

This is Auxly / Year End 2024 Letter to Shareholders

Auxly

March 20th, 2025

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Dear Auxly Shareholders,

I am thrilled to share our Q4 and FY 2024 results with you. In 2024, Auxly remained dedicated to sustainable growth, improved profitability and the excellence of our people. We successfully navigated industry challenges, executed on our strategy and generated record revenues and profitability.

2024: A Year of Strategic Execution and Record-Breaking Performance

Our commitment to prioritizing the largest and fastest growing product categories and focusing on product quality, innovation leadership and distribution excellence has resulted in record annual net revenue of \$122.3 million, an increase of approximately 21% year-over-year. Q4 alone brought in \$34.6 million in net revenue, setting a new quarterly record.

Our gross margin reached a new high of 54% in Q4, contributing to a full year gross margin of 46%, a remarkable year-over-year improvement of 34%. We generated \$11 million of Adjusted EBITDA

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Parcel

in Q4 and \$26.7 million for the full year, up from \$1.5 million for all of 2023. These results are a testament to our dedication to teamwork and operational efficiency, and our relentless drive to enhance profitability and shareholder value.

We lived our Mission of helping consumers live happier lives by giving them quality cannabis products that they can trust and love. We are immensely proud that our Back Forty brand became Canada’s favorite cannabis brand in 2024, exiting the year as the #1 cannabis brand in Canada by retail sales.



Operational Excellence Fuels Profitable Growth

At Auxly, our people are the cornerstone of our success, and in 2024, their exceptional efforts fueled our increasingly profitable results. By

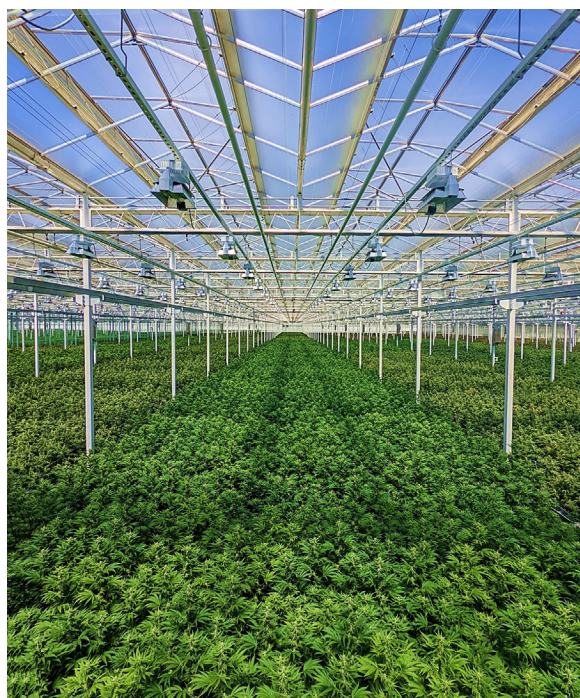
fostering an environment of increased teamwork and unity, we were able to significantly increase net operating revenues while simultaneously reducing our SG&A expenses by 8% year-over-year. This achievement is a direct result of our shared commitment to operational excellence and continuous improvement.

Our focus remained steadfast on vapes, pre-rolls and dried flower — product categories that currently represent over 85%¹ of the total market. Our commitment to quality and innovation was underscored by the launch of 40 new Auxly SKUs over the course of 2024. Notably, our Liquid Imagination flower quickly became the top-selling cannabis product of 2024 by retail sales, and our Back Forty all-in-one vape was not only the top selling disposable vape of 2024, but also won the KIND “Innovation of the Year” award as voted on by budtenders. As a result, Auxly exited 2024 as the 4th largest Licensed Producer with approximately 6% share of the total Canadian cannabis market.

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¹ All market data is from Hifyre IQ as of December 31, 2024

We remained committed to supporting our customers, retail partners and consumers and continued to expand the distribution of our products. We achieved a major milestone in making Auxly products more accessible to consumers, by successfully entering the Quebec market, a major achievement for the Company. We are just getting started in Quebec and, with the province representing approximately 13% of the total Canadian market, we see this as a tremendous opportunity for continued growth in 2025. As a result of our entry into Quebec, Auxly products are now available in every Province and Territory in the country and are listed in 97% of all retail locations in Canada.



