



AUXLY CANNABIS GROUP INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

Dated March 25, 2026

Independent auditor's report

To the Shareholders of
Auxly Cannabis Group Inc.

Opinion

We have audited the consolidated financial statements of Auxly Cannabis Group Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidation financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter	How our audit addressed the key audit matter
<p>Valuation of unrealized fair value gain (loss) on biological asset transformation</p> <p>For the year ended December 31, 2025, the Group recognized an unrealized fair value gain (loss) on biological transformation for the year of \$57.5 million. Note 3 of the consolidated financial statements describes the accounting policy and valuation method for biological assets and note 6 describes the valuation inputs and discloses the sensitivity of the fair value of biological assets to a change in selling price per gram, average yield per plant and post-harvest cost per gram.</p> <p>Auditing management's measurement of the unrealized fair value gain (loss) on biological asset transformation is complex due to the use of complex models [the "model"].</p> <p>The valuation of the unrealized fair value gain (loss) on biological asset transformation is a key audit matter given the subjectivity and sensitivity of significant assumptions including selling price per gram, standard cost per gram to complete production, the weighted average number of grams of dried cannabis inventory expected to be harvested from each cannabis plant [the "average yield per plant"], and the expected product mix. These assumptions are influenced by the market and historical output.</p>	<p>To test the measurement of the unrealized fair value gain (loss) on biological asset transformation, our audit procedures included, among others:</p> <ul style="list-style-type: none">• We evaluated the incorporation of the source data into the model, including comparing the average selling price to external sales, and through a comparison against the historical actual results for the following assumptions: standard cost per gram to complete production, average yield per plant, and the expected product mix;• We tested the formulas used and the computational accuracy of the model;• We tested management's calculation of cost to complete production by assessing the appropriateness of the allocation method and utilization, and recalculation the allocations;• We tested the historical accuracy of production quantities supporting assumptions through observation and inspection of harvesting process and related documentation on a sample basis; and• We assessed the adequacy of the Group's disclosures included in notes 3 and 6 of the accompanying consolidated financial statements in relation to this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kwan-Ho Song.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 25, 2026



AUXLY CANNABIS GROUP INC.

Consolidated Statements of Financial Position

Expressed in thousands of Canadian dollars

As at:	December 31, 2025	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 32,279	\$ 18,356
Restricted cash (Note 4)	250	557
Short-term investments	142	143
Accounts receivable (Note 5)	20,801	21,751
Biological assets (Note 6)	10,488	8,286
Inventory (Note 7)	31,855	25,713
Prepaid expenses	1,370	577
Deposits (Note 11)	472	411
Other receivables	1,582	814
	\$ 99,239	\$ 76,608
Non-current assets		
Property, plant and equipment, net (Note 8)	\$ 143,636	\$ 150,808
Intangible assets, net (Note 9)	28,210	29,758
Long-term investments (Note 10)	261	594
Long-term deposits (Note 11)	290	3,762
	\$ 172,397	\$ 184,922
Total assets	\$ 271,636	\$ 261,530
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 35,795	\$ 44,898
Interest payable (Notes 13, 14)	265	20,626
Lease liability (Note 12)	2,602	2,423
Loans payable (Note 14)	5,083	50,668
Promissory notes (Note 15)	1,037	929
Deferred revenue	351	-
Other current liabilities (Notes 16, 23)	-	3,750
	\$ 45,133	\$ 123,294
Non-current liabilities		
Lease liability (Note 12)	8,767	11,369
Convertible debentures (Note 13)	-	697
Loans payable (Note 14)	38,404	-
Promissory notes (Note 15)	1,755	2,389
Deferred tax liability (Notes 9, 24)	-	8,125
	\$ 48,926	\$ 22,580
Total liabilities	\$ 94,059	\$ 145,874
Equity		
Share capital (Note 16)	\$ 549,557	\$ 542,632
Reserves (Note 16)	116,318	102,844
Accumulated other comprehensive income/(loss)	(30,533)	(30,200)
Retained earnings/(deficit)	(457,765)	(499,620)
Total equity	\$ 177,577	\$ 115,656
Total liabilities and equity	\$ 271,636	\$ 261,530

Commitments and contingencies (Note 20)

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on March 25, 2026, and were signed on its behalf by:

(s) Genevieve Young

Genevieve Young

AUXLY CANNABIS GROUP INC.

Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss)

Expressed in thousands of Canadian dollars, except share and per share amounts

For the years ended December 31,	2025	2024
Revenue		
Revenue from sales of cannabis products	\$ 227,771	\$ 185,666
Excise taxes	(76,289)	(63,337)
Total net revenue	\$ 151,482	\$ 122,329
Cost of sales		
Cost of finished cannabis inventory sold (Note 7)	\$ 70,380	\$ 66,468
Inventory impairment (Note 7)	869	2,332
Gross profit/(loss) excluding fair value items	\$ 80,233	\$ 53,529
Unrealized fair value gain/(loss) on biological transformation (Note 6)	\$ 57,104	\$ 32,627
Realized fair value gain/(loss) on inventory	(50,593)	(26,227)
Gross profit/(loss)	\$ 86,744	\$ 59,929
Expenses		
Selling, general and administrative expenses (Note 21)	\$ 43,352	\$ 35,676
Equity-based compensation (Notes 16, 23)	5,720	5,055
Depreciation and amortization (Notes 7, 8, 9)	5,000	4,484
Interest and accretion expenses (Note 22)	6,658	15,041
Total expenses	\$ 60,730	\$ 60,256
Other income/(loss)		
Interest and other income	\$ 130	\$ 240
Gain/(loss) on settlement of assets and liabilities and other expenses (Notes 13, 14)	6,326	1,401
Gain/(loss) on disposal of assets held for sale (Note 27)	-	(453)
Foreign exchange gain/(loss)	47	(1,217)
Total other income/(loss)	\$ 6,503	\$ (29)
Net income/(loss) before income tax	\$ 32,517	\$ (356)
Income tax recovery/(expense) (Notes 9, 13, 24)	9,338	(15,992)
Net income/(loss)	\$ 41,855	\$ (16,348)
Other comprehensive income/(loss)		
Fair value gain/(loss) on fair value through other comprehensive income investments – not subsequently reclassified to profit or loss (Note 10)	\$ (333)	\$ (401)
Total comprehensive income/(loss)	\$ 41,522	\$ (16,749)
Net income/(loss) per common share (\$) (Note 16)		
Net income/(loss) per common share (\$) - basic and diluted	\$ 0.03	\$ (0.01)
Weighted average number of shares outstanding (Note 16)		
Basic	1,329,411,626	1,204,591,972
Diluted	1,586,730,943	1,204,591,972

The accompanying notes are an integral part of these consolidated financial statements.

AUXLY CANNABIS GROUP INC.

Consolidated Statements of Cash Flows

Expressed in thousands of Canadian dollars

For the years ended December 31,

	2025	2024
Operating activities		
Net income/(loss) for the year	\$ 41,855	\$ (16,348)
Items not affecting cash:		
Inventory impairment (Note 7)	869	2,332
Unrealized fair value loss/(gain) on biological transformation (Note 6)	(57,104)	(32,627)
Realized fair value loss/(gain) on inventory	50,593	26,227
Depreciation and amortization (Notes 7, 8, 9)	11,447	10,276
Interest and accretion expenses (Note 22)	1,047	6,206
Equity-based compensation (Notes 16, 23)	5,265	5,045
Unrealized foreign exchange loss/(gain)	(452)	677
Realized foreign exchange loss/(gain) on investing and financing activities	775	40
Income tax expense/(recovery) (Notes 9, 13, 24)	(9,338)	15,992
Loss/(gain) on settlement of assets and liabilities and other expenses (Notes 13, 14)	(6,393)	(1,401)
Loss/(gain) on disposal of assets held for sale	-	453
Cash provided by/(used in) operating activities before net non-cash working capital adjustments	\$ 38,564	\$ 16,872
non-cash working capital adjustments		
Net change in non-cash working capital (Note 25)	(12,370)	(94)
Net cash provided by/(used in) operating activities	\$ 26,194	\$ 16,778
Investing activities		
Net proceeds from sale of long-term investments (Note 10)	-	100
Proceeds from sale of assets (Note 8)	54	2,218
Purchase of property, plant and equipment (Note 8)	(2,516)	(2,763)
Net cash provided by/(used in) investing activities	\$ (2,462)	\$ (445)
Financing activities		
Repayment of loans payable, net (Note 14)	(16,980)	(7,565)
Proceeds from loans payable (Note 14)	9,891	2,500
Repayment of convertible debentures (Note 13)	-	(6,244)
Deferred financing fees (Note 14)	(223)	(612)
Proceeds from warrants exercised (Note 16)	976	1,503
Payment on promissory notes (Note 15)	(1,050)	(450)
Payment on lease liability, net (Note 12)	(2,423)	(2,717)
Net cash provided by/(used in) financing activities	\$ (9,809)	\$ (13,585)
Increase/(decrease) in cash and cash equivalents during the year	\$ 13,923	\$ 2,748
Cash and cash equivalents, beginning of year	18,356	15,608
Cash and cash equivalents, end of year	\$ 32,279	\$ 18,356

The accompanying notes are an integral part of these consolidated financial statements.

AUXLY CANNABIS GROUP INC.

