AUXLY CANNABIS GROUP INC.

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

FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023

Dated March 24, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared as of March 24, 2024 unless otherwise indicated. This MD&A reviews the operating results, financial position and liquidity of Auxly Cannabis Group Inc. ("Auxly", "we", "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 consolidated financial statements and the notes thereto for the year ended December 31, 2023.

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

We are 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

On October 17, 2018, the Cannabis Act came into force, initially permitting the recreational sale of certain classes of cannabis products, including dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, and cannabis oil (collectively referred to as "Cannabis 1.0 Products"). On October 17, 2019, edible cannabis, cannabis extracts and cannabis topicals were added to the authorized classes of cannabis (collectively referred to as "Cannabis 2.0 Products", and together with Cannabis 1.0 Products, collectively referred to as "Cannabis Products") and such Cannabis 2.0 Products were first available for sale on December 16, 2019. Since 2019, Health Canada undertook a consultation, established a Scientific Advisory Committee, and has been engaged in discussions regarding the possible legalization of Cannabis Health Products, which would permit the making of health claims in respect of cannabis products without the required oversight of a practitioner, such as a doctor, but such products are not currently permitted.

Canadian Strategy and Capabilities

Brand Portfolio and Product Offering

We have created a portfolio of brands designed for a broad market of cannabis consumers, with differentiation in price points across targeted consumer segments.

Our Brands

PARCEL
Parcel delivers on its promise – high quality cannabis for less. No bells, no whistles, just really good cannabis grown by really good people.

BACK FORTY
Take a Trip. Explore the Back Forty. Back Forty is all about embracing simplicity, getting back to basics and not taking life too seriously. Back Forty's mission is to bring to consumers a simple, uncomplicated cannabis product that already feels familiar.

FORAY
Foray is a versatile, modern, and inviting cannabis brand, designed for the curious. Foray is an accessible entry point for anybody—at any stage of their cannabis journey. Designed for the curious, Foray is an approachable brand that aims to both celebrate and guide one's foray into cannabis, ultimately inviting them to see cannabis differently.

DOSECANN
We believe in the natural potential of cannabis. Backed by science and advanced research and development, Dosecann products are driving today's innovation and establishing tomorrow's standards. Cannabis down to a science.

KOLAB PROJECT
Offering a refined collection of high quality cannabis products and design-focused, purposeful goods. We connect consumers with a carefully selected group of collaborators in order to create experiences that are inspired by the ever-evolving world we live in.

Based upon consumer insights, Auxly has developed a broad 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 we were one of the first cannabis companies to distribute and sell Cannabis 2.0 Products across Canada following their legalization.

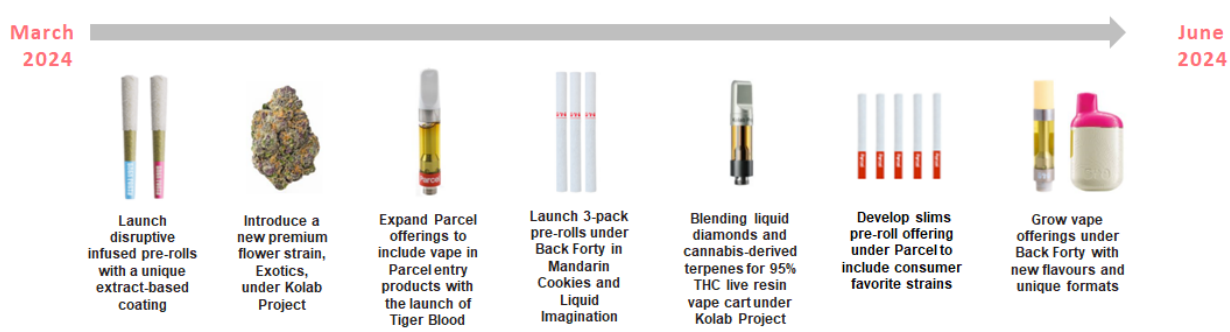
Auxly has maintained its position as a top-selling licensed producer of Cannabis Products, ranking as the 5th largest licensed producer in Canada by total recreational retail sales in 2023, as reported by Hifyre IQ ("Hifyre IQ")[1].

