

AUXLY CANNABIS GROUP INC.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025

Dated November 11, 2026

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

AUXLY CANNABIS GROUP INC.

Interim Condensed Consolidated Statements of Financial Position

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

As at:		**September 30, 2026**		December 31, 2025
Assets				
Current assets				
Cash and cash equivalents	**$**	**51,420**	$	32,279
Restricted cash (Note 4)		**250**		250
Short-term investments		**143**		142
Accounts receivable (Note 5)		**26,808**		20,801
Biological assets (Note 6)		**12,956**		10,488
Inventory (Note 7)		**28,899**		31,855
Prepaid expenses		**431**		1,370
Deposits (Note 11)		**1,917**		472
Other receivables		**626**		1,582
	$	**123,450**	$	99,239
Non-current assets				
Property, plant and equipment, net (Note 8)	**$**	**138,204**		143,636
Intangible assets, net (Note 9)		**27,048**		28,210
Long-term investments (Note 10)		**261**		261
Long-term deposits (Note 11)		**594**		290
	$	**166,107**	$	172,397
Total assets	**$**	**289,557**	$	271,636
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**41,675**	$	35,795
Interest payable (Note 14)		**217**		265
Lease liability (Note 12)		**2,478**		2,602
Loans payable (Note 14)		**6,450**		5,083
Promissory notes (Note 15)		**1,084**		1,037
Deferred revenue		**-**		351
	$	**51,904**	$	45,133
Non-current liabilities				
Lease liability (Note 12)	**$**	**6,960**	$	8,767
Loans payable (Note 14)		**34,743**		38,404
Promissory notes (Note 15)		**1,125**		1,755
	$	**42,828**	$	48,926
Total liabilities	**$**	**94,732**	$	94,059
Equity				
Share capital (Note 16)	**$**	**552,361**	$	549,557
Reserves (Notes 13, 16)		**105,981**		116,318
Accumulated other comprehensive income/(loss)		**(30,533)**		(30,533)
Retained earnings/(deficit)		**(432,984)**		(457,765)
Total equity	**$**	**194,825**	$	177,577
Total liabilities and equity	**$**	**289,557**	$	271,636

Commitments and contingencies (Note 20)

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

The interim condensed consolidated financial statements were approved by the Board of Directors on November 11, 2026, and were signed on its behalf by:

(s) Genevieve Young
Genevieve Young

AUXLY CANNABIS GROUP INC.

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

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Revenue				
Revenue from sales of cannabis products	**$ 76,867**	$ 59,363	**$ 207,372**	$ 167,699
Excise taxes	**(27,386)**	(19,465)	**(72,334)**	(56,330)
Total net revenue	**$ 49,481**	$ 39,898	**$ 135,038**	$ 111,369
Cost of sales				
Cost of finished cannabis inventory sold (Note 7)	**$ 21,557**	$ 17,532	**$ 60,146**	$ 52,904
Inventory impairment (Note 7)	**137**	235	**1,551**	505
Gross profit/(loss) excluding fair value items	**$ 27,787**	$ 22,131	**$ 73,341**	$ 57,960
Unrealized fair value gain/(loss) on biological transformation (Note 6)	**$ 14,433**	$ 18,093	**$ 36,794**	$ 46,247
Realized fair value gain/(loss) on inventory	**(11,552)**	(12,071)	**(37,293)**	(34,682)
Gross profit/(loss)	**$ 30,668**	$ 28,153	**$ 72,842**	$ 69,525
Expenses				
Selling, general and administrative expenses (Note 21)	**$ 13,710**	$ 11,641	**$ 37,626**	$ 31,628
Equity-based compensation (Notes 16, 23)	**1,359**	1,293	**3,808**	3,890
Depreciation and amortization (Notes 7, 8, 9)	**1,170**	1,224	**3,592**	3,796
Interest and accretion expenses (Note 22)	**985**	1,423	**3,148**	5,436
Total expenses	**$ 17,224**	$ 15,581	**$ 48,174**	$ 44,750
Other income/(loss)				
Interest and other income	**$ 75**	$ 26	**$ 403**	$ 105
Gain/(loss) on settlement of assets and liabilities and other expenses	**-**	6,775	**1**	6,571
Foreign exchange gain/(loss)	**95**	(95)	**(291)**	123
Total other income/(loss)	**$ 170**	$ 6,706	**$ 113**	$ 6,799
Net income/(loss) before income tax	**$ 13,614**	$ 19,278	**$ 24,781**	$ 31,574
Income tax recovery/(expense) (Note 9)	**-**	1,213	**-**	9,338
Net income/(loss)	**$ 13,614**	$ 20,491	**$ 24,781**	$ 40,912
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)
Total comprehensive income/(loss)	**$ 13,614**	$ 20,491	**$ 24,781**	$ 40,579
Net income/(loss) per common share* ($) (Note 16)				
Basic	**$ 0.13**	$ 0.21	**$ 0.24**	$ 0.43
Diluted	**$ 0.12**	$ 0.18	**$ 0.22**	$ 0.36
Weighted average number of shares outstanding* (Note 16)				
Basic	**103,111,698**	95,830,371	**101,271,947**	94,472,523
Diluted	**114,369,564**	114,691,081	**112,432,621**	112,229,756

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

*All shares and per share amounts have been adjusted to reflect the effect of 14:1 Share Consolidation effective July 28, 2026.