Consolidated Statements of Changes in Equity

Expressed in thousands of Canadian dollars

For the years ended December 31,	2025	2024
Share capital		
Balance, beginning of year	\$ 542,632	\$ 446,555
Shares issued on exercise of Imperial Brands convertible debentures (Note 13)	2,408	93,319
Exercise of warrants (Note 16)	1,726	1,970
Shares issued as employee awards (Note 16)	2,791	788
Share capital, end of year	\$ 549,557	\$ 542,632
Reserves		
Convertible debentures		
Balance, beginning of year	\$ 20,052	\$ 34,311
Fair value transfer to shares upon conversion, net of taxes (Note 13)	(1,461)	(14,259)
Convertible debentures, end of year	\$ 18,591	\$ 20,052
Warrants		
Balance, beginning of year	\$ 43,285	\$ 43,752
Warrants issued on Imperial Brands convertible debentures settlement (Note 13)	12,264	-
Exercise of warrants (Note 16)	(750)	(467)
Warrants, end of year	\$ 54,799	\$ 43,285
Contributed surplus		
Balance, beginning of year	\$ 39,507	\$ 39,500
Employee share options:		
Stock options (Notes 16, 23)	70	146
Restricted share units (Notes 16, 23)	3,351	1,560
Restricted share units transferred from liability (Notes 16, 23)	5,594	-
Settlement of restricted share units (Note 16)	(5,594)	(1,699)
Contributed surplus, end of year	\$ 42,928	\$ 39,507
Reserves, end of year	\$ 116,318	\$ 102,844
Accumulated other comprehensive income/(loss)		
Balance, beginning of year	\$ (30,200)	\$ (29,799)
Fair value changes in long-term investments (Note 10)	(333)	(401)
Accumulated other comprehensive income/(loss), end of year	\$ (30,533)	\$ (30,200)
Retained earnings/(deficit)		
Balance, beginning of year	\$ (499,620)	\$ (483,272)
Net income/(loss)	41,855	(16,348)
Retained earnings/(deficit), end of year	\$ (457,765)	\$ (499,620)
Equity, end of year	\$ 177,577	\$ 115,656

The accompanying notes are an integral part of these consolidated financial statements.

AUXLY CANNABIS GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Expressed in thousands of Canadian dollars, except share and per share amounts

1. Nature of operations

Auxly Cannabis Group Inc. (“Auxly”, “we”, “our”, or the “Company”) is a publicly traded company listed on the Toronto Stock Exchange (“TSX”) under the symbol “XLY”. The Company has continued under the laws of the Province of Ontario and the principal business address is 777 Richmond Street West, Toronto, Ontario.

Description of the Company

Auxly is a Canadian consumer packaged goods company in the cannabis products market, headquartered in Toronto, Canada.

2. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on March 25, 2026.

Basis of measurement

The policies set out were consistently applied to all the periods presented unless otherwise noted below. The preparation of consolidated financial statements in accordance with International Accounting Standard (“IAS”) 1, *Presentation of Financial Statements* (“IAS 1”), requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

These consolidated financial statements have been prepared in Canadian dollars on a historical cost basis, except for biological assets, long-term investments, and Cash Settled RSUs, as defined in Note 23, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Basis of consolidation

These consolidated financial statements comprise the financial results of the Company and its subsidiaries, which are the entities over which Auxly has control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

AUXLY CANNABIS GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Expressed in thousands of Canadian dollars, except share and per share amounts

2. Basis of preparation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and is exposed to the variable returns from its activities.

The consolidated financial statements of the Company include:

Subsidiaries	Equity interests
Auxly Inc. (formerly Auxly Ottawa Inc.)	100%
Auxly Charlottetown Inc.	100%
Auxly Leamington Inc.	100%

Intragroup balances, and any unrealized gains or losses or income and expenses arising from transactions with controlled entities, are eliminated to the extent of the Company's interest in the entity.

3. Material accounting information

a) Functional currency

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated financial statements determines its own functional currency, and items included in the consolidated financial statements of each entity are remeasured using the functional currency. The functional currency of all subsidiaries is the Canadian dollar.

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the consolidated statements of income/(loss) and comprehensive income/(loss). Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

b) Biological assets

The Company's biological assets consist of cannabis plants, which are valued at fair value less cost to sell. The fair value was determined using the income approach. Production costs include all direct and indirect costs relating to biological transformation, which are capitalized to biological assets as they were incurred.

The direct and indirect costs include the following:

- Direct materials consumed in the growing process such as soil, chemicals, fertilizers and other supplies;
- Direct labour for individuals who work in the cultivation department;
- Indirect labour for other personnel's time spent related to the cultivation process;

AUXLY CANNABIS GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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3. Material accounting information (continued)

- Indirect materials consumed related to the cultivation process;
- Depreciation and maintenance of production equipment;
- Overhead expense including utilities and insurance; and
- Quality assurance on the plants.

The Company measures and adjusts the biological assets to the fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of goods inventories after harvest. Unrealized gains or losses arising from the changes in fair value less cost to sell during the year are included as a separate line in the gross profit calculation on the consolidated statements of income/(loss) and comprehensive income/(loss).

c) Inventory

Inventories of purchased finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial cost. Any subsequent post-harvest costs, either direct or indirect, are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value on the consolidated statements of financial position. The Company reviews inventory for obsolete, redundant and slow-moving goods, and any such inventory is written down to net realizable value.

The post-harvest direct and indirect costs include the following:

- Direct materials such as packages and labels;
- Direct labour for individuals who work in the processing department;
- Indirect labour for other personnel's time spent related to the production process;
- Indirect materials consumed related to the production process;
- Depreciation and maintenance on dried cannabis processing and packaging equipment;
- Overhead expense including utilities and insurance; and
- Quality assurance for the final product.

The post-harvest costs capitalized in finished cannabis products and costs of other resale products are subsequently recorded in cost of sales on the consolidated statements of income/(loss) and comprehensive income/(loss) when they are sold. The realized initial costs upon sales, transferred from biological assets measured at fair value less cost to sell at harvest, are presented as realized fair value gain/(loss) on inventory on the consolidated statements of income/(loss) and comprehensive income/(loss).

d) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal are determined by comparing the proceeds from disposal and the carrying amount of the asset and are recognized in the consolidated statements of income/(loss) and comprehensive income/(loss).

AUXLY CANNABIS GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Expressed in thousands of Canadian dollars, except share and per share amounts

3. Material accounting information (continued)

Depreciation is calculated using the straight-line method over the useful life of each asset as follows:

• Assets not available for use	Not depreciated
• Construction-in-progress	Not depreciated
• Computer equipment	3–5 years
• Office furniture	5–10 years
• Leasehold improvements	Over term of the lease
• Right-of-use assets	Over term of the lease
• Equipment	5–15 years
• Buildings	20–30 years

Depreciation methods, useful lives, and estimated residual values are reviewed at the end of each financial year.

e) Finite-lived and indefinite-lived intangible assets

Finite-lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis from when the asset is available for use, over the following terms:

• Cultivation interests	Over the term of the agreement
• Canadian cultivation licences	Useful life of the facility
• Processing licences	Useful life of the facility
• Distribution agreements	13–14 years
• Other	Over the term of the agreement

The estimated useful lives and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with finite useful lives are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

f) Impairment of long-lived assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows or other assets or groups of assets (the “CGU”). The recoverable amount of an asset or a CGU is the higher of its fair value less cost of disposal and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount and the carrying amount that would have been recorded had no impairment loss been recognized previously.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Expressed in thousands of Canadian dollars, except share and per share amounts

3. Material accounting information (continued)

g) Leased assets

The Company is a party to lease contracts for, among others: a) office space; b) machinery and equipment; and c) facilities. Leases are recognized, measured and presented in accordance with IFRS 16, *Leases* ("IFRS 16"). The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company elected to apply exemptions for short-term leases and for leases for which the underlying asset is of low value.

The Company has also elected to apply the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

At inception of a contract, the Company assesses whether a contract is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Lease payments made at or before the commencement date, less any lease incentives; and
- Any initial direct costs incurred by the lessee.

After the commencement date, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method over the estimated useful life on the same basis as owned assets, or where shorter, over the term of the respective lease. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date, which comprises:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently measured at amortized cost using the effective interest method.

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3. Material accounting information (continued)

The lease term determined by the Company comprises:

- Non-cancellable period of lease contracts;
- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

h) Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value through profit or loss (“FVTPL”); ii) those to be measured subsequently at fair value through other comprehensive income (“FVOCI”); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in consolidated statements of income/(loss) or other comprehensive income/(loss). The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely payments of principal and interest (“SPPI”) criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held for trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income/(loss) instead of through income/(loss). This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVOCI are initially measured at fair value and changes therein are recognized in other comprehensive income/(loss).

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

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3. Material accounting information (continued)

Financial assets that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are SPPI on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through income/(loss) or other comprehensive income/(loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income/(loss).

Summary of the Company's classification and measurements of financial assets and liabilities

	IFRS 9 Classification	IFRS 9 Measurement
Cash and cash equivalents	FVTPL	Fair value
Restricted cash	FVTPL	Fair value
Short-term investments	FVTPL	Fair value
Accounts receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Long-term investments	FVOCI	Fair value
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Promissory notes	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Interest payable	Amortized cost	Amortized cost
Other current and non-current liabilities	FVTPL	Fair value

i) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted into common shares of the Company. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the computed financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. On conversion or upon expiration, the carrying value of the equity portion is transferred to common shares or contributed surplus.

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3. Material accounting information (continued)

j) Revenue recognition

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer.

The Company follows the five-step model in IFRS 15, *Revenue from Contracts with Customers*, to recognize revenue:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to performance obligations in the contract; and
- 5) Recognize revenue when the Company satisfies a performance obligation.

Revenue from the sale of cannabis to customers is recognized when the Company transfers control of the good to the customer. This evaluation was made on the basis of whether the business retains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive taking into account any variation that may result from rights of return.

k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statements of income/(loss) and comprehensive income/(loss) except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is also recognized directly in shareholders' equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the dates of the consolidated statements of financial position and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered. Deferred tax assets and liabilities are presented as non-current.

l) Share capital and equity-based compensation

The Company has a stock option plan for directors, officers and employees. Each tranche of an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over each tranche's vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus. When options are exercised,

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3. Material accounting information (continued)

the amount received is credited to share capital and the fair value attributed to these options is transferred from contributed surplus to share capital. The impact of a revision of the original estimate is recognized in income/(loss) such that the cumulative expense reflects the revised estimate.