Our Cannabis Products available during the fourth quarter of 2023 are described below by brand and product format:

Products Available by Brand

KOLAB PROJECT	Dosecann	BACK FORTY	Foray	Parcel
510 Vape Cartridges All-in-one Vape Pens Dried Flower Pre-rolled Cannabis Infused Pre-rolls Concentrates	Cannabis Oil Drops Capsules Topicals	510 Vape Cartridges All-in-one Vape Pens Dried Flower Milled Flower Pre-rolled Cannabis Infused Pre-rolls Chocolates Soft Chews	510 Vape Cartridges All-in-one Vape Pens Chocolates Soft Chews	Dried Flower Milled Flower Pre-rolled Cannabis Infused Pre-rolls

Our Cannabis Products have been well received by consumers. We plan to further strengthen our brand recognition by using consumer insights to drive innovation as we continue to introduce new Cannabis Products to the Canadian market, with an emphasis on expanding our dried flower, vape and pre-roll offerings. The Company's upcoming product offerings are presented below:



[1] Data provided by HiFyre IQ as at January 23, 2024.

Distribution

Given the current provincial legislative framework in Canada, we have 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 strong relationships with major Canadian retailers. The Company's sales are supported by an internal sales team.

We have secured listings and sold our Cannabis Products in all provinces except Quebec. We have obtained the necessary pre-authorization to enter into public contracts in Quebec and continue to explore listings for certain products that comply with Quebec's regulatory requirements. The Company currently conducts wholesale bulk sales of dried cannabis intended for sale in the Quebec market.

Cannabis Operations: Cultivation, Product R&D and Manufacturing

Auxly Charlottetown

In May 2018, we acquired our subsidiary Auxly Charlottetown Inc. ("Auxly Charlottetown"), and its purpose-built, GMP-compliant cannabis processing facility located in Charlottetown, Prince Edward Island. The Company conducts its primary Cannabis 2.0 Product development, manufacturing and R&D activities in-house at the Auxly Charlottetown facility. 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 currently licensed under the Cannabis Regulations 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 flavour, aroma, texture or mouthfeel, to better evaluate later-stage product formulations. In December 2022, the Company also obtained a research licence to conduct sensory testing at its head office in Toronto.

In the third quarter of 2023, the Company entered into contract manufacturing agreements for the production of certain of its Cannabis Products with the aim of using an adaptive third party sourcing model to further streamline the Company's operations and to reduce costs where possible.

In 2023, $0.1 million of expenditures were made towards automation initiatives at the Auxly Charlottetown facility. The Company anticipates that expenditures of approximately $Nil-0.5 million will be made towards the purchase of automation equipment at the Auxly Charlottetown facility in 2024.

Auxly Ottawa

Auxly Ottawa Inc. ("Auxly Ottawa") holds licences for cultivation and processing under the Cannabis Act, and conducts the Company's primary dried flower and pre-roll manufacturing, processing and distribution activities out of its own licensed space at the Company's Auxly Leamington Inc. ("Auxly Leamington") facility. This includes the production of the Company's Cannabis 1.0 Products, including Kolab Project dried flower and pre-rolls, Back Forty 40s pre-rolls, and Back Forty and Parcel dried and milled flower. In May 2023, Auxly announced the transition of the Company's dried flower and pre-roll cannabis product manufacturing, processing and distribution activities from the Auxly Ottawa facility in Carleton Place, Ontario to the Auxly Leamington facility, and the Auxly Ottawa Carleton Place facility was subsequently closed in November 2023. The Company intends to sell the Auxly Ottawa facility in due course and apply the proceeds from any such sale to support its ongoing operations.

Auxly Leamington

We simplified our cultivation supply chain through the acquisition of 100% of Auxly Leamington on November 22, 2021. Auxly Leamington provides the Company with a secure and cost-efficient source of dried cannabis, milled flower and extraction materials. Auxly also began its first wholesale bulk cannabis sales from the Auxly Leamington facility starting in the fourth quarter of 2022 and has continued its wholesale bulk cannabis sales throughout 2023.

Auxly Leamington is comprised of a 1.1 million square foot automated 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. 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, including popular Back Forty strains and high-quality value strains under the Parcel brand, all of which are sold to and used by the Company in its full suite of Cannabis Products across all Auxly brands. 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.

