

AUXLY CANNABIS GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026

November 11, 2026

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS 3
DESCRIPTION OF BUSINESS 3
OUTLOOK 7
RECENT DEVELOPMENTS: THIRD QUARTER 2026 TO DATE 8
FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS 9
RESULTS OF OPERATIONS 10
SUMMARY OF QUARTERLY RESULTS 13
TRANSACTIONS WITH RELATED PARTIES 14
LIQUIDITY AND CAPITAL RESOURCES 14
OUTSTANDING SHARE DATA 15
NON-GAAP MEASURES 16
COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS 17
CRITICAL ACCOUNTING ESTIMATES 18
DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES 19
CHANGES IN ACCOUNTING POLICIES 19
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT 20
RISK FACTORS 20
FORWARD LOOKING STATEMENTS 20

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of November 11, 2026 unless otherwise indicated. This MD&A reviews the operating results, financial position and liquidity of Auxly Cannabis Group Inc. ("Auxly", "our", or the "Company"). All amounts are stated in millions of Canadian dollars unless otherwise noted, except common shares ("Shares"), options, warrants, and per Share amounts. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements and accompanying notes thereto for the three and nine months ended September 30, 2026, as well as the Company's audited consolidated financial statements and accompanying notes thereto and annual MD&A 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 Shares. The consolidation became effective on July 28, 2026 on the basis of a consolidation ratio of fourteen (14) pre-consolidation Shares for one (1) post-consolidation Share (the "Share Consolidation"). For the purpose of share capital and per-share presentation, all Shares, stock option, RSU, warrant and per-share amounts presented in the interim condensed consolidated financial statements and this MD&A have been retrospectively adjusted to reflect the Share Consolidation.

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information contained herein is made as of the date of this MD&A and is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the "*Forward Looking Statements*" section in this MD&A. This MD&A references certain financial measures, including non-GAAP measures and readers should refer to the "*Non-GAAP Measures*" section in this MD&A.

DESCRIPTION OF BUSINESS

Our Business

The Company is a leading Canadian consumer packaged goods company in the cannabis products market, headquartered in Toronto, Canada. Our mission is to help consumers live happier lives through quality cannabis products that they trust and love. Our vision is to be a leader in branded cannabis products that deliver on our consumer promise of quality, safety and efficacy.

Canadian Market

Since the Cannabis Act came into force in October 2018, Canada's recreational cannabis market has expanded steadily. Initially limited to dried and fresh cannabis, plants, and seeds ("Cannabis 1.0 Products"), the legal framework broadened in 2019 to include edibles, extracts, and topicals ("Cannabis 2.0 Products").

Company Strategy and Capabilities

Based upon consumer insights, Auxly has developed a focused portfolio of Cannabis Products to meet the evolving needs and preferences of Canadian cannabis consumers. Our initial focus was on the development of Cannabis 2.0 Products and the Company was one of the first cannabis companies to distribute and sell Cannabis 2.0 Products across Canada following their legalization.

Brand Portfolio and Product Offering

Auxly has maintained its position as a top-selling licensed producer of Cannabis Products, ranking as the 2nd largest licensed producer in Canada by total recreational retail sales in the third quarter of 2026, as reported by Hifyre IQ[1].

Our Cannabis Products available during the third quarter of 2026 are described below by brand and product format:

Products Available by Brand					
BACK FORTY	SOUTH POINT	KOLAB PROJECT	Foray	Parcel	Dosecann
Dried Flower Milled Flower Pre-Roll Infused Pre-Rolls Vapes – 510 Cartridges Vapes – All-In-One Edibles	Dried Flower Pre-Roll	Vapes – 510 Cartridges Vapes – All-In-One Concentrates	Vapes – 510 Cartridges Vapes – All-In-One Edibles	Dried Flower Vapes – 510 Cartridges	Oils Softgels

Our Cannabis Products have been well received by consumers. Auxly plans to further strengthen our brand recognition by using consumer insights to drive innovation. As Auxly continues to introduce new Cannabis Products to the Canadian market, it will emphasize on expanding its dried flower, vape and pre-roll offerings.

Distribution

Given the current provincial legislative framework in Canada, the Company has pursued a multifaceted strategy to gain access to Canadian consumers. This includes supply arrangements with provincial control boards and distributors, medical cannabis sales channels and relationships with Canadian retailers. The Company sells products in all Canadian provinces and territories. The Company is supported by a national internal sales team, guided by purpose-built KPIs and quarterly incentive programs to drive performance.

The Company also engages in wholesale bulk cannabis transactions with various licensed producers in Canada. Most of these wholesale transactions serve domestic end consumers, with a small portion reaching international markets. As part of its growth strategy, the Company is actively exploring opportunities for direct international wholesale bulk cannabis sales. This includes establishing new partnerships to meet the increasing demand for high-quality cannabis products in emerging international markets.

Cannabis Operations: Cultivation, Product R&D and Manufacturing

The Company has assessed the current tariff environment between the United States and Canada and does not anticipate a material impact on its business operations or financial performance. The Company continues to monitor trade developments and will adapt the Company's strategies as necessary to mitigate any potential risks. See "Risk Factors" in this MD&A for information on the risks and uncertainties that could have a negative effect on Auxly's operations.

Auxly Inc.

Auxly Inc. holds licences for cultivation and processing under the Cannabis Act, authorizing the processing, storage and sale of Cannabis Products. Auxly Inc. conducts the Company's sales

[1] HiFyre IQ as at October 2026.

and marketing activities, in addition to certain manufacturing, processing, packaging and distribution activities out of its own licensed space at the Company's Auxly Leamington Inc. ("Auxly Leamington") facility.