Restricted share units ("RSUs") are equity-settled payments, measured at their intrinsic fair value on the date of grant based on the closing price of the Company's share on the date prior to the grant, and are recognized as equity-based compensation expense over the vesting period, based on the number of awards expected to vest, with the offset credited to contributed surplus.

Cash Settled RSUs, as defined in Note 23, are settled for their cash equivalent on the applicable settlement date. For Cash Settled RSUs, the fair value of the RSUs is recognized as equity-based compensation in the consolidated statements of income/(loss) and comprehensive income/(loss), with a corresponding increase in liabilities over the vesting period. The amount recognized as expense is based on the estimated number of RSUs expected to vest. Cash Settled RSUs are measured at their fair value at each reporting period, based on the closing price of the Company's common shares on the reporting period, and are included in the consolidated statements of financial position as other current liabilities and other non-current liabilities.

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. Contributed surplus includes amounts in connection with conversion options embedded in compound financial instruments, equity-based compensation and the value of expired options and warrants. Deficit includes all current and in period income and losses.

m) Net income/(loss) per share

The Company presents basic and diluted net income/(loss) per share data for its common shares. Basic income/(loss) per share is calculated by dividing the net income/(loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted net income/(loss) per share is determined by adjusting the net income/(loss) attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise convertible debentures, warrants, RSUs and share options issued.

n) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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3. Material accounting information (continued)

Impairment of intangible assets

The carrying value of definite life intangible assets is reviewed for impairment when there are indicators that impairment may have occurred. The carrying value of indefinite life intangible assets is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred.

The Company's impairment tests for intangible assets are based on the comparison of the carrying amount of the CGU and the recoverable amount, which is the greater of value-in-use calculations that use a discounted cash flow model and estimated fair value less cost of disposal. The determination of the Company's CGUs is based on management's judgment. If the recoverable amount of the CGU is greater than the carrying amount, the difference is written off as impairment loss. The impairment loss is first allocated to goodwill, and the remainder is allocated to other assets of the CGU subject to the limitation that the carrying amount of an asset should not be reduced below the highest of fair value less cost of disposal, value in use or zero.

The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost of disposal is based on assessment of comparable company multiples and precedent transactions. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The discount rates used to calculate impairment analysis are based on management's best estimates of an approximate industry peer group weighted average cost of capital and management's best estimate of the Company's risk levels. Changes in the general economic environment could result in significant changes to this estimate.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, expected yields for the cannabis plants, selling costs, and average or expected selling prices. In calculating final inventory values, management compares the inventory cost to estimated net realizable value. Further information on estimates used in determining the fair value of biological assets is contained in Note 6.

Estimated useful lives and depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.

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3. Material accounting information (continued)

Equity-based compensation

In calculating the equity-based compensation expense, key estimates such as the rate of forfeiture of options and RSUs granted, the expected life of the option and RSU, the volatility of the Company's stock price, forfeiture rates and the risk-free interest rate are used.

Fair value measurements

Certain of the Company's assets and liabilities are measured at fair value. In estimating the fair value of Level 3 investments, the Company uses market-observable data to the extent it is available.

Convertible instruments

Convertible debentures are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Income Taxes

Income taxes are accounted for using the liability method and recognized in the Consolidated Statements of Income/(Loss) and Comprehensive Income/(Loss), except to the extent that it relates to items recognized in other comprehensive income or directly in equity. Current tax is measured using enacted tax rates applicable to the period in which the income arose. Deferred tax is recognized on the difference between the carrying amount of an asset or liability and its corresponding tax base, measured at the tax rates expected to apply when the difference reverses.

Management assesses the likelihood that deferred tax assets will be realized, providing a valuation allowance when it is more likely than not that all or a portion of the asset will not be realized. This assessment requires significant judgment regarding the long-range forecast of future taxable income and the evaluation of tax planning initiatives. These determinations reflect the Company's interpretation of relevant tax rules and significant judgment. An unrealized tax benefit may arise in connection with a period that has not yet been reviewed by the relevant tax authority, any change in the recognition or measurement of an unrealized tax benefit is reflected in the period during which the change occurs.

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3. Material accounting information (continued)

o) Future changes in accounting policies

The Company monitors the potential accounting policy changes proposed by the IASB and analyzes the impact of those changes on the Company's consolidated financial statements.

Amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures

In May 2024, amendments to IFRS 9, *Financial Instruments* ("IFRS 9"), and IFRS 7, *Financial Instruments: Disclosures*, were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or a financial liability, including clarifying that a financial liability is derecognized on the settlement date. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to only early adopt the amendments to the classification of financial assets. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* ("IFRS 18") to replace International Accounting Standards 1, *Presentation of Financial Statements* ("IAS 1"). IFRS 18 impacts the presentation of the financial statements and notes, primarily the statements of income/loss and comprehensive income/(loss) where companies will be required to present separate categories of income and expenses for operating, investing and financing activities with subtotals for each new category. IFRS 18 will require management-defined performance measures to be defined and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and require retrospective application. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

4. Restricted cash

As at December 31, 2025, Auxly provided Enbridge Gas Inc., a letter of credit in the amount of \$250 (December 31, 2024 – \$557) as collateral in order to supply power to the Auxly Leamington facility.

5. Accounts receivable

Accounts receivable comprises the following:

	As at	
	December 31, 2025	December 31, 2024
Less than 30 days past billing date	\$ 18,330	\$ 15,395
31 to 60 days past billing date	1,349	5,446
61 to 90 days past billing date	887	883
Over 90 days past billing date	235	27
Total	\$ 20,801	\$ 21,751

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6. Biological assets

The continuity of the Company's cannabis biological assets is as follows:

Balance, December 31, 2023	\$ 5,334
Changes in fair value less cost to sell due to biological transformation	32,627
Capitalized production costs	19,875
Transferred to inventory upon harvest	(49,550)
Balance, December 31, 2024	\$ 8,286
Changes in fair value less cost to sell due to biological transformation	57,104
Capitalized production costs	22,721
Transferred to inventory upon harvest	(77,623)
Balance, December 31, 2025	\$ 10,488

As at December 31, 2025, the Company's cannabis biological assets composed of 168,340 plants (December 31, 2024 – 158,346 plants) and the Company's cannabis plants were on average 55% (December 31, 2024 – 53%) complete in their estimated 70-day growing cycle.

The fair value of cannabis biological assets is categorized within Level 3 on the fair value hierarchy. The inputs and assumptions used in determining the fair value of cannabis biological assets include:

- (a) Selling price per gram;
- (b) Attrition rate;
- (c) Average yield per plant;
- (d) Expected product mix;
- (e) Standard cost per gram to complete production; and
- (f) Cumulative stage of completion in production process.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

As at December 31, 2025			
Significant inputs and assumptions	Range of inputs	Sensitivity	Effect on Biological Asset Balance
Selling price per gram	\$0.15-\$1.35 dollar	Increase/decrease \$0.10/gram	Increase/decrease \$1,775
Average yield per plant	106 grams	Increase/decrease 10%	Increase/decrease \$1,338
Post-harvest cost per gram	\$0.06 dollar	Increase/decrease \$0.01/gram	Decrease/increase \$178

As at December 31, 2024			
Significant inputs and assumptions	Range of inputs	Sensitivity	Effect on biological asset balance
Selling price per gram	\$0.14-\$1.13 dollars	Increase/decrease \$0.10/gram	Increase/decrease \$1,786
Average yield per plant	113 grams	Increase/decrease 10%	Increase/decrease \$1,122
Post-harvest cost per gram	\$0.06 dollars	Increase/decrease \$0.01/gram	Decrease/increase \$179

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7. Inventory

The following is a breakdown of inventory:

	As at December 31, 2025	As at December 31, 2024
Dried cannabis		
Work-in-process	\$ 19,745	\$ 12,972
Finished goods	2,440	2,341
Generation 2 derivative products		
Work-in-process	2,806	2,419
Finished goods	2,307	3,173
Merchandise products	-	140
Packaging, hardware, consumables and ingredients	4,557	4,668
Total	\$ 31,855	\$ 25,713

As at December 31, 2025, the Company recognized \$31,855 (December 31, 2024 – \$25,713) of inventory on the consolidated statements of financial position, including \$11,120 non-cash income (December 31, 2024 – \$6,302) relating to the fair value less cost to sell transferred to inventory upon harvest. During the year ended December 31, 2025, inventory expensed to cost of sales was \$68,236 (2024 – \$64,403).

Depreciation capitalized into inventory during the year ended December 31, 2025 was \$5,902 (2024 – \$5,864). Cost of sales included \$6,447 (2024 – \$5,792) of depreciation for the year ended December 31, 2025.

During 2025, the Company recognized a loss of \$869 (2024 – \$2,332) on cannabis inventory due to the costs capitalized exceeding the net realizable value of the inventory.