AUXLY CANNABIS GROUP INC.

Interim Condensed Consolidated Statements of Cash Flows

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Operating activities				
Net income/(loss) for the period	**$ 13,614**	$ 20,491	**$ 24,781**	$ 40,912
Items not affecting cash:				
Inventory impairment (Note 7)	**137**	235	**1,551**	505
Unrealized fair value loss/(gain) on biological transformation (Note 6)	**(14,433)**	(18,093)	**(36,794)**	(46,247)
Realized fair value loss/(gain) on inventory	**11,552**	12,071	**37,293**	34,682
Depreciation and amortization (Notes 7, 8, 9)	**2,787**	2,768	**8,688**	8,399
Interest and accretion expenses (Note 22)	**138**	211	**435**	887
Equity-based compensation (Notes 16, 23)	**1,201**	1,237	**3,650**	3,786
Unrealized foreign exchange loss/(gain)	**(164)**	29	**(122)**	(423)
Realized foreign exchange loss/(gain) on investing and financing activities	**-**	630	**-**	775
Income tax expense/(recovery) (Note 9)	**-**	(1,213)	**-**	(9,338)
Loss/(gain) on settlement of assets and liabilities and other expenses	**-**	(6,775)	**(1)**	(6,532)
Cash provided by/(used in) operating activities before net non-cash working capital adjustments	**$ 14,832**	$ 11,591	**$ 39,481**	$ 27,406
Net change in non-cash working capital (Note 24)	**(518)**	(1,851)	**(10,408)**	(11,989)
Net cash provided by/(used in) operating activities	**$ 14,314**	$ 9,740	**$ 29,073**	$ 15,417
Investing activities				
Purchase of property, plant and equipment (Note 8)	**$ (94)**	$ (1,648)	**$ (1,304)**	$ (2,014)
Proceeds from sale of assets (Note 8)	**-**	12	**3**	27
Advance of loans receivable (Note 26)	**-**	-	**(1,500)**	-
Receipt of loans receivable (Note 26)	**-**	-	**1,500**	-
Net cash provided by/(used in) investing activities	**$ (94)**	$ (1,636)	**$ (1,301)**	$ (1,987)
Financing activities				
Repayment of loans payable, net (Note 14)	**$ (14)**	$ (3,918)	**$ (2,633)**	$ (9,381)
Proceeds from loans payable (Note 14)	**-**	9,873	**266**	9,873
Deferred financing fees (Note 14)	**-**	(223)	**(45)**	(223)
Shares repurchased and cancelled (Note 16)	**(385)**	-	**(6,108)**	-
Proceeds from warrants exercised (Note 16)	**-**	529	**2,720**	976
Payment on promissory notes (Note 15)	**(300)**	(300)	**(900)**	(750)
Payment on lease liability, net (Note 12)	**(658)**	(612)	**(1,931)**	(1,802)
Net cash provided by/(used in) financing activities	**$ (1,357)**	$ 5,349	**$ (8,631)**	$ (1,307)
Increase/(decrease) in cash and cash equivalents during the period	**$ 12,863**	$ 13,453	**$ 19,141**	$ 12,123
Cash and cash equivalents, beginning of period	**38,557**	17,026	**32,279**	18,356
Cash and cash equivalents, end of period	**$ 51,420**	$ 30,479	**$ 51,420**	$ 30,479

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

AUXLY CANNABIS GROUP INC.