Auxly Charlottetown

The Company's primary Cannabis 2.0 Product development, manufacturing and R&D activities are conducted by its subsidiary Auxly Charlottetown Inc. ("Auxly Charlottetown") at a purpose-built, GMP-compliant cannabis processing facility located in Charlottetown, Prince Edward Island. Auxly Charlottetown holds licences for processing, analytical testing and research under the Cannabis Act. The full perimeter of the 52,000 square foot facility is licensed under the Cannabis Act for the production, storage and sale of Cannabis Products.

Product development is led by Auxly Charlottetown's team, who have experience in the pharmaceutical, food, scientific research and product development fields. This facility provides the Company with the ability to be responsive to changing industry regulation and evolving consumer preferences. Auxly Charlottetown is authorized to conduct broad in-house analytical and sensory testing, incorporating consumer input and feedback on attributes such as flavor, aroma, texture or mouthfeel, to better evaluate later-stage product formulations. The Company also has a research licence to conduct sensory testing at its head office in Toronto. Where economical, the Company uses third parties for production of certain of its Cannabis Products and will continue to use an adaptive third-party sourcing model to streamline the Company's operations and to reduce costs where possible.

Auxly Leamington

Auxly Leamington, a wholly-owned subsidiary of the Company, is comprised of a 1.1 million square foot automated hybrid greenhouse in Leamington, Ontario, which holds licences for cultivation and processing under the Cannabis Act, authorizing the cultivation, processing, storage and sale of Cannabis Products. The Company's Cannabis 1.0 products are also manufactured at this facility, using cannabis cultivated on-site.

Auxly Leamington holds a Control Union Medical Cannabis Standard GAP ("CUMCS-GAP") Certificate, issued by the independent verification body Control Union Global, and confirming compliance with the World Health Organization guidelines on Good Agricultural & Collection Practices for medicinal plants. CUMCS-GAP is a leading international standard for medical cannabis propagation, cultivation, and post-harvest processes.

Auxly Leamington provides the Company with a secure and cost-efficient source of dried cannabis, milled flower and extraction materials. Auxly Leamington utilizes a perpetual harvest methodology resulting in a continuous supply of cannabis and flexibility to adjust production capacity to demand as required. The total area of the licensed perimeter at Auxly Leamington for cultivation, processing and storage stands at 876,270 square feet. Auxly Leamington is producing award-winning cannabis strains, all of which are sold to and used by the Company in its full suite of Cannabis Products. In addition, Auxly Leamington possesses an extensive genetic library and continues to evaluate all opportunities to acquire new cultivars suited for Auxly's portfolio of Cannabis Products.

The Company has established itself as a leader in pre-roll manufacturing, combining operational and technical expertise with industry-leading technologies. With fully integrated excise and master packing systems, advanced automation for specialty premium formats, and strong customization capabilities, the Company can deliver a premium consumer experience across a wide range of products.

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 the Bank of Montreal ("the Amended Credit Facility"). As at September 30, 2026, $41.0 million remained owing under the Amended Credit Facility, inclusive of deferred finance charges. On October 1, 2026, the Company made its scheduled quarterly principal repayment of $1.3 million, reducing the amount owing to $39.7 million.

Under the Amended Credit Facility, the Company is required to maintain compliance with certain financial covenants, including specified fixed charge coverage and total funded debt to EBITDA ratios. As at September 30, 2026, the Company was in full compliance with all covenants under the Amended Credit Facility.

Strategic Partner: Imperial Brands

In 2019, as part of a strategic partnership, Imperial Brands PLC ("Imperial") invested approximately $123.0 million in the Company through an unsecured convertible debenture (the "Imperial Debenture"). Auxly also obtained global licences to Imperial's cannabis vaping technology and access to its vapour innovation business, Nerudia. The parties entered into an investor rights agreement under which Imperial may nominate one director and one non-voting observer to the Company's Board while maintaining at least 15% partially diluted ownership. Imperial currently has no nominee but retains its nomination rights.

In 2025, the Company and Imperial settled all remaining principal and interest owing by the Company to Imperial under the Imperial Debenture pursuant to a previously signed exchange agreement with the following terms (the "Imperial Debenture Settlement"):

- Imperial converted the remaining $1.0 million principal amount owed under the outstanding convertible debenture held by Imperial into 88,183 Shares at a conversion price of $11.34 per Share;
- Imperial converted $1.4 million of accrued interest 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 $7.4 million of additional interest, with the remaining accrued interest owed under the convertible debenture in the amount of approximately $11.9 million being 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.

Following this issuance of 1,309,749 Shares, Imperial owned approximately 19.9% of all issued and outstanding Shares. The Company has no further amounts owed to Imperial following this transaction.

International Operations

Presently the Company does not have any material active international operations. The Company continues to monitor the progress of other jurisdictions towards recreational and medical cannabis legalization, including the United States and Europe. Leveraging our intellectual property and

expertise developed in one of the world's most highly regulated cannabis markets, the Company is well positioned to capitalize on the increasing global demand.

OUTLOOK

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

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

Auxly continues to see long-term potential in international markets and is actively evaluating export opportunities. We are well positioned to succeed internationally, supported by our strong brands, scalable production, and a strategic partnership with Imperial Brands. Auxly intends to invest in Auxly Leamington over the course of 2026 to prepare and position us for long-term international growth. Our deliberations towards international sales are purposefully rigorous and measured to ensure that international cannabis activities are accretive to profitability and that our focus on winning at home is not compromised.

