA of \$12.3 million, an increase of 48% and representing an Adjusted EBITDA margin of 31%
- Net income of \$20.5 million, an increase of 533%
- Cash flow from operations, before working capital changes, of \$11.0 million, an increase of 82%
- Cash at quarter end totalled \$30.5 million

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

Commercial highlights for the quarter:

- #3 largest Canadian Licensed Producer by market share¹
- Back Forty was 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 10 of the top 15 SKUs nationwide
- Held 3 of the top 10 non-infused pre-roll SKUs nationwide

Management Commentary

Hugo Alves, CEO of Auxly, commented: “Through product innovation, increased capacity utilization, favourable pricing and product mix, the Auxly team delivered another strong quarter of revenue and earnings growth. Our operating efficiency and disciplined cost control, resulted in 48% year-over-year Adjusted EBITDA growth, CPG-style Adjusted EBITDA margins of 31%, and \$11 million in cash flow from operations. Additionally, our focused strategy and culture of innovation has continued to strengthen Back Forty’s position as the leading brand in Canadian cannabis. Now that we are accumulating free cash flow, we repaid high-interest debt subsequent to quarter-end resulting in approximately \$900,000 of annualized interest expense savings, and we are currently evaluating organic growth alternatives that should continue to drive brand leadership, revenue growth and profitability over the long-term.”

¹ HiFyre IQ (October 2025)

Financial Highlights and Key Performance Indicators

For the three months ended: (000's)	September 30, 2025	September 30, 2024	Change	% Change
Net revenues	\$ 39,898	\$ 33,284	\$ 6,614	20%
Gross Margin on Finished Cannabis Inventory Sold*	22,366	15,559	6,807	44%
Gross Margin on Finished Cannabis Inventory Sold (%)*	56%	47%	9%	19%
Net income/(loss)	20,491	3,239	17,252	533%
Adjusted EBITDA*	12,269	8,286	3,983	48%
Weighted average shares outstanding - basic	1,341,625,196	1,265,144,208	76,480,988	6%

For the nine months ended: (000's)	September 30, 2025	September 30, 2024	Change	% Change
Net revenues	\$ 111,369	\$ 87,703	\$ 23,666	27%
Gross Margin on Finished Cannabis Inventory Sold*	58,465	37,177	21,288	57%
Gross Margin on Finished Cannabis Inventory Sold (%)*	52%	42%	10%	24%
Net income/(loss)	40,912	(20,771)	61,683	297%
Adjusted EBITDA*	31,247	15,699	15,548	99%
Weighted average shares outstanding - basic	1,322,615,328	1,177,818,866	144,796,462	12%

As at (000's)	September 30, 2025	December 31, 2024	Change	% Change
Cash and cash equivalents	\$ 30,479	\$ 18,356	\$ 12,123	66%
Total assets	276,429	261,530	14,899	6%
Debt*	54,000	54,683	(683)	-1%

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

Results of Operations

For the periods ended: (000's)	Three months September 30, 2025 2024		Nine months September 30, 2025 2024	
Revenues				
Revenue from sales of cannabis products	\$ 59,363	\$ 50,994	\$ 167,699	\$ 132,784
Excise taxes	(19,465)	(17,710)	(56,330)	(45,081)
Total net revenues	39,898	33,284	111,369	87,703
Costs of sales				
Costs of finished cannabis inventory sold	17,532	17,725	52,904	50,526
Inventory impairment	235	674	505	1,603
Gross profit/(loss) excluding fair value items	22,131	14,885	57,960	35,574
Unrealized fair value gain/(loss) on biological transformation	18,093	9,964	46,247	21,554
Realized fair value gain/(loss) on inventory	(12,071)	(7,703)	(34,682)	(14,602)
Gross profit	28,153	17,146	69,525	42,526
Expenses				
Selling, general, and administrative expenses	11,641	8,457	31,628	26,389
Equity-based compensation	1,293	1,324	3,890	3,952
Depreciation and amortization	1,224	1,197	3,796	3,494
Interest and accretion expenses	1,423	3,133	5,436	12,750
Total expenses	15,581	14,111	44,750	46,585
Other income/(loss)				
Interest and other income	26	54	105	213
Gain/(loss) on settlement of assets and liabilities and other expenses	6,775	183	6,571	(60)
Gain/(loss) on disposal of assets held for sale	-	-	-	(453)
Foreign exchange gain/(loss)	(95)	(33)	123	(420)
Total other income/(loss)	6,706	204	6,799	(720)
Net income/(loss) before income tax	19,278	3,239	31,574	(4,779)