Interim Condensed Consolidated Statements of Changes in Equity

Expressed in thousands of Canadian dollars
Unaudited

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Share capital				
Balance, beginning of period	**$ 551,440**	$ 543,253	**$ 549,557**	$ 542,632
Shares issued on exercise of Imperial Brands convertible debentures (Note 13)	**-**	2,408	**-**	2,408
Exercise of warrants (Note 16)	**-**	1,105	**5,897**	1,726
Shares issued as employee awards (Note 16)	**1,306**	-	**3,015**	-
Share repurchased and cancelled (Note 16)	**(385)**	-	**(6,108)**	-
Share capital, end of period	**$ 552,361**	$ 546,766	**$ 552,361**	$ 546,766
Reserves				
Convertible debentures				
Balance, beginning of period	**$ 18,591**	$ 20,052	**$ 18,591**	$ 20,052
Fair value transfer to shares upon conversion, net of taxes (Note 13)	**-**	(1,461)	**-**	(1,461)
Convertible debentures, end of period	**$ 18,591**	$ 18,591	**$ 18,591**	$ 18,591
Warrants				
Balance, beginning of period	**$ 51,622**	$ 43,111	**$ 54,799**	$ 43,285
Warrants issued on Imperial Brands convertible debentures settlement (Note 13)	**-**	12,264	**-**	12,264
Exercise of warrants (Note 16)	**-**	(576)	**(3,177)**	(750)
Warrants, end of period	**$ 51,622**	$ 54,799	**$ 51,622**	$ 54,799
Contributed surplus				
Balance, beginning of period	**$ 41,129**	$ 40,722	**$ 42,928**	$ 39,507
Employee share options:				
Stock options (Notes 16, 23)	**8**	10	**24**	61
Restricted share units (Notes 16, 23)	**1,351**	874	**3,784**	2,038
Settlement of restricted share units (Note 16)	**(6,720)**	-	**(10,968)**	-
Contributed surplus, end of period	**$ 35,768**	$ 41,606	**$ 35,768**	$ 41,606
Reserves, end of period	**$ 105,981**	$ 114,996	**$ 105,981**	$ 114,996
Accumulated other comprehensive income/(loss)				
Balance, beginning of period	**$ (30,533)**	$ (30,533)	**$ (30,533)**	$ (30,200)
Fair value changes in long-term investments (Note 10)	**-**	-	**-**	(333)
Accumulated other comprehensive income/(loss), end of period	**$ (30,533)**	$ (30,533)	**$ (30,533)**	$ (30,533)
Retained earnings/(deficit)				
Balance, beginning of period	**$ (446,598)**	$ (479,199)	**$ (457,765)**	$ (499,620)
Net income/(loss)	**13,614**	20,491	**24,781**	40,912
Retained earnings/(deficit), end of period	**$ (432,984)**	$ (458,708)	**$ (432,984)**	$ (458,708)
Equity, end of period	**$ 194,825**	$ 172,521	**$ 194,825**	$ 172,521

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

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

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting* ("IAS 34"). The same accounting policies and methods of computation were followed in the preparation of these interim condensed consolidated financial statements as were followed in the preparation of the annual consolidated financial statements as at and for the year ended December 31, 2025.

At the Annual General and Special Meeting of Shareholders held on June 30, 2026, the Company's shareholders approved a consolidation of the Company's common shares. The share consolidation became effective on July 28, 2026 on the basis of a consolidation ratio of one (1) post-consolidation common share for every fourteen (14) pre-consolidation common shares (the "Share Consolidation"). For the purpose of share capital and per-share presentation, all common share, stock option, RSU, warrant and per-share amounts presented in the interim condensed consolidated financial statements have been retrospectively adjusted to reflect the Share Consolidation.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read together with the annual consolidated financial statements as at and for the year ended December 31, 2025, which are available on SEDAR at www.sedar.com and on the Company's website at www.auxly.com.

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements, are consistent with those disclosed in the notes to the annual consolidated financial statements as at and for the year ended December 31, 2025. These interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on November 11, 2026.

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 interim condensed consolidated financial statements of the Company include:

Subsidiaries	Equity interests
Auxly Inc.	100%
Auxly Charlottetown Inc. (“Auxly Charlottetown”)	100%
Auxly Leamington Inc. (“Auxly Leamington”)	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

Adoption of accounting pronouncements

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

In May 2024, amendments to IFRS 9, *Financial Instruments,* 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 (“FVOCI”). These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Company adopted the amendments with no material impact on the Company’s interim condensed consolidated financial statements.

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 interim condensed 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 IAS 1, *Presentation of Financial Statements*. 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 interim condensed consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard on its interim condensed consolidated financial statements.

4. Restricted cash

As at September 30, 2026, Auxly provided Enbridge Gas Inc. a letter of credit in the amount of $250 (December 31, 2025 – $250) as collateral in order to supply power to the Auxly Leamington facility.