Auxly believes it can continue to grow net revenue above market rates through product innovation, further investment in distribution and increased capacity at Auxly Leamington. Both innovation and output increases are expected to be funded from operating cash flow for the foreseeable future. Auxly plans to maintain profitability and conversion to cash flow through focused innovation, investment in efficiency and quality, and rigorous cost control.

The Company anticipates total capital investments of up to $30 million through the end of 2028, inclusive of the capital projects in 2026. These investments will be made within Auxly Leamington's existing footprint and are expected to increase production capacity by 30% from 2025 levels to meet growing demand for Auxly's portfolio of brands. The capital projects are also expected to improve efficiency throughout cultivation and processing. Auxly expects to commit between $10 million and $12 million of cash flow from operations towards such capital projects in 2026, with a portion of the associated expenditures expected to occur in the first half of 2027.

Over the long-term, Auxly remains confident in its ability to deepen its leadership position in Canada and make meaningful advances towards our vision of global leadership while maintaining profitability. With its consumer-trusted brands, best-in-class operating assets, national distribution, and data-driven approach to innovation, Auxly is well-positioned to meet evolving consumer preferences and deliver strong financial performance.

RECENT DEVELOPMENTS: Third Quarter 2026 To Date

Results of Annual General and Special Meeting of Shareholders and Share Consolidation

On July 2, 2026, the Company announced the voting results for its Annual General and Special Meeting of shareholders held on June 30, 2026. All matters submitted to shareholders for approval were approved by the requisite majority of votes cast.

At the meeting, shareholders also approved a special resolution authorizing the Board of Directors to amend the Company's articles to effect a consolidation of the Company's Shares.

On July 22, 2026, the Company announced that it would complete a consolidation of its Shares on the basis of fourteen (14) pre-consolidation Shares for one (1) post-consolidation Share, which became effective on July 28, 2026.

Normal Course Issuer Bid

On April 14, 2026, the Company announced that it filed with the Toronto Stock Exchange (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 4.9 million Shares of the Company, representing less than 5% of the issued and outstanding Shares as of April 7, 2026, subject to the policies of the TSX.

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 2.7 million Shares under the NCIB for $6.1 million, inclusive of broker fees. Subsequent to the end of the quarter, 0.6 million shares were repurchased and cancelled for total proceeds of $1.9 million.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the three months ended: (000's)	**September 30, 2026**	September 30, 2025	Change	% Change
Net revenue	**$ 49,481**	$ 39,898	$ 9,583	24%
Gross Margin on Finished Cannabis Inventory Sold*	**27,924**	22,366	5,558	25%
Gross Margin on Finished Cannabis Inventory Sold (%)*	**56%**	56%	0%	1%
Net income/(loss)	**13,614**	20,491	(6,877)	-34%
Adjusted EBITDA*	**15,831**	12,269	3,562	29%
Weighted average shares outstanding - basic**	**103,111,698**	95,830,371	7,281,327	8%

For the nine months ended: (000's)	**September 30, 2026**	September 30, 2025	Change	% Change
Net revenue	**$ 135,038**	$ 111,369	$ 23,669	21%
Gross Margin on Finished Cannabis Inventory Sold*	**74,892**	58,465	16,427	28%
Gross Margin on Finished Cannabis Inventory Sold (%)*	**56%**	53%	3%	6%
Net income/(loss)	**24,781**	40,912	(16,131)	-39%
Adjusted EBITDA*	**42,362**	31,247	11,115	36%
Weighted average shares outstanding - basic**	**101,271,947**	94,472,523	6,799,424	7%

As at: (000's)	**September 30, 2026**	December 31, 2025	Change	% Change
Cash and cash equivalents	**$ 51,420**	$ 32,279	$ 19,141	59%
Total assets	**289,557**	271,636	17,921	7%
Debt*	**43,402**	46,279	(2,877)	-6%

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

**Weighted average shares outstanding have been adjusted to reflect the effect of 14:1 Share Consolidation effective July 28, 2026.

For the three months ended September 30, 2026, net revenue was $49.5 million, an increase of $9.6 million or 24% over the same period of 2025. Net revenue increased primarily as a result of an increase in the volume of vape, pre-roll and dried flower products. The price of the flower portfolio also increased, partially offset by price compression on vape products.

The Gross Margin on Finished Cannabis Inventory Sold remained stable at 56% consistent with the comparative period in 2025. In addition to the factors impacting net revenue, the improvement in Gross Margin on Finished Cannabis Inventory Sold was driven by improvements made in cultivation and manufacturing processes to reduce operating costs, product mix and lower distillate input costs, partially offset by lower sales volumes and margins in the B2B channel.

Net income of $13.6 million for the three months ended September 30, 2026 decreased by $6.9 million compared to the same period in 2025. Net income in 2025 included an after-tax gain of $8.1 million on the Imperial Debenture Settlement. Excluding the gain on the Imperial Debenture Settlement and the fair value adjustments on biological transformation and inventory, net income increased by $4.4 million, or 70% primarily due to improved gross profits and Adjusted EBITDA.

Adjusted EBITDA was $15.8 million for the three months ended September 30, 2026, an improvement of $3.6 million or 29% compared to $12.3 million during the third quarter of 2025. Adjusted EBITDA for the three months ended September 30, 2026 improved primarily as a result of improved gross profits, partially offset by higher selling expenses and higher wages and benefits to support higher sales.

For the three months ended September 30, 2026, the average number of Shares outstanding increased to 103.1 million Shares, an increase of 7.3 million Shares or 8% over September 30, 2025 primarily as a result of the Imperial Debenture Settlement in the third quarter of 2025, warrants exercised and Shares issued on RSUs settlement, partially offset by 2.7 million Shares repurchased under the NCIB.