8. Property, plant and equipment

	Computers and office furniture	Leasehold improvements	Equipment	Buildings	Construction- in-progress	Land	Right-of-use assets	Total
Cost:								
December 31, 2024	\$ 3,613	\$ 21,571	\$ 31,010	\$ 122,938	\$ -	\$ 4,127	\$ 21,890	\$ 205,149
Additions	-	-	2,136	-	81	-	-	2,217
Disposals	-	-	(61)	-	-	-	-	(61)
December 31, 2025	\$ 3,613	\$ 21,571	\$ 33,085	\$ 122,938	\$ 81	\$ 4,127	\$ 21,890	\$ 207,305
Accumulated depreciation:								
December 31, 2024	\$ 3,029	\$ 5,863	\$ 15,397	\$ 15,964	\$ -	\$ 27	\$ 14,061	\$ 54,341
Depreciation	198	985	2,600	4,335	-	-	1,236	9,354
Disposals	-	-	(26)	-	-	-	-	(26)
December 31, 2025	\$ 3,227	\$ 6,848	\$ 17,971	\$ 20,299	\$ -	\$ 27	\$ 15,297	\$ 63,669
Carrying amounts								
December 31, 2025	\$ 386	\$ 14,723	\$ 15,114	\$ 102,639	\$ 81	\$ 4,100	\$ 6,593	\$ 143,636

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8. Property, plant and equipment (continued)

	Computers and office furniture	Leasehold improvements	Equipment	Buildings	Land	Right-of-use assets	Total
Cost:							
December 31, 2023	\$ 3,527	\$ 21,571	\$ 31,049	\$ 124,804	\$ 4,127	\$ 20,349	\$ 205,427
Additions	86	-	824	134	-	1,541	2,585
Disposals	-	-	(863)	(2,000)	-	-	(2,863)
December 31, 2024	\$ 3,613	\$ 21,571	\$ 31,010	\$ 122,938	\$ 4,127	\$ 21,890	\$ 205,149
Accumulated depreciation:							
December 31, 2023	\$ 2,780	\$ 4,878	\$ 12,627	\$ 11,506	\$ 27	\$ 12,647	\$ 44,465
Depreciation	249	985	3,122	4,458	-	1,414	10,228
Disposals	-	-	(352)	-	-	-	(352)
December 31, 2024	\$ 3,029	\$ 5,863	\$ 15,397	\$ 15,964	\$ 27	\$ 14,061	\$ 54,341
Carrying amounts							
December 31, 2024	\$ 584	\$ 15,708	\$ 15,613	\$ 106,974	\$ 4,100	\$ 7,829	\$ 150,808

Property, plant and equipment additions for the year ended December 31, 2025 include a \$nil (2024 – \$1,541) non-cash recognition of right-of-use asset.

During 2025, \$299 (2024 – \$1,719) of payments have been made towards equipment to be settled on deferred payment terms. All amounts owing on equipment on deferred payment terms has been settled as at December 31, 2025.

9. Intangible assets

	Cultivation interests	Canadian cultivation licences	Processing licences	Distribution agreements	Other	Total
Cost:						
December 31, 2024 and December 31, 2025	\$ 14,016	\$ 10,340	\$ 17,371	\$ 284	\$ 4,199	\$ 46,210
Accumulated amortization:						
December 31, 2024	\$ 14,016	\$ -	\$ -	\$ 284	\$ 2,152	\$ 16,452
Amortization	-	405	1,022	-	121	1,548
December 31, 2025	\$ 14,016	\$ 405	\$ 1,022	\$ 284	\$ 2,273	\$ 18,000
Carrying amounts						
December 31, 2025	\$ -	\$ 9,935	\$ 16,349	\$ -	\$ 1,926	\$ 28,210
Cost:						
December 31, 2023 and December 31, 2024	\$ 14,016	\$ 10,340	\$ 17,371	\$ 284	\$ 4,199	\$ 46,210
Accumulated amortization:						
December 31, 2023	\$ 14,016	\$ -	\$ -	\$ 284	\$ 2,032	\$ 16,332
Amortization	-	-	-	-	120	120
December 31, 2024	\$ 14,016	\$ -	\$ -	\$ 284	\$ 2,152	\$ 16,452
Carrying amounts						
December 31, 2024	\$ -	\$ 10,340	\$ 17,371	\$ -	\$ 2,047	\$ 29,758

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9. Intangible assets (continued)

a) Cultivation interests

The Company's cultivation interests represent its access to raw cannabis, including offtake agreements, and streaming partners.

b) Canadian cultivation licences and processing licences

Effective January 1, 2025, the Company determined the estimated useful life of its Canadian cultivation licenses and processing licenses align to the remaining estimated useful life of the facilities that the licenses operate under. Previously, the Company's Canadian cultivation licenses and processing licenses were treated as indefinite-life intangible assets. The change in accounting estimate has been made to reflect recent market conditions and the relationship between cannabis licenses and the facilities the licenses operate under. This change is classified as a change in accounting estimate under IAS 8, *Change in Accounting Estimates*, which is required to be accounted for prospectively in the consolidated financial statements. The change in estimated useful life increases annual depreciation and amortization expense by \$1,427. As a result of this change, the Company also recorded a deferred tax recovery of \$8,125, with a corresponding reduction to deferred tax liability.

c) Distribution agreements

The Company has formed a strategic alliance with Inner Spirit Holdings Ltd. ("Inner Spirit"), which includes certain supply and marketing rights subject to applicable provincial laws for each applicable jurisdiction in which Inner Spirit operates retail cannabis stores. The distribution agreement intangible asset represents the premium paid by the Company over and above the fair market value of the shares on the date of the initial agreement.

d) Others

Concurrently with the acquisition of Auxly Leamington in 2021, Auxly Leamington and Fresh Energy Inc. agreed to complete the Transfer (as defined and further described in Note 15). The consideration provided for the Transfer includes an unsecured, non-interest-bearing promissory note. The Company recognized a promissory note of \$2,860 and a corresponding intangible asset of \$2,860. Refer to Note 15 for more information. The carrying value of the intangible asset as at December 31, 2025 is \$1,926 (December 31, 2024 – \$2,047).

Canadian cannabis CGU

The Company's Canadian cannabis CGU represents its operations dedicated to the cultivation and sale of cannabis products within Canada.

As a result of the change in useful life of the Company's Canadian cultivation licenses and processing licenses during 2025, the licenses are now subject to amortization and will be tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36, *Impairment of Assets*. As at December 31, 2025, the Company determined that there were no indicators of impairment.

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9. Intangible assets (continued)

Annual impairment – 2024

As at December 31, 2024, the Company performed its annual impairment test by comparing the aggregate recoverable amount of the assets included in the CGU to their respective carrying amounts. The estimated recoverable amount of the CGU exceeded its carrying amount and such, there was no impairment or recovery recorded.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of the future trends in the industry and have been based on historical data from both external and internal resources.

Pre-tax discount rate	16.5%
Terminal growth rate	2.5%
Budgeted revenue growth rate (average of next five years)	6.5%
Budgeted EBITDA margin (average of next five years)	26.8%

Sensitivity to changes in assumptions

Management has performed an assessment to determine whether additional impairment would have been recognized if there was a change in any of the key assumptions identified above. An increase of 25 basis points in the pre-tax discount rate or a decrease of 25 basis points in the terminal growth rate, each used in isolation to perform the impairment test, would not result in an impairment loss during the year ended December 31, 2024.

10. Long-term investments

Entity	Instrument	Classification	As at December 31, 2024	Fair value change	Purchases/ (sales)	As at December 31, 2025
Cannabis OneFive Inc.	Shares	FVOCI	\$ 594	\$ (333)	\$ -	\$ 261

Entity	Instrument	Classification	As at December 31, 2023	Fair value change	Purchases/ (sales)	As at December 31, 2024
Cannabis OneFive Inc.	Shares	FVOCI	\$ 1,095	\$ (401)	\$ (100)	\$ 594

11. Deposits

	Capital assets	Inventory	Other	Total
Current portion	\$ -	\$ 422	\$ 50	\$ 472
Non-current portion	86	-	204	290
As at December 31, 2025	\$ 86	\$ 422	\$ 254	\$ 762

	Capital assets	Inventory	Other	Total
Current portion	\$ -	\$ 369	\$ 42	\$ 411
Non-current portion	32	-	3,730	3,762
As at December 31, 2024	\$ 32	\$ 369	\$ 3,772	\$ 4,173

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12. Lease liability

	As at		As at	
	December 31, 2025		December 31, 2024	
Balance, beginning of year	\$	13,792	\$	16,308
Additions		-		1,541
Payments		(3,159)		(3,530)
Interest expense		736		813
Transfer to accounts payable and accrued liabilities		-		(1,340)
Balance, end of year	\$	11,369	\$	13,792

	As at		As at	
	December 31, 2025		December 31, 2024	
Maturity analysis – contractual undiscounted cash flows				
Less than one year	\$	3,181	\$	3,160
Two years and beyond		11,148		14,329
Total undiscounted lease obligations	\$	14,329	\$	17,489
Current portion	\$	2,602	\$	2,423
Long-term portion		8,767		11,369
Discounted lease obligations included in the consolidated statements of financial position	\$	11,369	\$	13,792

The Company has lease contracts for various items of building, plant, machinery, vehicles and other equipment used in its operations. Leases of building generally have lease terms between 5 and 21 years, while production and other equipment generally have lease terms between 3 and 7 years.

13. Convertible debentures

Imperial Brands

In 2019, the Company issued unsecured convertible debenture units in the aggregate amount of \$122,851 to Imperial Brands PLC (“Imperial”) as part of a collaborative partnership. The debentures bear interest at 4.0% per annum, payable annually, and originally matured in 2022. The principal amount of the debentures was convertible into common shares of the Company at a price of \$0.81 per share, at the option of the holder.

Amendments to Debentures (2021 – 2023)

In 2021, the Company and Imperial agreed to amend the debentures to extend the maturity date by 24 months from September 25, 2022 to September 25, 2024. The amendment also provided Imperial with the right, on an annual basis, to convert any or all of the accrued and unpaid interest on the debentures into common shares at a conversion price equal to the five-day volume weighted average trading price of the common shares on the date that the interest conversion election is made. The interest rate of 4% per annum remained unchanged but would be payable on the maturity of the debentures. The debentures are convertible into common shares at a price of \$0.81 per share at any time prior to the close of business on the business day immediately preceding maturity. The amendment also provided for the reinstatement of certain approval rights of Imperial under the investor rights agreement dated September 25, 2019 between the Company and Imperial. These amendments were subject to shareholder approval that was obtained at the Company’s annual general and special meeting of shareholders on June 28, 2021.