5. Accounts receivable

Accounts receivable comprise the following:

	As at September 30, 2026	As at December 31, 2025
Less than 30 days past billing date	**$ 23,879**	$ 18,330
31 to 60 days past billing date	**2,233**	1,349
61 to 90 days past billing date	**263**	887
Over 90 days past billing date	**433**	235
	$ 26,808	$ 20,801

6. Biological assets

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

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**
Changes in fair value less cost to sell due to biological transformation	36,794
Capitalized production costs	18,169
Transferred to inventory upon harvest	(52,495)
Balance, September 30, 2026	**$ 12,956**

As at September 30, 2026, the Company's cannabis biological assets consisted of 168,074 plants (December 31, 2025 – 168,340 plants) and the Company's cannabis plants were on average 51% (December 31, 2025 – 55%) 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) Standard cost per gram to complete production; and
(e) Cumulative stage of completion in production process.

6. Biological assets (continued)

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

As at September 30, 2026			
Significant inputs and assumptions	**Range of inputs**	**Sensitivity**	**Effect on biological asset balance**
Selling price per gram	$0.06–$1.32 dollar	Increase/decrease $0.10/gram	Increase/decrease $2,218
Average yield per plant	132 grams	Increase/decrease 10%	Increase/decrease $1,604
Post-harvest cost per gram	$0.06 dollar	Increase/decrease $0.01/gram	Decrease/increase $222

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

7. Inventory

The following is a breakdown of inventory:

		As at September 30, 2026		As at December 31, 2025
Dried cannabis				
Work-in-process	**$**	**15,731**	$	19,745
Finished goods		**2,862**		2,440
Generation 2 derivative products				
Work-in-process		**858**		2,806
Finished goods		**2,201**		2,307
Packaging, hardware, consumables and ingredients		**7,247**		4,557
Total	**$**	**28,899**	$	31,855

As at September 30, 2026, the Company recognized $28,899 (December 31, 2025 – $31,855) of inventory on the interim condensed consolidated statements of financial position, including $7,864 non-cash income (December 31, 2025 – $11,120) relating to the fair value less cost to sell transferred to inventory upon harvest. During the three and nine months ended September 30, 2026, inventory expensed to cost of sales was $20,807 (2025 – $16,970) and $57,987 (2025 – $51,333), respectively.

Depreciation capitalized into inventory during the three and nine months ended September 30, 2026 was $1,427 (2025 – $1,371) and $4,306 (2025 – $4,483). Cost of sales for the three and nine months ended September 30, 2026 included $1,617 (2025 – $1,544) and $5,096 (2025 – $4,603) of depreciation.

During the three and nine months ended September 30, 2026, the Company recognized a loss of $137 (2025 – $235) and $1,551 (2025 – $505) 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, 2025	$ 3,613	$ 21,571	$ 33,085	$ 122,938	$ 81	$ 4,127	$ 21,890	**$ 207,305**
Additions	86	-	749	-	469	-	-	**1,304**
September 30, 2026	**$ 3,699**	**$ 21,571**	**$ 33,834**	**$ 122,938**	**$ 550**	**$ 4,127**	**$ 21,890**	**$ 208,609**
Accumulated depreciation:								
December 31, 2025	$ 3,227	$ 6,848	$ 17,971	$ 20,299	$ -	$ 27	$ 15,297	**$ 63,669**
Depreciation	111	721	1,838	3,158	-	-	908	**6,736**
September 30, 2026	**$ 3,338**	**$ 7,569**	**$ 19,809**	**$ 23,457**	**$ -**	**$ 27**	**$ 16,205**	**$ 70,405**
Carrying amounts								
September 30, 2026	**$ 361**	**$ 14,002**	**$ 14,025**	**$ 99,481**	**$ 550**	**$ 4,100**	**$ 5,685**	**$ 138,204**

	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**

9. Intangible assets

	Cultivation interests	Canadian cultivation licences	Processing licences	Distribution agreements	Other	Total
Cost:						
December 31, 2025 and September 30, 2026	$ 14,016	$ 10,340	$ 17,371	$ 284	$ 4,199	**$ 46,210**
Accumulated amortization:						
December 31, 2025	$ 14,016	$ 405	$ 1,022	$ 284	$ 2,273	**$ 18,000**
Amortization	-	305	766	-	91	**1,162**
September 30, 2026	**$ 14,016**	**$ 710**	**$ 1,788**	**$ 284**	**$ 2,364**	**$ 19,162**
Carrying amounts						
September 30, 2026	**$ -**	**$ 9,630**	**$ 15,583**	**$ -**	**$ 1,835**	**$ 27,048**

9. Intangible assets (continued)

	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**

Effective January 1, 2025, the Company determined the estimated useful lives 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 interim condensed 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 recorded a deferred tax recovery of $8,125 during the first quarter of 2025, with a corresponding reduction to deferred tax liability.