Optimizing Assets and Strengthening Financial Position

We continued to enhance and improve our operational assets and capabilities, most notably Auxly Leamington, our 1.1 million square foot, purpose-built, highly automated cultivation facility that is amongst the largest and most efficient producers of high-quality cannabis in Canada. In 2024, we continued to increase cultivation yields at Auxly Leamington to meet the growing demand for our products. Further, our continued investments in business intelligence have been critical in guiding our innovations and helping us optimize the value proposition of our products to make them more compelling for our customers and consumers.

Our focus on working capital optimization and strong cash flows from operations, coupled with continued support from our financial partners, enabled us to reduce total debt by 56% year-over-year and substantially strengthen our balance sheet. This included support from our global strategic partner Imperial Brands who converted \$123 million of outstanding debt into a 19.9% ownership interest in Auxly at a significant premium to market. We were also able to repay and retire approximately \$6 million of outstanding debt under our standby debenture facility further enhancing our financial flexibility.

Thanks to an incredible team effort, we have executed on a focused strategy that has built Auxly into a company that can thrive in the current Canadian cannabis market, the most competitive and regulated cannabis market in the world. We are winning at home and fortifying our foundations to support continued growth and progress towards our Vision of becoming a global leader in cannabis products.

2025: Focused on Sustainable Growth and Market Leadership

Looking ahead to 2025, our dedication to our people remains unwavering. We will continue to foster a collaborative, high-performance culture and empower our teams with the necessary tools, training and leadership to excel. This commitment drives a company-wide dedication to operational quality and efficiency, ensuring success across all facets of our business.

Auxly will maintain its focus on profitable growth within its key product categories. Our strategy will center on insights-driven innovation, enhancing production efficiency and continuing to expand and optimize our distribution footprint. These efforts are designed to further strengthen our market position and profitability and enhance shareholder value. While our primary focus will remain on winning at home and solidifying our core business, we will also look to expand our horizons. Auxly will continue to assess global markets and

potential partners, exploring viable and sustainable routes to market. Furthermore, we will continue to enhance our in-house capabilities and certifications to support our international market diversification efforts.

Fortifying our financial position will remain a cornerstone of our strategy in 2025. We will maintain a sharp focus on reducing our debt and lowering our overall cost of capital to continue improving our balance sheet. We will continue to work closely with our capital partners to ensure that Auxly has the financial stability and liquidity it needs for continued growth.

We are excited about the future of Auxly and believe now is an excellent time to be an Auxly investor. Auxly has proven that it can create and sell quality products that resonate with consumers. We are leaders in the largest, fastest-growing product categories and we have invested in the right assets and capabilities. We are delivering profitable results and generating strong cash flows from operations that allow us to continue improving our balance sheet and enhancing our financial flexibility so that Auxly can continue to grow and thrive.



Strategic Advantages to Capture the Great Cannabis Opportunity

As we reflect on the progress and challenges of our burgeoning industry, our passion and conviction in the vast potential of cannabis and Auxly's ability to capitalize on these opportunities has never wavered. Globally, the legalization momentum continues as more and more governments recognize cannabis's incredible wellness benefits, expanding access to an ever-growing consumer base. By 2030, the global cannabis market is projected to reach USD\$134 billion, with Canadian companies like Auxly exceptionally well-positioned to excel on the global stage.² Our expertise in large-scale, high-quality cultivation, product development know-how, consumer-centric branding, and a strategic partnership with a global consumer packaged goods giant uniquely equips Auxly to navigate and expand in international markets as we progress towards our Vision.

At Auxly, we have always believed that winning at home is pivotal before taking on the rest of the world. The Canadian market continues to grow, with more and more Canadians embracing cannabis socially and recreationally, and an increasing number of consumers choosing to purchase cannabis from safe, legal sources. The maturation and stabilization of the Canadian market has also

created an environment primed for growth, particularly for companies like Auxly that have strategically invested in the right assets and capabilities.