Cash and cash equivalents were $51.4 million on September 30, 2026, an increase of $19.1 million from December 31, 2025. The change in cash was primarily driven by net cash provided by operating activities and proceeds from warrants exercised, partially offset by cash to repurchase and cancel Shares under the NCIB, payments made towards debt instruments and lease liabilities and capital investments.

RESULTS OF OPERATIONS

For the periods ended:	Three months September 30,		Nine months September 30,	
(000's)	**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
Costs of sales				
Costs of finished cannabis inventory sold	**21,557**	17,532	**60,146**	52,904
Inventory impairment	**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	**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	**30,668**	28,153	**72,842**	69,525
Expenses				
Selling, general, and administrative expenses	**13,710**	11,641	**37,626**	31,628
Equity-based compensation	**1,359**	1,293	**3,808**	3,890
Depreciation and amortization	**1,170**	1,224	**3,592**	3,796
Interest and accretion expenses	**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)	**-**	1,213	**-**	9,338
Net income/(loss)	**$ 13,614**	$ 20,491	**$ 24,781**	$ 40,912
Adjusted EBITDA	**$ 15,831**	$ 12,269	**$ 42,362**	$ 31,247
Net income/(loss) per common share – basic* ($)	**$ 0.13**	$ 0.21	**$ 0.24**	$ 0.43
Net income/(loss) per common share – diluted* ($)	**$ 0.12**	$ 0.18	**$ 0.22**	$ 0.36
Weighted average shares outstanding – basic*	**103,111,698**	95,830,371	**101,271,947**	94,472,523
Weighted average shares outstanding – diluted*	**114,369,564**	114,691,081	**112,432,621**	112,229,756

*Weighted average shares outstanding have been adjusted to reflect the effect of 14:1 Share Consolidation effective July 28, 2026.

Net Revenue

For the three and nine months ended September 30, 2026, net revenue was $49.5 million and $135.0 million as compared to $39.9 million and $111.4 million during the same periods in 2025, representing increases of 24% and 21%, respectively. Net revenue for the three and nine months ended September 30, 2026 were comprised of approximately 64% (2025 – 62%) and 66% (2025 – 63%) in sales of dried flower and pre-roll Cannabis Products, with the remainder from Cannabis 2.0 Product sales.

For the three and nine months ended September 30, 2026, approximately 71% (2025 – 73%) and 72% (2025 – 74%) of cannabis sales originated from sales to British Columbia, Alberta and Ontario. The Company had sales in all Canadian provinces and the Yukon and Northwest Territories. The Company typically has a portion of wholesale bulk cannabis reaching international markets.

The year-over-year growth in net revenue was primarily driven by higher incremental volumes across the core portfolio, improved pricing across the flower portfolio, partially offset by price compression on vape products. The revenue increase was supported by strong performance in the Company's flower and pre-roll portfolio, which benefited from increased demand and improved distribution.

Gross Profit

Auxly realized a gross profit of $30.7 million and $72.8 million for the three and nine months ended September 30, 2026, resulting in a Gross Profit Margin of 62% and 54%, respectively, as compared to $28.2 million and $69.5 million, or 71% and 62% for the respective periods in 2025. The change in Gross Profit Margin included negative impacts from higher fair value loss on biological transformation and inventory. The Gross Margin on Finished Cannabis Inventory Sold for the nine months ended September 30, 2026 improved to 56% from 53% in 2025. In addition to the factors impacting net revenue, the higher Gross Margin on Finished Cannabis Inventory Sold resulted from the improvements made in our manufacturing process to reduce operating costs, efficiency improvements at our Auxly facilities and strategic procurement initiatives further reduced costs.

Realized and unrealized fair value gains and losses reflect accounting treatments associated with Auxly Leamington cultivation activities and sales and are influenced by changes in production, sales and net realizable value assumptions.

Inventory impairments during the third quarter of 2026 of $0.1 million were associated with charges related to the reductions in net realizable value of raw material under the Company’s product specifications and the obsolescence of certain retired packaging, a decrease of $0.1 million from the comparative period.

Total Expenses

Selling, general and administrative expenses (“SG&A”) are comprised of wages and benefits, office and administrative, professional fees, business development, and selling expenses. SG&A expenses were $13.7 million in the third quarter of 2026, $2.1 million higher than the same period in 2025. Year-to-date expenditures of $37.6 million in 2026 were $6.0 million higher than the same period in 2025. The increase in SG&A was primarily driven by investments to support higher sales.

Wages and benefits were $5.1 million for the third quarter of 2026, as compared to $5.4 million during the same period in 2025. Year-to-date wages and benefits of $15.6 million were $1.1 million higher than the same period in 2025. Year-to-date wages and benefits increased primarily due to

higher headcount to support higher sales. Wages and benefits in the second quarter of 2025 included non-recurring recovery of $0.2 million.

Office and administrative expenses were $1.5 million for the three months ended September 30, 2026, $0.2 million higher than the same period in 2025. Year-to-date expenditures of $4.4 million were $0.4 million higher than the same period in 2025. The Company continues to actively control overhead spend in the organization while growing sales.

Professional fees were $0.4 million during the third quarter of 2026 and $1.2 million year-to-date, flat and $0.1 million higher compared to the same periods in 2025. Professional fees incurred primarily related to accounting fees, regulatory matters, reporting issuer fees, and legal fees associated with certain corporate activities and, as a result, can fluctuate from one period to the next.

Business development expenses were $0.2 million and $0.3 million for the three and nine months ended September 30, 2026, flat compared to the same periods in 2025. These expenses primarily relate to business development and travel related expenses.