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13. Convertible debentures (continued)

In 2023, the Company and Imperial amended the debentures to extend the maturity of the debentures by 24 months from September 25, 2024 to September 25, 2026. The amended debentures were convertible into common shares at a price of \$0.81 per share at any time prior to the close of business on the business day immediately preceding maturity.

Imperial Debt Conversion (2024)

During 2024, Imperial, through its wholly owned subsidiary, provided the Company with notice of its election to convert (i) \$121,851 of the principal amount outstanding under the \$122,851 unsecured convertible debentures and (ii) \$1,565 of accrued interest under the unsecured convertible debentures (together defined as "Imperial Debt Conversion"). The Company completed the conversion of the \$121,851 principal amount into 150,433,450 common shares at the exercise price of \$0.81 per share and the conversion of \$1,565 of accrued interest into 90,882,667 common shares at a price of \$0.017 per share.

Following the Imperial Debt Conversion, (i) a principal amount of \$1,000 remained outstanding under the unsecured convertible debentures convertible at \$0.81 per share and was due on September 25, 2026; (ii) \$20,596 of accrued interest due on September 25, 2026 remained outstanding, and would not accrue further interest thereon; and (iii) Imperial owned approximately 19.8% of the Company's common shares. Imperial and Auxly also amended the existing amended and restated investor rights agreement between the parties to, among other things, remove the existing requirement that Imperial would use the Company as its exclusive cannabis partner.

The Imperial Debt Conversion resulted in a reclassification of \$63,068 from liabilities to equity and a reclassification of \$30,251 from reserves to share capital in the consolidated statements of financial position. The Company recorded a deferred tax expense of \$15,992, with a corresponding release from reserves.

Imperial Debenture Settlement (2025)

In July 2025, concurrently with the execution of the Amended Credit Facility, the Company entered into an exchange agreement with Imperial to settle all remaining amounts owing under the convertible debenture (the "Imperial Debenture Settlement"), which provided for the following:

- Imperial converted the remaining \$1,000 principal amount owed under the outstanding convertible debenture held by Imperial into 1,234,568 common shares of the Company at a conversion price of \$0.81 per common share;
- Imperial converted \$1,387 of interest payable under the convertible debenture into 17,101,921 shares at a conversion price of \$0.0811 per share, based on the trailing 5-day volume-weighted average trading price of the shares on the TSX; and
- The Company issued pre-funded warrants to acquire up to 90,883,618 shares in exchange for \$7,371 of additional interest payable, with the remaining accrued interest owed under the convertible debenture in the amount of approximately \$11,889 forgiven. Each warrant entitles an affiliate of Imperial to purchase one share for a nominal exercise price at any time prior to December 31, 2028 (the "Expiry Date"), provided that the number of warrants exercisable for shares (the "Underlying Shares") that may be exercised at any time prior to the Expiry Date will be limited to such number of warrants for which the issuance of corresponding Underlying Shares would not result in Imperial owning more than 19.9% of all the then outstanding shares.

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13. Convertible debentures (continued)

Following this issuance of 18,336,489 common shares, Imperial owned approximately 19.9% of all issued and outstanding shares. The Company has no further amounts owed to Imperial following this transaction.

The Imperial Debenture Settlement resulted in a reclassification of \$773 from liabilities to share capital and a reclassification of \$248 from reserves to share capital in the consolidated statements of financial position for the conversion of the principal amount outstanding. The settlement of the interest payable resulted in a reclassification of \$1,387 from liabilities to share capital for the interest conversion, \$12,264 from liabilities to reserves for the pre-funded warrants and a gain on settlement of \$6,932 was recognized in the consolidated statements of income/(loss) and comprehensive income/(loss), net of transaction fees of \$65. The Company recorded a deferred tax recovery of \$1,213, with a corresponding release from reserves. The Company remains in a valuation allowance position. While current income tax expense was recognized due to the interest forgiveness during the period, it was offset by a corresponding release of valuation allowance.

As at December 31, 2025, the Company had a nil balance outstanding under the Imperial convertible debenture (December 31, 2024 – \$697) on the consolidated statements of financial position. The associated accretion expense for the year ended December 31, 2025 was \$76 (2024 – \$3,055). Interest expense for the year ended December 31, 2025 was \$21 (2024 – \$1,255).

Standby financing

In 2020, Auxly entered into an investment agreement with an institutional investor as a standby facility to provide it with access to additional capital. This investment agreement provided the Company with the opportunity to sell, on a private placement basis, unsecured convertible debentures of Auxly in the principal amount of up to \$25,000. During 2020, Auxly closed five tranches of convertible debentures for total net proceeds of \$10,664, of which \$484 was allocated to the accompanying warrants and \$995 was allocated to the conversion feature. Each tranche had a maturity date of 24 months from the date of issuance.

In 2022, the Company entered into an agreement to amend the unsecured convertible debentures to extend the maturity date of the remaining outstanding debentures to August 15, 2024. The interest rate of 7.5% per annum will remain unchanged and will be payable semi-annually. The debentures are convertible into common shares at a price of \$0.1380 per share at any time prior to the close on the business day immediately prior to the maturity date. The amendment includes certain repayment conditions should the Company raise additional capital prior to the maturity date.

As consideration for the amendments, the Company paid the investor an amendment fee of \$500 through the issuance of 4,347,826 common shares and issued the investor warrants to purchase 20,000,000 common shares, with each warrant being exercisable until June 22, 2025 at a price per share of \$0.1495. The amendment fee of \$500, paid through issuance of Auxly common shares, was assumed to be equally split between the debt extinguishment and the issuance of the new debentures. As at December 31, 2025, the warrants issued on the amendments have expired.

During 2024, the Company repaid the remaining \$6,244 principal owing under the original standby financing convertible debenture. The accretion expense associated with the debentures for the year ended December 31, 2024 was \$489. Interest expense for the year ended December 31, 2024 was \$302.

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14. Loans payable

	As at December 31, 2025	As at December 31, 2024
Amended and Restated Credit Facility	\$ 43,472	\$ 38,254
Equipment loans payable	15	701
Receivables financing loan	-	6,835
Inventory financing loan	-	4,878
Total	\$ 43,487	\$ 50,668
Less: current portion	5,083	50,668
Long-term portion	\$ 38,404	\$ -

Amended and Restated Credit Facility

The Amendment Agreement (2024)

In 2024, the Company, Auxly Leamington and the Bank of Montreal signed a definitive agreement (the "Amendment Agreement") to amend and restate the Amended and Restated Credit Facility. The maturity date of the Amended and Restated Credit Facility was extended by two years until December 31, 2025, and included an option by the Company to extend the maturity date for an additional year, to December 31, 2026, by making a further \$2,500 principal repayment by December 31, 2025. The Amendment Agreement included updated financial and operational covenants.

The quarterly principal payments on the Term Credit were revised to reflect increased quarterly principal payments throughout the term. Under the Amendment Agreement, the obligations of Auxly Leamington were secured by collateral and supported by an unsecured \$33,000 limited recourse guarantee provided by the Company.

Upon filing the Company's audited consolidated financial statements for the year ended December 31, 2024, the Company was in breach of certain reporting covenants under the Amended and Restated Credit Facility due to the inclusion of going concern uncertainty qualifications. The Company received a waiver from the syndicate of lenders for such breach.

The interim extensions and the Amendment Agreement were treated as debt modifications under IFRS 9 as the terms were not substantially different and the discounted present value of cash flows under the extension is less than 10% different from the discounted present value of the remaining cash flow of the original financial liability. The Company incurred \$552 of deferred financing charges on the Amended Amendment and the interim extensions. As at December 31, 2024, the Company had a balance of deferred financing charges related to the Amended Amendment of \$271. As part of the Amended Credit Facility described below, the remaining balance of the deferred financing charges incurred on the Amended Amendment of \$131 were derecognized.

Amended Credit Facility (2025)

On July 7, 2025, the Company entered into an Amended and Restated Credit Facility with a syndicate of lenders led by the Bank of Montreal (the "Amended Credit Facility"), replacing Auxly Leamington as the borrower. The Amended Credit Facility provides an incremental revolving credit facility of \$10,000 for general working capital and corporate purposes and extended the maturity date from December 31, 2025 to June 30, 2027, with an option to extend for an additional year for a fee of \$100. The amended agreement includes revised financial covenants to provide additional flexibility and is secured by all assets of the Company and its subsidiaries.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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14. Loans payable (continued)

The Amended Credit Facility was treated as a debt extinguishment under IFRS 9 as the terms of the original financial liability were substantially different from the amended credit facility agreement. The Company recorded transaction fees of \$261 and the derecognition of the remaining balance of the deferred financing charges of \$131 on the debt extinguishment in the consolidated statements of income/(loss) and comprehensive income/(loss). The Company recorded deferred financing charges of \$223 on the recognition of the new financial liability, which will be amortized until June 30, 2027. As at December 31, 2025, the Company had a balance of \$168 on its consolidated statements of financial position.

Under the Amended Credit Facility, the Company is required to comply with financial covenants, including maintaining set ratios for fixed charge coverage and total funded debt to EBITDA at all times. As at December 31, 2025, the Company was in compliance with all financial covenants.

The continuity schedule of the Amended and Restated Credit Facility is presented below:

	As at		As at
	December 31, 2025	December 31, 2024	December 31, 2024
Balance, beginning of year	\$ 38,254	\$	44,129
Additions	9,873		-
Payments	(4,758)		(5,775)
Deferred financing fees additions	(223)		(361)
Deferred financing fees amortization	195		261
Derecognition of deferred financing fees	131		-
Balance, end of year	\$ 43,472	\$	38,254
Less: current portion	5,078		38,254
Long-term portion	\$ 38,394	\$	-

Interest expense on the Amended and Restated Credit Facility for the year ended December 31, 2025 was \$3,034 (2024 – \$3,858).

Equipment loans payable

The Company entered into arrangements with leasing companies to finance several pieces of equipment used in its operations. The equipment loans generally have terms between one and three years, with interest ranging from 5.36% to 16.54% per annum.