10. Long-term investments

Entity	Instrument	Classification	As at December 31, 2025	Fair value change	Purchases/ (sales)	As at September 30, 2026
Cannabis OneFive Inc.	**Shares**	**FVOCI**	**$ 261**	**$ -**	**$ -**	**$ 261**

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

11. Deposits

	Property, plant and equipment	Inventory	Other	Total
Current portion	$ -	$ 1,917	$ -	**$ 1,917**
Non-current portion	375	-	219	**594**
As at September 30, 2026	**$ 375**	**$ 1,917**	**$ 219**	**$ 2,511**

	Property, plant and equipment	Inventory	Other	Total
Current portion	$ -	$ 422	$ 50	**$ 472**
Non-current portion	86	-	204	**290**
As at December 31, 2025	**$ 86**	**$ 422**	**$ 254**	**$ 762**

12. Lease liability

	As at September 30, 2026	As at December 31, 2025
Balance, beginning of period	$ 11,369	$ 13,792
Payments	(2,381)	(3,159)
Interest expense	450	736
Balance, end of period	$ 9,438	$ 11,369

	As at September 30, 2026	As at December 31, 2025
Maturity analysis – contractual undiscounted cash flows		
Less than one year	$ 2,925	$ 3,181
Two years and beyond	9,023	11,148
Total undiscounted lease obligations	$ 11,948	$ 14,329
Current portion	$ 2,478	$ 2,602
Long-term portion	6,960	8,767
Discounted lease obligations included in the interim condensed consolidated statements of financial position	$ 9,438	$ 11,369

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 $11.34 per share, at the option of the holder.

In July 2025, 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 88,183 common shares of the Company at a conversion price of $11.34 per common share;
- Imperial converted $1,387 of interest payable under the convertible debenture into 1,221,566 shares at a conversion price of $1.135 per share, based on the trailing five-day volume-weighted average trading price of the shares on the TSX; and
- The Company issued pre-funded warrants to acquire up to 6,491,687 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

13. Convertible debentures (continued)

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.

Following this issuance of 1,309,749 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 interim condensed 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 interim condensed 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.

The convertible debenture was settled during July 2025. The associated accretion expense for the three and nine months ended September 30, 2025 was $3 and $76, respectively. Interest expense for the three and nine months ended September 30, 2025 was $1 and $21, respectively.

14. Loans payable

		As at September 30, 2026		As at December 31, 2025
Amended Credit Facility	**$**	**40,950**	$	43,472
Equipment loans payable		**243**		15
Total	**$**	**41,193**	$	43,487
Less: current portion		**6,450**		5,083
Long-term portion	**$**	**34,743**	$	38,404

Amended Credit Facility

Funding for the Auxly Leamington facility was provided through equity and a subordinated debt from the Company, together with a secured credit facility underwritten by a syndicate of lenders led by Bank of Montreal (“BMO”).

In July 2025, the Company amended and restated Auxly Leamington’s existing credit facility agreement with a syndicate of lenders led by BMO (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.

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 September 30, 2026, the Company was in compliance with all financial covenants.

14. Loans payable (continued)

The Company recorded deferred financing charges of $223 on the recognition of the new financial liability, which will be amortized until June 30, 2027. During the three and nine months ended September 30, 2026, the Company recorded deferred financing charges of $nil (2025 – $nil) and $45 (2025 – $nil), representing the annual agency fee. As at September 30, 2026, the Company had a deferred financing charge balance of $95 (December 31, 2025 – $168) on its interim condensed consolidated statements of financial position. The continuity schedule of the Amended Credit Facility is presented below:

		As at September 30, 2026		As at December 31, 2025
Balance, beginning of period	$	43,472	$	38,254
Additions		-		9,873
Payments		(2,595)		(4,758)
Deferred financing fees additions		(45)		(223)
Deferred financing fees amortization		118		195
Derecognition of deferred financing fees		-		131
Balance, end of period	$	40,950	$	43,472
Less: current portion		6,394		5,078
Long-term portion	$	34,556	$	38,394

Interest expense on the Amended Credit Facility for the three and nine months ended September 30, 2026 was $725 (2025 – $901) and $2,206 (2025 – $2,238).

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 2.8% to 16.5% per annum. The continuity schedule of the equipment loans is presented below:

		As at September 30, 2026		As at December 31, 2025
Balance, beginning of period	$	15	$	701
Additions		266		18
Payments		(43)		(740)
Interest expense		5		36
Balance, end of period	$	243	$	15
Less: current portion		56		5
Long-term portion	$	187	$	10

Receivables financing loan

In 2022, the Company entered into a receivables financing agreement with Savent Financial Canada Corp. 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 interim condensed consolidated statements of financial position.

14. Loans payable (continued)

In 2024, the Company entered into 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.

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 three and nine months ended September 30, 2025 was $21 and $610, respectively.

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 interim condensed 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, for an extension fee of $150.