Selling expenses were $6.7 million and $16.0 million for the three and nine months ended September 30, 2026, an increase of $2.2 million and $4.5 million from 2025. The increase in expenditures was primarily as a result of investments in marketing initiatives and higher Health Canada fees related to higher net revenue.

Equity-based compensation for the three and nine months ended September 30, 2026 was $1.4 million and $3.8 million, respectively, related to RSUs issued between 2024 and 2026. During the same periods in 2025, equity-based compensation was $1.3 million and $3.9 million, respectively, primarily related to the Cash Settled RSUs, which were settled in the fourth quarter of 2025.

Depreciation and amortization expenses were $1.2 million for the three months ended September 30, 2026 and $3.6 million year-to-date, representing a decrease of $0.1 million and $0.2 million over the same periods in 2025. The decrease was primarily driven by the change in estimated useful lives of certain assets, partially offset by capital investments made subsequent to the third quarter of 2025.

Interest expenses were $1.0 million and $3.1 million for the three and nine months ended September 30, 2026, a decrease of $0.4 million and $2.3 million over the same periods in 2025. Interest payable in cash was $0.8 million for the third quarter of 2026, $0.4 million lower than the same period in 2025 as a result of lower principal amounts outstanding on debt instruments, including the repayment of the receivables financing loan and the inventory financing loan.

Total Other Income and Loss

Total other income and losses was a net gain of $0.2 million and $0.1 million for the three and nine months ended September 30, 2026, $6.5 million and $6.7 million lower than the same periods in 2025. The other income and losses for the nine months ended September 30, 2026 were primarily driven by interest and other income, partially offset by foreign exchange losses. The other income and losses for the comparative period in 2025 were primarily driven by the gain on the Imperial Debenture Settlement, partially offset by non-recurring expenses related to the Bank of Montreal Amended Credit Facility.

Net Income and Loss

Net income for the three months ended September 30, 2026 was $13.6 million compared to $20.5 million in the same period in 2025. The net income of $20.5 million in 2025 included an after-tax gain of $8.1 million on the Imperial Debenture Settlement. Excluding the impact of the Imperial

Debenture Settlement and the fair value adjustments on biological transformation and inventory, net income increased $4.4 million.

Net income for the nine months ended September 30, 2026 was $24.8 million compared to $40.9 million in the same period in 2025. In addition to the gain on the Imperial Debenture Settlement, year-to-date net income in 2025 also included a $8.1 million of deferred tax recovery related to the change in estimated useful life of intangible assets. Excluding the impact of the Imperial Debenture Settlement and the deferred tax recovery related to the change in estimated useful life of intangible asset in 2025, net income increased by $0.1 million primarily driven by higher fair value loss on biological transformation and inventory. Excluding the fair value adjustments on biological transformation and inventory and the non-recurring items in 2025, net income increased by $12.2 million. Year-to-date net income improved due to improved gross profits and the reduction in interest and accretion expenses, partially offset by higher SG&A.

Adjusted EBITDA

Adjusted EBITDA was $15.8 million and $42.4 million for the three and nine months ended September 30, 2026, an improvement of $3.6 million and $11.1 million over the same periods in 2025. Improvements in adjusted EBITDA were primarily as a result of improved gross profits, partially offset by higher selling expenses and higher wages and benefits to support higher sales.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes comparative quarterly results for the last eight quarters.

(000's)	Q4/24	Q1/25	Q2/25	Q3/25	Q4/25	Q1/26	Q2/26	**Q3/26**
Net revenue	$ 34,626	$ 32,669	$ 38,802	$ 39,898	$ 40,113	$ 39,753	$ 45,804	**$ 49,481**
Cost of finished cannabis inventory sold	15,942	16,838	18,534	17,532	17,476	17,881	20,708	**21,557**
Gross Margin on Finished Cannabis Inventory Sold*	18,684	15,831	20,268	22,366	22,637	21,872	25,096	**27,924**
Gross Margin on Finished Cannabis Inventory Sold (%)*	54%	48%	52%	56%	56%	55%	55%	**56%**
Net income/(loss)	4,423	12,111	8,310	20,491	943	3,466	7,701	**13,614**
Adjusted EBITDA*	11,006	7,433	11,545	12,269	12,540	12,256	14,275	**15,831**
Average shares outstanding (000's) - basic**	91,738	94,066	93,970	95,830	96,398	98,325	102,327	**103,112**
Net income/(loss) per common share - basic ($)**	0.05	0.13	0.09	0.21	0.01	0.04	0.08	**0.13**

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

**Average shares outstanding and net income/(loss) per common share have been adjusted to reflect the effect of 14:1 Share Consolidation effective July 28, 2026.

The general increase in net revenue over the period is primarily attributable to increasing demand, the introduction of new products and expanded distribution. Net revenue is typically seasonally lower during the first and second quarters of the calendar year as a result of retail sales trends which impact the Company's provincial customers' purchasing practices. The Company's expansion into dried flower and pre-roll product categories has also contributed to the overall upward trend in sales. In addition, the strength of the Company's vape business has driven further sales growth and enhanced overall product distribution across Canada.

Gross Margin on Finished Cannabis Inventory Sold is a non-IFRS measure that the Company defines as net revenue less cost of finished cannabis inventory sold divided by net revenue. Management believes that this measure provides useful information to assess the profitability of our operations as it represents the gross margin generated from operations and excludes the effects of non-cash inventory and biological asset impairments and fair value adjustments on inventories and biological assets, which are required by IFRS. The Gross Margin on Finished Cannabis Inventory Sold has improved over the eight quarters as a result of the shift in sales mix towards the Company's core product categories. This includes products that leverage Auxly

Leamington's low-cost structure, products benefiting from operational improvements at Auxly Charlottetown and strategic procurement initiatives.