The continuity schedule of the equipment loans is presented below:

	As at		As at
	December 31, 2025	December 31, 2024	December 31, 2024
Balance, beginning of year	\$ 701	\$	2,145
Additions	18		-
Payments	(740)		(1,626)
Interest expense	36		182
Balance, end of year	\$ 15	\$	701
Less: current portion	5		701
Long-term portion	\$ 10	\$	-

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14. Loans payable (continued)

Receivables financing loan

In 2022, the Company entered into a receivables financing agreement with Savent Financial Canada Corp. (“Savent”) for a non-revolving loan of \$5,000 USD, secured by a first-priority security interest in the Company’s cannabis receivables. The Company retained late payment and credit risk, and therefore continued to recognize the transferred assets in their entirety in its consolidated statements of financial position.

In 2024, the Company entered in several amendments to extend the maturity date to July 21, 2025, with \$700 USD of principal to be repaid in monthly instalments beginning August 2024 and the remaining balance due at maturity. The amendments were treated as a debt modification under IFRS 9 as the terms were not substantially different and the discounted present value of the cash flows under the amended terms is less than 10% different from the discounted present value of the remaining cash flows from the original financial liabilities.

On July 7, 2025, the Company fully repaid the remaining principal amount and the interest payable on the receivables financing loan. The loan bore an interest rate of 18% per annum with interest payable on a monthly basis. Interest expense for the year ended December 31, 2025 was \$610 (2024 – \$1,229).

Inventory financing loan

In 2023, the Company entered into an inventory financing agreement with GrassHopper Capital Inc. (“GrassHopper”) whereby GrassHopper agreed to loan an aggregate principal amount of \$5,000 that matures in 12 months from the advance date. The full amount was advanced as of December 31, 2024. Obligations of the borrowers under the agreement are secured by a first-priority security interest in all cannabis inventory and are guaranteed by the Company. The Company has retained the risk of inventory impairment and therefore continued to recognize the transferred assets in their entirety in its consolidated statements of financial position.

In 2024, the Company and GrassHopper entered into an amended agreement to extend the maturity date to October 25, 2025. The Company agreed to pay an extension fee of \$150 on the closing date of the amended agreement. The amendment was treated as a debt modification under IFRS 9 as the terms were not substantially different and the discounted present value of the cash flows under the amended terms is less than 10% different from the discounted present value of the remaining cash flows from the original financial liability.

On October 24, 2025, the Company fully repaid the remaining principal amount and the interest payable on the inventory financing loan. The loan bore an interest of 18% per annum with interest payable on a monthly basis. Interest expense for the year ended December 31, 2025 was \$749 (2024 – \$855).

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15. Promissory notes

The promissory notes balance consists of the following:

	As at	
	December 31, 2025	December 31, 2024
Fresh Energy Agreement	\$ -	\$ 516
Due to Peter Quiring	2,792	2,802
Total	\$ 2,792	\$ 3,318
Less: current portion	1,037	929
Long-term portion	\$ 1,755	\$ 2,389

Fresh Energy Agreement

Concurrently with the acquisition of Auxly Leamington in 2021, Auxly Leamington and Fresh Energy Inc. ("Fresh Energy") agreed to the transfer of (or part of) a load facility located at 525 County Rd. 14, Mersea Rd 9 PH 5 (the "Transfer"). The consideration for the Transfer includes an unsecured, non-interest-bearing promissory note in the principal amount of \$3,000 payable in monthly instalments of \$100 for 30 months, starting in 2021. Using a discount rate of 3.8%, the Company recognized a promissory note of \$2,860 and a corresponding intangible asset of \$2,860. The Company recorded a contingent consideration payable of \$500 upon the completion of the Transfer. The Transfer of the load facility from Fresh Energy to the Company was completed in 2023.

Due to Peter Quiring

An unsecured promissory note of \$3,400 was issued to Peter Quiring as part of the consideration for the acquisition of Auxly Leamington in 2021. Such unsecured promissory note bears interest of 6.0% per annum and was originally payable in monthly instalments of \$210 for 18 months, starting December 2022.

2023 Amendments

In 2023, the Company entered into an agreement to amend the Fresh Energy promissory note whereby the \$500 contingent consideration payable was added to the remaining principal amount outstanding and the Company shall continue to pay monthly instalments of \$100 until the revised outstanding amount is repaid.

The \$3,400 unsecured promissory note issued to Peter Quiring was also amended to require the Company to pay monthly instalments of \$100 for 36 months, starting November 2024 and maturing in November 2027. The unsecured promissory note bears interest of 6.0% per annum, with interest accrual starting October 15, 2024.

2024 Amendments

In 2024, the Company entered into a second amendment agreement to amend the Fresh Energy promissory note to revise the payment schedule for the remaining principal outstanding. Under the revised payment plan, the monthly instalments were reduced to \$25 for 12 months beginning March 15, 2024 and resume to \$100 until the outstanding amount is repaid. On July 15, 2025, the maturity date of the amended Fresh Energy promissory note, the Company fully repaid the remaining principal amount owing.

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15. Promissory notes (continued)

In 2024, the unsecured note owing to Peter Quiring was amended for a second time, such that the Company will be required to pay monthly instalments of \$100, starting in August 2025 and maturing in November 2028, and a one-time payment of \$72 on the maturity date of the note. The unsecured promissory note bears interest of 8.0% per annum between November 2024 and August 2025, and 6.0% per annum starting August 2025.

Both amendment agreements with Peter Quiring and Fresh Energy were treated as debt modifications under IFRS 9 as the terms were not substantially different and the discounted present value of cash flows under the extension is less than 10% different from the discounted present value of the remaining cash flow of the original financial liability.

The continuity schedule of the promissory notes is presented below:

	As at		As at	
	December 31, 2025		December 31, 2024	
Balance, beginning of year	\$	3,318	\$	3,488
Payments		(1,050)		(450)
Interest and accretion expense		524		497
Impact of debt modification		-		(217)
Balance, end of year	\$	2,792	\$	3,318

16. Share capital

The share capital of the Company is summarized below:

	December 31, 2025	December 31, 2024		December 31, 2025	December 31, 2024
Issued and outstanding shares			Outstanding securities		
Issued shares	1,367,038,794	1,308,255,933	Warrants	159,185,118	109,970,142
Escrowed shares	1,888,421	1,888,421	Convertible debentures	-	1,234,568
Outstanding shares	1,365,150,373	1,306,367,512	Options	15,131,169	19,286,581
			Restricted share units	156,878,213	84,913,751

a) Authorized

The Company is authorized to issue an unlimited number of common shares.

b) Issued and outstanding

As at December 31, 2025, there were 1,367,038,794 issued and outstanding common shares, with 1,888,421 shares held in escrow related to the contingent considerations in acquisitions and investments (December 31, 2024 had 1,308,255,933 issued and outstanding common shares, and 1,888,421 shares held in escrow related to contingent considerations in acquisitions and investments).

During 2025, 18,777,730 common shares were issued as part of the settlement of RSUs issued, including 18,604,875 of common shares originally intended to be settled in cash. Refer to Note 23 for more information. During 2024, 25,495,773 common shares were issued as part of settlement of RSUs issued in 2022.

On July 8, 2025, 18,336,489 common shares were issued as part of the Imperial Debenture Settlement whereby \$1,000 principal amount and \$1,387 of interest payable were converted. Refer to Note 13 for more information.

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16. Share capital (continued)

On March 28, 2024, 241,316,117 common shares were issued as part of the Imperial Debt Conversion whereby 150,433,450 convertible debenture units and \$1,565 of accrued interest were converted into 90,882,667 common shares. Refer to Note 13 for more information.

On February 8, 2024, 5,105,769 common shares issued as part of the acquisition of Inverell in 2019 were released from escrow, cancelled and returned to the treasury of the Company as a result of the disposal of the subsidiary in 2023.

c) Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table summarizes information about warrants outstanding as at December 31, 2025:

	Number of warrants	Average exercise price (\$)	Average remaining life (years)
Opening balance, January 1, 2024	187,977,199	0.149	2.67
Warrants exercised	(33,411,358)	0.045	-
Warrants expired	(44,595,699)	0.435	-
Closing balance, December 31, 2024	109,970,142	0.064	2.23
Warrants issued	90,883,618	0.000	3.00
Warrants exercised	(21,668,642)	0.045	-
Warrants expired	(20,000,000)	0.150	-
Closing balance, December 31, 2025	159,185,118	0.019	2.39

During the year ended December 31, 2025, 17,088,642 warrants (2024 – 33,411,358) from the February 2023 private placement and 4,580,000 warrants (2024 – nil) from the June 2021 bought deal were exercised. Each warrant entitled the investor to purchase one common share at the price of \$0.045 per common share. For year ended December 31, 2025, the Company recorded proceeds of \$976 (2024 – \$1,503) in the consolidated statements of cash flows for warrants exercised.

As part of the Imperial Debentures Settlement, the Company issued 90,883,618 pre-funded warrants to acquire up to 90,883,618 shares in exchange for \$7,371 of interest payable owed under the Imperial convertible debenture. Each warrant entitles an affiliate of Imperial to purchase one share for a nominal exercise price at any time prior to the expiry date, December 31, 2028. Refer to Note 13 for more information.

d) Stock options

The Company has an equity incentive plan to provide incentives to directors, employees and consultants of the Company. The total number of options awarded is limited to 10% of the issued and outstanding shares, or 136,703,879 as at December 31, 2025.