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 three and nine months ended September 30, 2025 was $227 and $673, respectively.

15. Promissory notes

The continuity schedule of the promissory notes is presented below:

	As at September 30, 2026	As at December 31, 2025
Balance, beginning of period	**$ 2,792**	$ 3,318
Payments	**(900)**	(1,050)
Interest and accretion expense	**317**	524
Balance, end of period	**$ 2,209**	$ 2,792
Less: current portion	**1,084**	1,037
Long-term portion	**$ 1,125**	$ 1,755

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. 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 of the load facility, which was completed in 2023.

15. Promissory notes (continued)

The Fresh Energy promissory note was amended multiple times over 2023 and 2024. Based on the latest amendment in 2024, monthly instalments were $25 for 12 months beginning March 15, 2024 and resumed to $100 until the outstanding amount is repaid. On July 15, 2025, the maturity date of the amended agreement, the Company fully repaid the remaining principal amount owing.

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 at 6.0% per annum and was originally payable in monthly instalments for 18 months, starting December 2022.

The promissory note was amended multiple times over 2023 and 2024. Based on the latest amendment in 2024, the Company began 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 at 8.0% per annum between November 2024 and August 2025, and 6.0% per annum starting August 2025.

16. Share capital

The share capital of the Company is summarized below:

	September 30, 2026	December 31, 2025
Issued and outstanding shares		
Issued shares	**103,270,121**	97,645,552
Escrowed shares	**134,887**	134,887
Outstanding shares	**103,135,234**	97,510,665

	September 30, 2026	December 31, 2025
Outstanding securities		
Warrants	**7,027,401**	11,370,365
Options	**704,346**	1,080,769
Restricted share units	**5,827,555**	11,205,560

a) Authorized

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

b) Issued and outstanding

As at September 30, 2026, there was 103,270,121 issued and outstanding common shares, with 134,887 shares held in escrow related to the contingent considerations in acquisitions and investments (December 31, 2025 had 97,645,552 issued and outstanding common shares, and 134,887 shares held in escrow related to contingent considerations in acquisitions and investments).

c) Normal course issuer bid

On April 14, 2026, the Company announced that it has filed with the TSX, and the TSX has accepted, the Company's notice of intention to make a normal course issuer bid (the "NCIB"). Under the NCIB, the Company is permitted to purchase for cancellation, on the open market, during the period commencing April 20, 2026 and ending on the earlier of April 19, 2027 and the completion of purchases under the NCIB, up to 4,921,428 common shares of the Company, representing less than 5% of the issued and outstanding common shares of the Company as of April 7, 2026, subject to the policies of the TSX.

16. Share capital (continued)

The Company entered into an automatic share purchase plan ("ASPP"), which has been pre-cleared by TSX, with its designated broker. The ASPP is intended to facilitate the repurchase of shares under the NCIB during pre-determined times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions and blackout periods. Such purchases will be determined by the designated broker based on purchasing parameters set by the Company in accordance with the rules of the TSX, applicable securities laws and terms of the ASPP.

Outside the pre-determined blackout periods, the Company may purchase shares under the NCIB based on management's discretion, in compliance with TSX rules and applicable securities laws.

During the nine months ended September 30, 2026, the Company repurchased and cancelled 2,720,693 shares under the NCIB for $6,108, inclusive of broker fees.

d) Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table summarizes information about warrants outstanding as at September 30, 2026:

	Number of warrants	Average exercise price ($)	Average remaining life (years)
Opening balance, January 1, 2025	**7,855,006**	**0.896**	**2.23**
Warrants issued	6,491,687	0.001	3.00
Warrants exercised	(1,547,757)	0.630	-
Warrants expired	(1,428,571)	2.093	-
Closing balance, December 31, 2025	**11,370,365**	**0.271**	**2.39**
Warrants exercised	(4,318,139)	0.630	-
Warrants expired	(24,825)	0.630	-
Closing balance, September 30, 2026	**7,027,401**	**0.049**	**2.19**

During the nine months ended September 30, 2026, 2,714,285 warrants (2025 – 934,903) from the February 2023 private placement and 1,603,854 warrants (2025 – 612,857) from the June 2021 bought deal were exercised. Each warrant entitled the investor to purchase one common share at the price of $0.630 per common share. For the three and nine months ended September 30, 2026, the Company recorded proceeds of $nil (2025 – $529) and $2,720 (2025 – $976) on the interim condensed consolidated statements of cash flows for warrants exercised.

e) 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 10,327,012 as at September 30, 2026.