Net income and losses have fluctuated over the eight quarters primarily as a result of other losses which include impairment charges, fair value adjustments and gains and losses on settlement of assets and liabilities. The third quarter of 2025 reflects the $8.1 million after-tax gain on the Imperial Debenture Settlement. The first quarter of 2025 reflects the deferred tax recovery of $8.1 million on the change in estimated useful life of intangible assets.

Adjusted EBITDA has fluctuated with changes in net revenue, changes to product mix with an increase of dried flower, vape and pre-roll Cannabis Products, and the timing of SG&A expenditures, in particular selling expenses. Improvements in Adjusted EBITDA compared to the historical average reflect the impact of lower cultivation costs, and improved overall margins.

The increases in average outstanding Shares reflect financing activities which includes issuance and exchange of Shares, exercise of warrants, options and conversion of convertible debentures.

TRANSACTIONS WITH RELATED PARTIES

Key management and director compensation

Auxly'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,**	
(000's)	**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

LIQUIDITY AND CAPITAL RESOURCES

Auxly's objectives when managing its liquidity and capital resources are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. Auxly considers its capital structure to include debt and shareholders' equity.

Auxly manages its capital structure by preparing rolling cash flow forecasts, monitoring the condition and value of assets available for use as well as those assets being used as security in financing arrangements, seeking flexibility in financing arrangements, and establishing programs to monitor and maintain compliance with terms of financing agreements.

Auxly is dependent on expected business growth, changes in the business environment and capital markets as its source of operating capital and may issue additional Shares or debt, acquire or dispose of assets to maintain or adjust its capital structure.

Cash Flow Summary

For the periods ended: (000's)	Three months September 30, 2026	2025	Nine months September 30, 2026	2025
Cash provided by/(used in) operating activities	**$ 14,314**	$ 9,740	**$ 29,073**	$ 15,417
Net change in investments and proceeds from sale of assets	**-**	12	**3**	27
Capital expenditures	**(94)**	(1,648)	**(1,304)**	(2,014)
Cash provided by/(used in) investing activities	**(94)**	(1,636)	**(1,301)**	(1,987)
Net cash provided by/(used in) financing activities	**(1,357)**	5,349	**(8,631)**	(1,307)
Cash position, at the beginning of the period	**38,557**	17,026	**32,279**	18,356
Cash position, end of the period	**$ 51,420**	$ 30,479	**$ 51,420**	$ 30,479

During the nine months ended September 30, 2026, Auxly generated $29.1 million from operating activities, including the negative impact of $10.4 million invested in non-cash working capital. Net investing activities for the nine months were a net outflow of $1.3 million, primarily driven by capital expenditures. Net financing activities were a net outflow of $8.6 million for the nine months ended September 30, 2026, which reflects cash paid to repurchase and cancel the Company's Shares under the NCIB, the repayment of the Company's loans, lease and other debt obligations, partially offset by the proceeds from warrants exercised.

Contractual Obligations

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:

(000's)	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**

OUTSTANDING SHARE DATA

Auxly's authorized share capital consists of an unlimited number of Shares. The following table quantifies the number of issued and outstanding Shares and exercisable securities.

	November 11, 2026	September 30, 2026	December 31, 2025
Issued Shares	102,703,221	103,270,121	97,645,552
Escrowed shares	134,887	134,887	134,887
Outstanding shares	102,568,334	103,135,234	97,510,665
Outstanding securities			
Warrants	7,027,401	7,027,401	11,370,365
Options	704,346	704,346	1,080,769
Restricted share units	5,827,555	5,827,555	11,205,560

Shares outstanding as at September 30, 2026 increased from December 31, 2025 by approximately 5.6 million to 103.1 million. The number of warrants decreased to 7.0 million as a result of the conversion of 4.3 million warrants, issued as part of the February 2023 private placement and the June 2021 bought deal, into Shares. The number of options decreased to 0.7 million as at September 30, 2026 due to options expiring. The number of RSUs decreased to 5.8

million from 11.2 million as at December 31, 2025 as a result of RSUs settled, partially offset by RSU issuances during the second quarter of 2026.

NON-GAAP MEASURES

The interim condensed consolidated financial statements of Auxly are prepared in accordance with IFRS. Auxly's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the interim condensed consolidated financial statements for the nine months ended September 30, 2026, and notes 2 and 3 of the annual consolidated financial statements for the year ended December 31, 2025.

This MD&A makes reference to certain financial measures, including non-GAAP measures that are historical, non-IFRS measures that are forward-looking, and supplementary financial measures. Management uses these financial measures for the purpose of comparison to prior periods and the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of ongoing operations and in analyzing our business performance and trends. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. The Company uses the following non-GAAP financial measures: "EBITDA", "Adjusted EBITDA," and the supplementary financial measures of "Gross Margin on Finished Cannabis Inventory Sold", "Gross Profit Margin", and "Debt."

Financial Measures

EBITDA and Adjusted EBITDA

These are non-GAAP measures used in the cannabis industry and by the Company to assess operating performance removing the impacts and volatility of non-cash adjustments. The definition may differ by issuer. EBITDA and Adjusted EBITDA used by the Company are reconciled with net income or loss from continuing operations of the Company, an IFRS measure, in the section "Results of Operations" in this MD&A. The calculation of Adjusted EBITDA is comprised of the net income or loss of the Company added or subtracted as applicable as provided in the detailed reconciliation found in this MD&A. There are a number of individual financial statement adjustments however, they are inclusive of, interest expense and income, income taxes, depreciation and amortizations, fair value gains or losses, impairments or settlements, foreign exchange, equity-based compensation, gains or losses on the sale or disposal of assets and any other unusual items.