Income tax recovery/(expense)	1,213	-	9,338	(15,992)
Net income/(loss)	\$ 20,491	\$ 3,239	\$ 40,912	\$ (20,771)
Adjusted EBITDA	\$ 12,269	\$ 8,286	\$ 31,247	\$ 15,699
Net income/(loss) per common share – basic (\$)	\$ 0.02	\$ 0.00	\$ 0.03	\$ (0.02)
Net income/(loss) per common share – diluted (\$)	\$ 0.01	\$ 0.00	\$ 0.03	\$ (0.02)
Weighted average shares outstanding – basic	1,341,625,196	1,265,144,208	1,322,615,328	1,177,818,866
Weighted average shares outstanding – diluted	1,605,675,139	1,347,922,412	1,571,216,610	1,177,818,866

Net Revenues

For the three and nine months ended September 30, 2025, net revenues were \$39.9 million and \$111.4 million as compared to \$33.3 million and \$87.7 million during the same periods in 2024, representing increases of 20% and 27% 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 nine months ended September 30, 2025 were comprised of approximately 62% (2024 – 59%) and 63% (2024 – 60%) 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 nine months ended September 30, 2025, approximately 73% (2024 – 76%) and 74% (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 \$28.2 million and \$69.5 million for the three and nine months ended September 30, 2025, resulting in 71% and 62% Gross Profit Margin the respective periods, as compared to \$17.1 million (52%) and \$42.5 million (48%) during the same periods in 2024. The Gross Margin on Finished Cannabis Inventory Sold for the three months ended September 30, 2025 improved to 56% from 47% in 2024. The Gross Margin on Finished Cannabis Inventory Sold for the nine months ended September 30, 2025 improved to 52% from 42% in 2024. The higher Gross Margin on Finished Cannabis Inventory Sold resulted from the improvements made in our manufacturing process to reduce operating costs and benefited 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 third quarter of 2025 of \$0.2 million were associated with charges related to the obsolescence of certain retired packaging and the reductions in net realizable value of dried cannabis under the Company's product specifications, a decrease of \$0.4 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 \$11.6 million in the third quarter of 2025, \$3.2 million or 38% higher than the same period in 2024. Year-to-date expenditures of \$31.6 million in 2025 were \$5.2 million higher than the same period in 2024. The increase in SG&A was primarily driven by investments to support higher sales.

Equity-based compensation for the three and nine months ended September 30, 2025 was \$1.3 million and \$3.9 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 \$1.3 million and \$4.0 million, respectively.

Depreciation and amortization expenses were \$1.2 million for the three months ended September 30, 2025 and \$3.8 million year-to-date, flat compared to the same quarter in 2024 and an increase of \$0.3 million year-to-date over the same period in 2024. The year-to-date increase was a result of capital investments made during 2024 and 2025.

Interest expenses were \$1.4 million and \$5.4 million for the three and nine months ended September 30, 2025, a decrease of \$1.7 million and \$7.3 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 \$1.2 million for the third quarter of 2025, \$1.2 million lower than the same period in 2024 as a result of lower principal amounts outstanding on debt instruments.

Total Other Income and Loss

Total other income and losses was a net gain of \$6.7 million and \$6.8 million for the three and nine months ended September 30, 2025, compared to a net gain of \$0.2 million and a net loss of \$0.7 million in the same periods in 2024. The other income and losses for the three and nine months ended September 30, 2025 were primarily driven by the gain on the Imperial Debenture Settlement, partially offset by non-recurring expenses related to the Bank of Montreal Amended Credit Facility. The year-to-date other incomes and losses for 2024 included the loss on the adjustment to the provision related to the claim filed by Kindred Partners Inc., the loss on the sale of the Auxly Ottawa facility, partially offset by the gains on the extensions of the unsecured promissory notes.