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16. Share capital (continued)

The following table summarizes information about stock options outstanding as at December 31, 2025:

	Number of options	Average exercise price (\$)	Average remaining life (years)
Opening balance, January 1, 2024	19,721,837	0.713	2.95
Options granted	2,000,000	0.025	4.05
Options expired	(1,935,000)	0.989	-
Options forfeited	(500,256)	0.348	-
Closing balance, December 31, 2024	19,286,581	0.623	2.45
Options expired	(1,800,412)	0.311	-
Options forfeited	(2,355,000)	0.806	-
Closing balance, December 31, 2025	15,131,169	0.632	1.73

During 2025, the Company did not grant any new stock options (2024 – 2,000,000). Total options exercisable as at December 31, 2025 were 14,644,243 (December 31, 2024 – 16,674,815) with a remaining average life of 1.70 years (December 31, 2024 – 2.42 years). During the year ended December 31, 2025, the Company recorded equity-based compensation expense of \$70 for stock options (2024 – \$146). Refer to Note 23 for more information.

The fair value of stock options issued during 2024 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

For the years ended December 31:	2024
Risk-free annual interest rate	5.05%
Expected annual dividend yield	0%
Expected annualized volatility	100.42%
Expected life of options (in years)	6.98

e) Restricted share units

The issuance of restricted share units (“RSUs”) in accordance with the Company’s equity incentive plan allows employees and management of the Company to participate in the growth and development of the Company. Under the terms of the plan, RSUs are issued to the participants, and the units issued vest over a period of up to three years from the grant date. On the vesting date, the Company can redeem all of the participants’ RSUs in cash and/or by issuing one common share for each RSU.

The following table summarizes information about the RSUs outstanding as at December 31, 2025:

	Number of RSUs	Weighted average issue price (\$)	Average remaining life (years)
Opening balance, January 1, 2024	51,286,687	0.091	1.00
RSUs issuance	86,142,609	0.045	1.51
RSUs settled	(51,488,311)	0.091	-
RSUs forfeited	(1,027,234)	0.091	-
Closing balance, December 31, 2024	84,913,751	0.045	1.51
RSUs issuance	73,182,674	0.084	1.55
RSUs transferred from Cash Settled RSUs	158,920,849	0.018	-
RSUs settled	(159,093,704)	0.018	-
RSUs forfeited	(1,045,357)	0.062	-
Closing balance, December 31, 2025	156,878,213	0.063	1.09

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16. Share capital (continued)

During 2025, the Company approved an amendment to settle 158,920,849 of Cash Settled RSUs in common shares of the Company. As a result of this change in settlement, these awards, with a fair value of \$5,594, were reclassified from liabilities to contributed surplus on the consolidated statements of financial position. These RSUs were settled in December 2025 through the issuance of 18,604,875 common shares. Refer to Note 23 for more information.

During 2025, the Company issued 73,182,674 (2024 – 86,142,609) RSUs to eligible employees and directors and settled 172,855 RSUs related to RSUs issued in 2024 (2024 – 51,488,311 RSUs related to RSUs issued in 2022). As at December 31, 2025, the unrecognized equity-based compensation related to issued RSU was \$3,812 (December 31, 2024 – \$1,749), which will be recognized over the remaining life as the RSUs vest. During 2025, the Company settled \$40 of RSUs originally intended to be settled through equity issuance in cash.

RSUs are measured at their intrinsic fair value on the date of grant based on the closing price of the Company's shares on the date prior to the grant and are recognized as equity-based compensation expense over the vesting period, based on the numbers of awards expected to vest.

The assumptions used for the valuation of RSUs include:

For the years ended December 31:		
	2025	2024
Expected forfeiture rate	14.32%	22.00%
Expected life of RSUs	1–3 years	0–3 years

f) Net income/(loss) per share

Basic net income/(loss) per share is calculated by dividing the net income/(loss) for the period attributable to the shareholders by the weighted average number of shares in circulation during the period. Diluted net income/(loss) per share is determined by adjusting the net income/(loss) attributable to its shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise convertible debentures, warrants, stock options and restricted share units issued.

For the years ended December 31,		
	2025	2024
Net income/(loss)	\$ 41,855	\$ (16,348)
Weighted average number of shares outstanding for basic earnings per share	1,329,411,626	1,204,591,972
Dilutive impact of assumed exercise or conversion of:		
Restricted share units	124,161,831	-
Warrants	131,358,490	-
Stock options	1,798,996	-
Weighted average number of shares outstanding for diluted earnings per share	1,586,730,943	1,204,591,972
Income/(loss) per common share – basic (\$)	\$ 0.03	\$ (0.01)
Income/(loss) per common share – diluted (\$)	\$ 0.03	\$ (0.01)

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17. Related party balances and transactions

Key management and director compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors and executive officers. Compensation of key management personnel may include short-term and long-term benefits as applicable, including salaries, bonuses, equity-based awards or post-employment benefits.

Compensation provided to key management personnel is as follows:

For the years ended December 31,		2025	2024
Short-term benefits	\$	5,223	\$ 2,155
Long-term benefits		4,731	3,783
Total	\$	9,954	\$ 5,938

18. Financial instruments and risk management

The Company has exposure to the following risks from its use of financial instruments. The Board of Directors approves and monitors the risk management processes.

a) Financial instrument classification and measurement

Financial instruments that are recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in the markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The table below presents the fair value of the Company's financial instruments. The carrying values of the Company's financial instruments approximate their fair values.

	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 142	\$ -	\$ -	\$ 142
Long-term investments	-	-	261	261
Balance, December 31, 2025	\$ 142	\$ -	\$ 261	\$ 403
	Level 1	Level 2	Level 3	Total
Short-term investments	\$ 143	\$ -	\$ -	\$ 143
Long-term investments	-	-	594	594
Balance, December 31, 2024	\$ 143	\$ -	\$ 594	\$ 737

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18. Financial instruments and risk management (continued)

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash and cash equivalents, restricted cash, short-term investments, accounts receivable, other receivables, deposits, long-term investments, accounts payable and accrued liabilities, other current liabilities, other non-current liabilities, promissory notes, loans payable and convertible debentures.

As at December 31, 2025, the carrying values of cash and cash equivalents, restricted cash and short-term investments are measured at fair value. The carrying values of accounts receivable, accounts payable and accrued liabilities, and other receivables approximate their fair values due to their short-term nature. The carrying values of loans payable, promissory notes and convertible debentures are discounted at the effective interest rate and approximate their fair values. The carrying values of Cash Settled RSUs recorded in other current liabilities and other non-current liabilities are measured at their fair value at each reporting period, based on the closing price of the Company's common shares on the reporting period.

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's net income/(loss) or the value of its financial instruments. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns. The Company is exposed to equity price risk, which arises from investments measured at fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial instrument	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in private companies	Market approach	Investment index	If the investment index fair value change increased/(decreased) by 10%, the estimated fair value of the long-term investment would increase/(decrease) by \$26/(\$26) (December 31, 2024 – \$59/(\$59)).

d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. All the Company's financial debt is on fixed interest rates, with the exception of the Amended and Restated Credit Facility with the Bank of Montreal. For financial debt on fixed interest rates, a change in interest rates will not impact the Company's income or cash flows during the contract term. For the Amended Credit Facility, the impact of a 10% increase/(decrease) in interest rate would increase/(decrease) interest expense by \$152/(\$152) for the year ended December 31, 2025 (2024 – \$206/(\$206)).

e) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The financial instruments that are exposed to such risk include cash and cash equivalents, accounts receivable and other receivables. Management has mitigated the risk by using Tier 1 financial institutions for managing its cash and has established communication channels with the counterparties of the receivables for ongoing monitoring of their financial performance.

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18. Financial instruments and risk management (continued)

f) Liquidity risk

Auxly has entered into certain agreements that commit the Company to future funding following a mutually agreed-upon event or events. The Company has the following undiscounted contractual obligations as at December 31, 2025:

	Fiscal year 2026	Fiscal year 2027	Fiscal year 2028	Fiscal year 2029	Thereafter	Total
Accounts payable and accrued liabilities	\$ 35,795	\$ -	\$ -	\$ -	\$ -	\$ 35,795
Lease obligations	3,181	2,397	1,071	745	6,935	14,329
Loans payable obligations	5,462	38,456	4	-	-	43,922
Promissory note obligations	1,200	1,200	1,157	-	-	3,557
Total	\$ 45,638	\$ 42,053	\$ 2,232	\$ 745	\$ 6,935	\$ 97,603

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with its financial liabilities. The Company maintains financial covenants on its debt obligations and does not anticipate being in breach of any of its financial covenants. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

g) Foreign exchange risk

The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated group determines its own functional currency. The Company is exposed to certain foreign currency risk in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk at the end of the reporting period, expressed in Canadian dollars, includes a net payable of \$1,174 (December 31, 2024 – \$568) denominated in USD. A 10% increase/(decrease) in the exchange rate would increase/(decrease) net income/(loss) by \$117/(\$117) for the year ended December 31, 2025 (2024 – \$57/(\$57)).

19. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company considers its capital structure to include debt and shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares or debt and/or acquire or dispose of assets to maintain or adjust its capital structure. The Company is dependent on expected business growth, changes in the business environment and capital markets as its source of operating capital. There were no changes to the Company's approach to capital management in the period.

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20. Commitments and contingencies

Commitments

As at December 31, 2025, the Company entered into various contractual obligations, in respect of long-term debt obligations and leases relating to office spaces, equipment and land. Refer to Note 16(f) for more information. Commitments have not been described where agreements are insufficiently advanced, unlikely to progress further or amounts are indeterminable.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to the consolidated financial statements.

The Company entered into a brokerage agreement with Kindred Partners Inc. ("Kindred") to act as the Company's strategic sales agent in September 2019. In October 2022, the brokerage agreement with Kindred was terminated. In January 2023, Kindred commenced arbitration against the Company for an aggregate claim of \$3,442 and the Company filed its defence and counterclaim against Kindred. During the second quarter of 2024, the Company reached a settlement of \$2,200 payable to Kindred. The first payment of \$400 was made in September 2024, followed by 12 monthly instalments of \$150 starting in October 2024. The Company fully repaid the remaining amount owing to Kindred during September 2025.