The Adjusted EBITDA reconciliation is as follows:

(000's)	Q4/24	Q1/25	Q2/25	Q3/25	Q4/25	Q1/26	Q2/26	**Q3/26**
Net income/(loss)	$ 4,423	$ 12,111	$ 8,310	$ 20,491	$ 943	$ 3,466	$ 7,701	**$ 13,614**
Interest and accretion expenses	2,291	2,147	1,866	1,423	1,222	1,092	1,071	**985**
Interest and other income	(27)	(47)	(32)	(26)	(25)	(58)	(270)	**(75)**
Income tax expense/(recovery)	-	(8,125)	-	(1,213)	-	-	-	**-**
Depreciation and amortization included in cost of sales	1,338	1,274	1,785	1,544	1,844	1,768	1,711	**1,617**
Depreciation and amortization included in expenses	990	1,296	1,276	1,224	1,204	1,218	1,204	**1,170**
EBITDA	9,015	8,656	13,205	23,443	5,188	7,486	11,417	**17,311**
Impairment of inventory	729	123	147	235	364	234	1,180	**137**
Unrealized fair value loss/(gain) on biological transformation	(11,073)	(12,312)	(15,842)	(18,093)	(10,857)	(9,758)	(12,603)	**(14,433)**
Realized fair value loss/(gain) on inventory	11,625	9,337	13,274	12,071	15,911	13,086	12,655	**11,552**
Restructuring and acquisition costs	271	-	-	-	-	-	-	**-**
Equity-based compensation	1,103	1,505	1,092	1,293	1,830	1,011	1,438	**1,359**
Non-recurring expense/(recovery)	-	-	(193)	-	(217)	-	-	**-**
Loss/(gain) on settlement of assets, liabilities and disposals	(1,461)	(39)	243	(6,775)	245	-	(1)	**-**
Foreign exchange loss/(gain)	797	163	(381)	95	76	197	189	**(95)**
Adjusted EBITDA	$ 11,006	$ 7,433	$ 11,545	$ 12,269	$ 12,540	$ 12,256	$ 14,275	**$ 15,831**

Supplementary Financial Measures

Gross Margin on Finished Cannabis Inventory Sold

"Gross Margin on Finished Cannabis Inventory Sold" is a supplementary financial measure and is defined as net revenue less cost of finished cannabis inventory sold divided by net revenue.

Gross Profit Margin

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

Debt

"Debt" is defined as current and long-term debt and is a supplementary financial measure. It is a useful measure in managing our capital structure and financing requirements.

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

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 the "Liquidity and Capital Resources" section of this MD&A 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 totaling $3.5 million 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.

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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and 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.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Areas requiring estimates and judgements are as follows:

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 of the interim condensed consolidated financial statements.

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.

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.

Income Taxes

Income taxes are accounted for using the liability method and recognized in the interim condensed 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.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Internal controls over financial reporting (ICFR) and disclosure controls and procedures (DCP) are designed to provide reasonable assurance that material information required to be publicly disclosed is gathered and reported on a timely basis so that appropriate decisions can be made regarding public disclosure.

Auxly's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financials for external purposes in accordance with IFRS using the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In addition, the Company's certifying officers and its disclosure committee have designed, and assessed the design of, a system of DCP to provide reasonable assurance that (i) material information relating to Auxly, including its consolidated subsidiaries, is made known to them and others; and (ii) information required to be disclosed by Auxly in its annual filings, interim filings and other reports filed or submitted by Auxly under securities legislation is recorded, processed, summarized and reporting within the time periods specified.

The Company has used the Internal Control – Integrated Framework (2013) from COSO in order to assess the effectiveness of the Company's internal control over financial reporting. There are no material weaknesses relating to the design of either ICFR or DCP at September 30, 2026. There have been no changes to our ICFR during the quarter ended September 30, 2026, that has materially affected, or is reasonably likely to materially affect, Auxly's ICFR.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, Auxly intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

Adoption of accounting policies

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Auxly'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, promissory notes, and loans payable. Cash and cash equivalents and short-term investments are exposed to credit risk and Auxly reduces its credit risks by placing these instruments with institutions of high credit worthiness. Auxly is exposed to liquidity risk with respect to its trade and other payables and Auxly manages liquidity risk by maintaining sufficient cash balances for settlement of financial liabilities on their due dates.

RISK FACTORS

Auxly's business and structure are subject to a number of risks and uncertainties which could cause future results to differ materially from those described herein, including without limitation, the risk factors discussed in Auxly's Annual Information Form dated March 25, 2026, which risk factors are incorporated by reference into this document and should be reviewed by all readers. These documents as well as additional information regarding Auxly can be found on SEDAR at www.sedarplus.ca.