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Rising Flower Pricing Providing Greater Stability and Growth

As competitors pivot to asset-light models or exit the industry, and as international demand rises, the high-potency, high-quality cannabis produced at our Auxly Leamington facility has become increasingly scarce, enhancing our pricing power. We expect those dynamics to continue given the increasing demand for THC, domestically and globally, and the barriers to entry created by the high capital cost and long lead times necessary to bring modern cultivation capacity online. Auxly

² Grand View Research, Legal Cannabis Market Growth and Trends, April 2022

Leamington’s scale, automation, cost-efficiency and high-quality output is a significant competitive advantage and growth driver for Auxly.



Winning at Home with Focused Innovation

The Canadian market continues to demand and reward innovation excellence. Cannabis is a new industry with rapidly evolving consumer preferences. Cannabis consumers remain curious and expect their preferred brands to consistently innovate and offer them exciting new products. At Auxly Charlottetown, our center for product development, we have consistently led the market in innovation by introducing many first-to-market and category-defining products. In 2024 alone, Auxly launched 40 new SKUs, while keeping its overall product portfolio

highly focused and efficient. As mentioned, in 2024, Auxly innovations included the year’s top-selling cannabis product overall (Back Forty Liquid Imagination dried flower) and the “Innovation of the Year” as voted on by bud-tenders (Back Forty all-in-one vapes). Back Forty was the #1 cannabis brand in Canada by retail sales and it achieved that performance with fewer products than any of the next three closest competitor brands (Spinach, General Admission, Good Supply).

We will continue to foster a culture of innovation and enhance our innovation capabilities, enabling us to rapidly adapt to evolving consumer preferences and deliver compelling new products that earn consumer trust and love. Our ability to secure market-leading positions across our key categories underscores our innovation leadership and underpins our continued success in a highly dynamic market.



An Exciting Future Ahead

The cannabis industry is still in its infancy and Auxly is just getting started. Looking ahead, we are confident in our ability to continue delivering exceptional results by focusing on innovation, operational excellence and profitable growth in our key categories. By executing on our strategic priorities, Auxly will reinforce its leadership in the Canadian cannabis market, fortify its foundations for continued growth and create value for all of its stakeholders in 2025 and beyond.

Thank you for your steadfast belief in our Vision. Your support and engagement are crucial to our continued success. Whether it's maintaining or increasing your shareholdings, or advocating for Auxly and its innovative products, your involvement is vital.

If you are considering further investment in the cannabis sector, I encourage you to closely consider Auxly's proven track record and the exciting opportunities that lie ahead.

Thank you once again for your support, I look forward to celebrating more successes with you in the future.

Warm regards,
Hugo Alves, CEO



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Disclaimer

Forward-Looking Information: Certain statements contained in this letter may constitute forward-looking information and statements. All statements in this letter, other than statements of historical fact, that address events or developments concerning Auxly Cannabis Group Inc. (“Auxly” or the “Company”) that Auxly expects to occur are “forward-looking information and statements”. Forward-looking information and statements are often, but not always, identified by the use of 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. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties may be discussed in the Company’s materials most recently filed with the Canadian securities regulatory authorities. All of the forward-looking information and statements contained in this letter are qualified by these cautionary statements. The reader of this letter is cautioned not to place undue reliance on any forward-looking information and statements. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law. For more information in respect of such forward-looking information and statements, please refer to Auxly’s annual information form for the year ended December 31, 2024 and the accompanying management’s discussion and analysis, including (in each case, as applicable) the sections thereof entitled “Forward-Looking Information”.

Non-IFRS Measures: Certain financial measures in this letter are non-IFRS measures within the meaning of applicable securities laws. These terms are not defined by IFRS and, therefore, may not be comparable to similar measures provided by other companies. These non-IFRS financial measures should not be considered in isolation or as an alternative for measures of performance in accordance with IFRS. For more information in respect of these non-IFRS financial measures, please refer to Auxly’s audited consolidated financial statements and the notes thereto for the years ended December 31, 2024, and the accompanying management’s discussion and analysis, including the section thereof entitled “Non-GAAP Measures”.