16. Share capital (continued)

The following table summarizes information about stock options outstanding as at September 30, 2026:

	Number of options	Average exercise price ($)	Average remaining life (years)
Opening balance, January 1, 2025	**1,377,568**	**8.728**	**2.45**
Options granted	-	-	-
Options expired	(128,593)	4.348	-
Options forfeited	(168,206)	11.277	-
Closing balance, December 31, 2025	**1,080,769**	**8.852**	**1.73**
Options expired	(375,709)	3.792	-
Options forfeited	(714)	17.360	-
Closing balance, September 30, 2026	**704,346**	**11.542**	**1.64**

Total options exercisable as at September 30, 2026 were 694,845 (December 31, 2025 – 1,046,017) with a remaining average life of 1.64 years (December 31, 2025 – 1.70 years). During the three and nine months ended September 30, 2026, the Company recorded equity-based compensation expense of $8 (2025 – $10) and $24 (2025 – $61) for stock options. Refer to Note 23 for more information.

f) 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 September 30, 2026:

	Number of RSUs	Weighted average issue price ($)	Average remaining life (years)
Opening balance, January 1, 2025	**6,065,253**	**0.630**	**1.51**
RSUs issuance	5,227,320	1.170	1.55
RSUs transferred from Cash Settled RSUs	11,351,489	0.246	-
RSUs settled	(11,363,835)	0.247	-
RSUs forfeited	(74,667)	0.872	-
Closing balance, December 31, 2025	**11,205,560**	**0.880**	**1.09**
RSUs issuance	2,118,368	2.030	2.25
RSUs settled	(7,496,373)	0.737	-
Closing balance, September 30, 2026	**5,827,555**	**1.483**	**1.61**

During the three and nine months ended September 30, 2026, the Company settled $158 (2025 – $nil) of RSUs originally intended to be settled through equity issuance in cash.

As at September 30, 2026, the unrecognized equity-based compensation related to issued RSUs was $5,280 (December 31, 2025 – $3,812), which will be recognized over the remaining life as the RSUs vest. Refer to Note 23 for more information.

16. Share capital (continued)

g) 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 RSUs issued.

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Net income/(loss)	**$ 13,614**	$ 20,491	**$ 24,781**	$ 40,912
Weighted average number of shares outstanding for basic income/(loss) per share	**103,111,698**	95,830,371	**101,271,947**	94,472,523
Dilutive impact of assumed exercise or conversion of:				
Restricted share units	4,159,003	8,834,348	4,112,951	8,527,218
Warrants	6,914,610	9,869,600	6,881,156	9,116,946
Stock options	184,253	156,762	166,567	113,069
Weighted average number of shares outstanding for diluted income/(loss) per share	**114,369,564**	114,691,081	**112,432,621**	112,229,756
Income/(loss) per common share – basic ($)	**$ 0.13**	$ 0.21	**$ 0.24**	$ 0.43
Income/(loss) per common share – diluted ($)	**$ 0.12**	$ 0.18	**$ 0.22**	$ 0.36

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 periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Short-term benefits	**$ 1,224**	$ 1,590	**$ 3,378**	$ 3,624
Long-term benefits	**995**	1,111	**3,074**	3,252
Total	**$ 2,219**	$ 2,701	**$ 6,452**	$ 6,876

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 interim condensed 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	$ 143	$ -	$ -	**$ 143**
Long-term investments	-	-	261	**261**
Balance, September 30, 2026	**$ 143**	**$ -**	**$ 261**	**$ 404**

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 142	$ -	$ -	**$ 142**
Long-term investments	-	-	261	**261**
Balance, December 31, 2025	**$ 142**	**$ -**	**$ 261**	**$ 403**

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 September 30, 2026, 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.

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 FVOCI and fair value through profit or loss ("FVTPL").

18. Financial instruments and risk management (continued)

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, 2025 – $26/($26)).

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 Credit Facility with BMO. 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 $95/($95) for the nine months ended September 30, 2026 (2025 – $117/($117)).

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.

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 September 30, 2026:

	Remaining 2026	Fiscal year 2027	Fiscal year 2028	Fiscal year 2029	Thereafter	Total
Accounts payable and accrued liabilities	$ 41,675	$ -	$ -	$ -	$ -	**$ 41,675**
Lease obligations	799	2,397	1,071	745	6,936	**11,948**
Loans payable obligations	3,315	39,815	60	57	62	**43,309**
Promissory note obligations	300	1,200	1,157	-	-	**2,657**
Total	**$ 46,089**	**$ 43,412**	**$ 2,288**	**$ 802**	**$ 6,998**	**$ 99,589**

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 interim condensed 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.

18. Financial instruments and risk management (continued)

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 $1,210 (December 31, 2025 – $1,174) denominated in USD. A 10% increase/(decrease) in the exchange rate would increase/(decrease) net income/(loss) for the nine months ended September 30, 2026 by $134/($134) (December 31, 2025 – $117/($117)).