FORWARD LOOKING STATEMENTS

This MD&A and the documents incorporated by reference herein contain certain statements which contain "forward-looking information" within the meaning of Canadian securities legislation (each a "forward-looking statement"). No assurance can be given that the expectations in any forward-looking statement will prove to be correct and, as such, the forward-looking statements included in this MD&A should not be unduly relied upon. Forward-looking information is by its nature prospective and requires Auxly to make certain assumptions and is subject to inherent risks and uncertainties. All statements, other than statements of historical fact included in this MD&A, including information that address activities, events or developments that the Company expects

or anticipates will or may occur in the future, are forward-looking statements. The use of any of the words "anticipates", "plans", "contemplates", "continues", "estimates", "expects", "intends", "proposes", "might", "may", "will", "shall", "projects", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget" and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this MD&A may include, but is not limited to, statements pertaining to:

- future liquidity and financial position;
- the Company's growth strategy, targets for future growth and projections of the results of such growth;
- the competitive and business strategies of the Company;
- the intention to grow the business, operations and existing and potential activities of the Company;
- the sufficiency of the Company's resources to fund continued operations;
- the Company's expectations regarding its future sales;
- the success, and integration of operations, of the entities the Company acquires and the Company's collaborations;
- the Company's potential acquisition of the other businesses and material assets;
- any ongoing construction, expansions, consolidations, improvements, commissioning of the Company's facilities, equipment or assets, including those of Auxly Charlottetown, Auxly Leamington and Auxly Inc., and the timing thereof;
- expectations regarding the anticipated benefits of the Imperial Debt Conversion and Imperial Debenture Settlement;
- inventory and production capacity, including discussions of anticipated yields or plans or potential for expansion of capacity at existing facilities;
- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture and maintain market share;
- the distribution methods expected to be used by the Company to deliver its products;
- the benefits and applications of the Company's current and proposed product offering and expected sales mix thereof;
- development of brands, product diversification and future corporate development;
- the competitive landscape in which the Company operates and the Company's market expertise;
- expectations regarding the Company's ability to raise additional financing to further the Company's investment in the business;
- the applicable legislation, regulations and licensing, and any amendments thereof, related to the cultivation, production, processing, distribution and sale of cannabis products by the Company's subsidiaries and other business interests;
- the ability of the Company to use consumer insights to drive innovation; continuously innovate new cannabis products; and introduce innovative cannabis products to the market;

- the ability of the Company, its subsidiaries and its cultivation partners to cultivate, produce, process, distribute or sell cannabis and cannabis products;
- the ability of the Company to maintain and/or increase its wholesale bulk cannabis sales;
- expectations regarding the Company's licences, including in respect of the grant and maintenance of licences under the Cannabis Act and its regulations and the Industrial Hemp Regulations enacted pursuant to the Cannabis Act, and the permitted activities thereunder;
- the fluctuations in the price of Shares and the market for the Shares;
- the expectation, timing and quantum of future revenue, Gross Margin on Finished Cannabis Inventory Sold, SG&A and of positive Adjusted EBITDA;
- expectations regarding the costs and benefits associated with third party contract manufacturing agreements;
- expectations regarding the Company's expansion of sales, operations and investment into foreign jurisdictions;
- the performance of the Company's business and operations;
- the impact of the Share consolidation on the future trading price, liquidity, marketability or attractiveness of the Shares;
- the ability of the Company to generate cash flow from operations and from financing activities; and
- the Company's competitive position.

The forward-looking statements in this MD&A are based on information currently available and what management believes are reasonable assumptions. Forward-looking statements speak only to such assumptions as of the date of this MD&A. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources, the accuracy of which has not been verified by Auxly. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, that may cause the actual results, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this MD&A including, but not limited to, whether:

- current and future management will abide by the business objectives and strategies outlined herein;
- the Company will retain and supplement its Board of Directors and management, or otherwise engage consultants and advisors, having knowledge of the industries in which Auxly participates;
- the Company will be able to continue to attract, develop, motivate and retain highly qualified and skilled employees;
- no adverse changes will be made to the regulatory framework governing cannabis, taxes and all other applicable matters in the jurisdictions in which the Company conducts

business and any other jurisdiction in which the Company may conduct business in the future;

- the Company will be able to generate cash flow from operations, including, where applicable, the cultivation, production, processing, distribution and sale of Cannabis Products;
- the Company will be able to execute on its business strategy or achieve its goals;
- the Company will be able to maintain and/or grow its market share;
- the Company's subsidiaries will be able to meet the governmental and regulatory requirements necessary to maintain their licences;
- overall macroeconomic environment, which may impact customer spending, the Company's cost and margins, including tariffs (and related retaliatory measures), the levels of inflation, and interest rates;
- general economic, financial market, regulatory and political conditions in which Auxly operates will remain the same;
- the Company will be able to compete in the cannabis industry;
- the Company will be able to manage anticipated and unanticipated costs;
- the expected benefits of the Imperial Debt Conversion materialize in the manner expected, or at all;
- the Company will remain in compliance with its covenants under the Amended Credit Facility;
- the expected benefits of the Amended Credit Facility materialize in the manner expected, or at all;
- Auxly will be able to maintain effective internal controls over financial reporting and disclosure, controls and procedures;
- there will not be material price compression in the cannabis industry;
- the Company will be able to continue to achieve and maintain its target SG&A expenses;
- the Company will be able to increase and maintain revenue, achieve and maintain positive Adjusted EBITDA and/or achieve and maintain its target Gross Margin on Finished Cannabis Inventory Sold;
- the Company will be able to continue to further expand production capacity and introduce new products and product formats;
- the Company will be able to increase its wholesale bulk cannabis sales;
- the Company will be able to successfully launch and commercialize new brands, create and innovate new products and product formats and enter into new markets; and
- there is acceptance and demand for current and future Company products by consumers and provincial purchasers;
- the market price of the Shares following the Share consolidation may not increase proportionately to the consolidation ratio; and

- there can be no assurance that the Share consolidation will achieve the Company's intended objectives, including improving the trading price, liquidity, marketability or attractiveness of the Shares.

Although management believes that the expectations represented in such forward-looking statements are reasonable, there is no assurance that such expectations will prove to have been correct. Auxly cannot guarantee future results, performance or achievements.

Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amount of assets, liabilities, revenue and expenses. These estimates may impact the financial performance of Auxly when further information becomes available.