21. Selling, general and administrative expenses

The breakdown of the Company's selling, general and administrative expenses is as follows:

For the years ended December 31,		2025	2024
Wages and benefits	\$	19,681	\$ 16,871
Office and administrative		5,533	5,214
Professional fees		1,701	2,246
Business development		496	397
Selling expenses		15,941	10,948
Total	\$	43,352	\$ 35,676

22. Interest and accretion expenses

The breakdown of the Company's interest and accretion expenses is as follows:

For the years ended December 31,		2025	2024
Total interest expense	\$	6,658	\$ 15,041
Less non-cash interest on Imperial Brands convertible debentures		(21)	(1,255)
Less non-cash accretion expense on convertible debentures		(76)	(3,544)
Less non-cash interest and accretion expense on promissory notes		(524)	(497)
Less deferred financing fees amortization		(317)	(586)
Less accretion on other liabilities		(109)	(324)
Total cash interest	\$	5,611	\$ 8,835

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23. Equity-based compensation

The Company's total equity-based compensation expense recognized is as follows:

For the years ended December 31,	2025	2024
Stock options	\$ 70	\$ 146
Restricted share units	3,351	1,560
Cash Settled restricted share units	2,299	3,349
Total equity-based compensation	\$ 5,720	\$ 5,055

Cash Settled restricted share units

During 2023, the Company issued RSUs to eligible employees and directors; such RSUs will be settled for their cash equivalent on the applicable settlement date, subject to a maximum settlement amount equal to two times the fair value of the RSUs ("Cash Settled RSUs"). For Cash Settled RSUs, the fair value of the RSUs is recognized as an equity-based compensation expense in the consolidated statements of income/(loss) and comprehensive income/(loss), with a corresponding increase in liabilities over the vesting period. The amount recognized as expense is based on the estimated number of RSUs expected to vest. Cash Settled RSUs are measured at their fair value at each reporting period, based on the closing price of the Company's common share on the reporting period.

During 2025, the Company settled 10,619,600 of Cash Settled RSUs for total cash payments of \$415. The Company approved an amendment to settled 158,920,849 of Cash Settled RSUs in common shares of the Company. As a result of this change in settlement, these awards, with a fair value of \$5,594, were reclassified from liabilities to contributed surplus on the consolidated statements of financial position. These RSUs were settled in December 2025 through the issuance of 18,604,875 common shares. All Cash Settled RSUs have been fully settled as at December 31, 2025. As at December 31, 2024, the Company had a balance of \$3,710 as other current liabilities on the consolidated statements of financial position related to Cash Settled RSUs, using an estimated forfeiture rate of 30%. Refer to Note 16 for more information.

The following table summarizes information about the Cash Settled RSUs:

	Number of RSUs	Weighted average issue price (\$)	Average remaining life (years)
Opening balance, January 1, 2024	176,178,062	0.018	1.46
Cash Settled RSUs settled	(365,057)	0.018	-
Cash Settled RSUs forfeited	(5,326,874)	0.018	-
Closing balance, December 31, 2024	170,486,131	0.018	0.66
Cash Settled RSUs settled	(10,619,600)	0.018	-
Cash Settled RSUs transferred to RSUs	(158,920,849)	0.018	-
Cash Settled RSUs forfeited	(945,682)	0.018	-
Closing balance, December 31, 2025	-	-	-

AUXLY CANNABIS GROUP INC.

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24. Income taxes

The Company operates in multiple jurisdictions with differing tax rates. The Company's effective tax rates are dependent on the jurisdiction to which income relates. The reconciliation of income tax computed at the statutory tax rates to income tax expense/(recovery) is as follows:

For the years ended December 31,		2025	2024
Net income/(loss) before income tax	\$	32,517	\$ (356)
Combined federal and provincial tax rate		26.5%	26.5%
Expected tax expense/(recovery)		8,617	(94)
Non-deductible expenses		168	479
Tax rate differentials		(654)	404
Change in estimated useful life of acquired intangible assets		(8,125)	-
Changes in deferred tax assets not recognized		(9,344)	(2,630)
Conversion of Imperial convertible debenture		-	21,232
Prior year tax amendments		-	(3,388)
Other		-	(11)
Income tax expense/(recovery)	\$	(9,338)	\$ 15,992

Deferred taxes are a result of temporary differences that arise due to the differences between the carrying amounts of assets and liabilities and the tax values. The movements of the deferred tax assets/(liabilities) consist of the following:

	As at December 31, 2024	Recovered through/ (charged to) statement of net income/(loss)	Recovered through/ (charged to) equity	As at December 31, 2025
Deferred tax assets				
Non-capital losses	\$ 8,175	\$ (4,748)	\$ -	\$ 3,427
Total deferred tax assets	\$ 8,175	\$ (4,748)	\$ -	\$ 3,427
Deferred tax liabilities				
Convertible debentures and other debt	\$ 916	\$ 247	\$ (1,213)	\$ (50)
Intangible assets	(7,529)	7,469	-	(60)
Property, plant and equipment	(8,051)	4,734	-	(3,317)
Financing and share issuance costs	895	(895)	-	-
Other	(2,531)	2,531	-	-
Total deferred tax liabilities	\$ (16,300)	\$ 14,086	\$ (1,213)	\$ (3,427)
Net deferred tax assets/(liabilities)	\$ (8,125)	\$ 9,338	\$ (1,213)	\$ -

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24. Income taxes (continued)

	As at December 31, 2023	Recovered through/ (charged to) statement of net income/(loss)	Recovered through/ (charged to) equity	As at December 31, 2024
Deferred tax assets				
Non-capital losses	\$ 20,341	\$ (12,166)	\$ -	\$ 8,175
Total deferred tax assets	\$ 20,341	\$ (12,166)	\$ -	\$ 8,175
Deferred tax liabilities				
Convertible debentures and other debt	\$ (15,067)	\$ (9)	\$ 15,992	\$ 916
Intangible assets	(7,423)	(106)	-	(7,529)
Property, plant and equipment	(6,258)	(1,793)	-	(8,051)
Financing and share issuance costs	799	96	-	895
Other	(517)	(2,014)	-	(2,531)
Total deferred tax liabilities	\$ (28,466)	\$ (3,826)	\$ 15,992	\$ (16,300)
Net deferred tax assets/(liabilities)	\$ (8,125)	\$ (15,992)	\$ 15,992	\$ (8,125)

Deferred tax assets have not been recognized with respect of the deductible temporary differences:

For the years ended December 31:

	2025	2024
Non-capital losses carried forward	\$ 240,931	\$ 237,050
Deductible temporary differences	61,585	83,824
Total	\$ 302,516	\$ 320,874

The Company has an income tax loss carry forward balance of approximately \$240,931 (2024 – \$268,156), which is predominately from Canada and, if unused, will expire between 2035 to 2045.

25. Changes in non-cash working capital

The following table reconciles the changes in non-cash working capital as presented in the Company's consolidated statements of cash flows:

For the years ended December 31,

	2025	2024
Short-term investments	\$ 1	\$ -
Restricted cash (Note 4)	307	-
Accounts receivable	950	(5,918)
Other receivables	(816)	91
Prepaid expenses	(1,133)	750
Interest payable	266	(235)
Biological assets and inventory (Notes 6, 7)	(3,247)	1,570
Accounts payable and accrued liabilities	(9,049)	3,648
Deferred revenue	351	-
Total	\$ (12,370)	\$ (94)

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26. Operating segments

Management evaluates and makes decisions on the operating performance by segment. The Company currently has one operating segment. The Company's Canadian cannabis operations are dedicated to the cultivation and sale of cannabis products within Canada, and include Auxly Charlottetown, Auxly Inc. and Auxly Leamington. All the Company's revenues are from its Canadian operations.

27. Assets and liabilities held for sale

The Company did not have assets held for sale as at December 31, 2025.

In 2023, the Company transitioned the Company's dried flower and pre-roll cannabis product manufacturing, processing and distribution activities from the Auxly Ottawa facility in Carleton Place, Ontario to the Auxly Leamington facility. The Auxly Ottawa facility was subsequently closed and was classified as assets held for sale. In 2024, the Company completed the sale of the Auxly Ottawa facility, with a carrying amount of \$2,000, for net proceeds of \$1,547. The proceeds from the sale have been used to support the Company's ongoing operations.

28. Subsequent events

- a) On February 13, 2026, the Company entered into an agreement of purchase and sale (the "Stalking Horse Agreement") with Ayurcann Holdings Corp. and its subsidiary, Ayurcann Inc. (together, "Ayurcann") pursuant to which the Company has agreed to acquire the business and material assets of Ayurcann. Ayurcann obtained creditor protection under the *Companies' Creditors Arrangement Act (Canada)* ("CCAA") pursuant to an initial order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated January 30, 2026.

Concurrently with the Stalking Horse Agreement, the Company executed a debtor-in-possession credit facility commitment (the "DIP Facility") in a principal amount of up to \$2.0 million, non-revolving, bearing interest at 12% per annum, with a 2.0% upfront commitment fee paid to the Company on execution. The DIP Facility is secured by a Court-ordered super-priority charge in favour of the Company over Ayurcann's property, to the extent and on the terms approved by the Court, and is available to fund Ayurcann's operations and restructuring expenses during the CCAA proceedings.

As at the date of these financial statements, the sale and investment solicitation process remains ongoing and the outcome of the bidding process is pending. The Company's offer is the stalking horse bid in the sale process. If the Company's bid is successful, closing is anticipated in the second quarter of 2026; however, there can be no assurance that the Company will be the successful bidder or that the proposed transaction will close on the terms contemplated in the Stalking Horse Agreement or at all.

- b) During March 2026, 38,000,000 warrants from the February 2023 private placement were exercised for total proceeds of \$1,710. Each warrant entitled the investor to purchase one common share at the price of \$0.045 per common share. Refer to Note 16 for more information.