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.

20. Commitments and contingencies

Commitments

As at September 30, 2026, the Company has entered into various contractual obligations in respect of long-term debt obligations and leases relating to office spaces, equipment and land. Refer to Note 18 for more information.

The Company has entered into certain agreements that commit the Company to future funding following a mutually agreed-upon event or events. As at September 30, 2026, the Company has funding commitments totalling $3,520 through 2026 and 2027 to support the capital projects at the Auxly Leamington facility. 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 interim condensed consolidated financial statements.

21. Selling, general and administrative expenses

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Wages and benefits	**$ 5,052**	$ 5,370	**$ 15,634**	$ 14,531
Office and administrative	**1,477**	1,261	**4,413**	3,976
Professional fees	**375**	424	**1,211**	1,287
Business development	**153**	170	**346**	300
Selling expenses	**6,653**	4,416	**16,022**	11,534
Total	**$ 13,710**	$ 11,641	**$ 37,626**	$ 31,628

22. Interest and accretion expenses

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Total interest expense	**$ 985**	$ 1,423	**$ 3,148**	$ 5,436
Less non-cash interest on Imperial convertible debentures	**-**	(1)	**-**	(21)
Less non-cash accretion expense on convertible debentures	**-**	(3)	**-**	(76)
Less non-cash interest and accretion expense on promissory notes	**(98)**	(129)	**(317)**	(403)
Less deferred financing fees amortization	**(40)**	(68)	**(118)**	(278)
Less accretion on other liabilities	**-**	(10)	**-**	(109)
Total cash interest	**$ 847**	$ 1,212	**$ 2,713**	$ 4,549

23. Equity-based compensation

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Stock options	**$ 8**	$ 10	**$ 24**	$ 61
Restricted share units	**1,351**	874	**3,784**	2,038
Cash Settled restricted share units	**-**	409	**-**	1,791
Total equity-based compensation	**$ 1,359**	$ 1,293	**$ 3,808**	$ 3,890

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 interim condensed 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. All Cash Settled RSUs have been settled during the fourth quarter of 2025.

23. Equity-based compensation (continued)

The following table summarizes information about the Cash Settled RSUs:

	Number of Cash Settled RSUs	Weighted average issue price ($)	Average remaining life (years)
Opening balance, January 1, 2025	**12,177,580**	**0.246**	**0.66**
Cash Settled RSUs settled	(758,543)	0.246	-
Cash Settled RSUs transferred to RSUs	(11,351,489)	0.246	-
Cash Settled RSUs forfeited	(67,548)	0.246	-
Closing balance, December 31, 2025 and September 30, 2026	**-**	**-**	**-**

24. Changes in non-cash working capital

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

For the periods ended:	Three months September 30,		Nine months September 30,	
	2026	2025	**2026**	2025
Short-term investments	**$ -**	$ 2	**$ (1)**	$ 1
Restricted cash (Note 4)	**-**	(251)	**-**	56
Accounts receivable	**(327)**	(1,850)	**(6,007)**	(1,346)
Other receivables	**(76)**	64	**1,616**	(41)
Prepaid expenses	**(1,312)**	2,362	**(810)**	237
Interest payable	**(25)**	280	**(48)**	280
Biological assets and inventory (Notes 6, 7)	**1,273**	(185)	**(2,352)**	(1,302)
Accounts payable and accrued liabilities	**(51)**	(2,273)	**(2,455)**	(9,874)
Deferred revenue	**-**	-	**(351)**	-
Total	**$ (518)**	$ (1,851)	**$ (10,408)**	$ (11,989)

25. 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.

26. Loans receivable

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 $2,000, non-revolving, bearing interest at 12% per annum, with a 2.0% upfront commitment fee paid to the Company on execution.

26. Loans receivable (continued)

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.

The Company advanced a total of $1,500 of principal amount to Ayurcann. Interest income on the DIP Facility for the three and nine months ended September 30, 2026 was $nil (2025 – $nil) and $81 (2025 – $nil), including commitment fee.

On April 13, 2026, the Company announced that its Stalking Horse Bid was not selected as the successful bid in the Court-supervised sale process for Ayurcann. The Company received a break fee of $139 per the Stalking Horse Bid, which has been recorded as other income on the interim condensed consolidated statements of income/(loss) and comprehensive income/(loss). The DIP Facility was repaid, including interest and fees on June 3, 2026. The advance and repayment related to the DIP facility are shown as investing activities on the interim condensed consolidated statements of cash flows.

27. Subsequent events

Subsequent to the end of the quarter, 566,900 shares were repurchased and cancelled for total proceeds of $1,932 under the NCIB. Refer to Note 16 for more information.