Net Income and Loss

Net income for the three months ended September 30, 2025 was \$20.5 million, representing a basic net income of \$0.02 per share and \$0.01 per share on diluted basis. The net income of \$20.5 million included an after-tax gain of \$8.1 million on the Imperial Debenture Settlement. Excluding the impact of the Imperial Debenture Settlement, the change in net income in 2025 as compared to a net income of \$3.2 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 \$40.9 million for the nine months ended September 30, 2025 includes \$9.3 million of deferred tax recovery related to the change in estimated useful life of intangible assets and the conversion of the Imperial Debenture, and includes the gain on the Imperial Debenture Settlement. The net loss of \$20.8 million for the nine months ended September 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 and the gain on the Imperial Debenture

Settlement in 2025, and the deferred tax expense on the conversion of Imperial Debenture into Shares in 2024, year-to-date net income increased primarily due to improved gross profits and reduction in interest and accretion expenses.

Adjusted EBITDA

Adjusted EBITDA was \$12.3 million and \$31.2 million for the three and nine months ended September 30, 2025, an improvement of \$4.0 million and \$15.5 million over the same periods in 2024, primarily as a result of improved gross profits, partially offset by higher selling expenses and wages and benefits 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.

The Company expects the Canadian recreational cannabis market will continue to benefit from the tailwinds of increasing social acceptability, capture of market share from the illicit market, the divergence of existing supply to international markets and limited capital availability to the cannabis sector. The Company believes many of these trends could persist over the long-term.

The Company believes it can continue to grow net revenue above market rates through product innovation and increases to capacity utilization at Auxly Leamington. Both innovation and output increases are expected to be funded from free cash flow for the foreseeable future. Auxly plans to maintain profitability through focused innovation, investment in efficiency and automation, and rigorous cost control. Further, the conversion of profitability to free cash flow is expected to improve through the reduction of interest expense.

The Company expects to allocate \$2.0 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.

The Company continues 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 November 12, 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)	Q4/23	Q1/24	Q2/24	Q3/24	Q4/24	Q1/25	Q2/25	Q3/25
Net income/(loss)	\$ (54,020)	\$ (26,012)	\$ 2,002	\$ 3,239	\$ 4,423	\$ 12,111	\$ 8,310	\$ 20,491
Interest and accretion expenses	6,837	6,868	2,749	3,133	2,291	2,147	1,866	1,423
Interest and other income	(22)	(19)	(140)	(54)	(27)	(47)	(32)	(26)
Income tax expense/(recovery)	(3,238)	15,992	-	-	-	(8,125)	-	(1,213)
Depreciation and amortization included in cost of sales	1,084	1,292	1,780	1,382	1,338	1,274	1,785	1,544
Depreciation and amortization included in expenses	1,708	1,230	1,067	1,197	990	1,296	1,276	1,224
EBITDA	(47,651)	(649)	7,458	8,897	9,015	8,656	13,205	23,443
Impairment of inventory	5,109	456	473	674	729	123	147	235
Unrealized fair value loss/(gain) on biological transformation	(2,481)	(2,773)	(8,817)	(9,964)	(11,073)	(12,312)	(15,842)	(18,093)
Realized fair value loss/(gain) on inventory	5,428	2,435	4,464	7,703	11,625	9,337	13,274	12,071
Restructuring and acquisition costs	131	-	655	(75)	271	-	-	-
Equity-based compensation	148	1,927	701	1,324	1,103	1,505	1,092	1,293
Impairment of assets	37,118	-	-	-	-	-	-	-
Non-recurring expense/(recovery)	-	-	-	(123)	-	-	(193)	-
Loss/(gain) on settlement of assets, liabilities and disposals	4,006	634	62	(183)	(1,461)	(39)	243	(6,775)
Foreign exchange loss/(gain)	486	210	177	33	797	163	(381)	95
Adjusted EBITDA	\$ 2,294	\$ 2,240	\$ 5,173	\$ 8,286	\$ 11,006	\$ 7,433	\$ 11,545	\$ 12,269

Supplementary Financial Measures

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