In 2023, expenditures of approximately $0.7 million were made towards capacity expansion, equipment and post-harvest automation. We expect to incur expenditures of approximately $0.5-1.0 million towards capital projects throughout 2024 to implement building enhancements to support higher and consistent output from the facility.

Over the past three years, the Company undertook new capital projects to increase pre-roll production volumes and output through the purchase, installation and commissioning of automated manufacturing and packaging equipment. Supply chain issues resulted in significant delays in receipt of both the manufacturing equipment and the technical support required to complete commissioning for full scale production. The pre-roll packaging automation equipment is operational, and the Company saw increased production starting in Q3 2023 and throughout the remainder of the year. In 2023, expenditures of approximately $0.5 million were made towards dried flower and pre-roll automation initiatives. We expect to incur expenditures of approximately $2.0-2.5 million in 2024 for final payments owing for the currently operational automated pre roll manufacturing and packaging equipment.

Funding for Auxly Leamington's initial project budget was provided by the Company in the form of an equity contribution and a subordinated promissory note totaling approximately $98.5 million provided prior to 2020, and an $84.0 million secured credit facility underwritten by a syndicate of lenders led by the Bank of Montreal ("BMO"). The Company's contribution along with the credit facility comprised the required expenditures for the initial budgeted construction of the facility. Concurrently with the Auxly Leamington acquisition, the Company and Auxly Leamington amended and restated the secured credit facility with BMO and the same syndicate of lenders thereby remedying the defaults noted by BMO on April 16, 2021. Under the amended and restated secured credit agreement ("ARCA"), Auxly made a $15.0 million cash payment towards the outstanding principal balance of the credit facility and the maturity date of the credit facility was extended to September 30, 2023. The obligations of Auxly Leamington under the credit facility also continue to be supported by an unsecured $33.0 million limited recourse guarantee provided by the Company.

Between September 29, 2023 and December 28, 2023, the Company received three interim extensions of the maturity date of the ARCA from September 30, 2023 to January 31, 2024, as the Company and the lenders worked towards a formal credit amendment. On January 31, 2024, the Company and the lenders entered into a definitive agreement to amend and restate the ARCA, in order to, among other things, extend the maturity date by two years until December 31, 2025. See "*Recent Developments: Fourth Quarter 2023 To Date – Auxly Completes Amendment and Extension of Auxly Leamington Credit Facility"* in this MD&A.

As at December 31, 2023, Auxly Leamington was in compliance with its covenants under the credit facility, including all financial covenants. Upon filing the Company's financial statements for the year ended December 31, 2023, the Company was in breach of certain reporting covenants under the ARCA due to the inclusion of going concern qualifications. The Company has received a waiver from the syndicate of lenders for such breach.

Strategic Partner

Imperial Brands

Through our strategic partnership with Imperial Brands PLC ("Imperial"), Auxly was granted global licenses to Imperial's vaping technology for cannabis uses, and access to its vapour innovation business, Nerudia, and Imperial will use Auxly as its exclusive partner for the future development, manufacture, commercialization, sale and distribution of cannabis products of any kind anywhere in the world. In connection with the strategic partnership with Imperial, the parties entered into an investor rights agreement (the "Investor Rights Agreement") which provides, among other things, that for so long as Imperial holds a partially diluted percentage of outstanding common shares in the capital of Auxly of not less than 15%, it is eligible to nominate one individual designated by Imperial for election as a director to Auxly's Board and one non-voting observer. As Imperial no longer holds the required percentage under the Investor Rights Agreement, its nominee, Murray McGowan, Chief Strategy and Development Officer for Imperial, who was appointed to Auxly's Board of Directors on November 1, 2021, resigned from the Board on July 26, 2023.

Subsequent to year end, Imperial elected to convert $123.4 million of debt, including accrued interest, outstanding under the 4% unsecured convertible debenture of the Company due September 25, 2026 held by Imperial (the "Imperial Debenture") in exchange for 241,316,117 Shares of Auxly, increasing its holdings to 19.8% of Auxly. See "*Recent Developments: Fourth Quarter 2023 To Date – Imperial Debt Conversion"* in this MD&A.

International Operations

Presently the Company does not have any active international operations. In the third quarter of 2020, the Company ceased all activities at its subsidiary Inverell S.A. ("Inverell") in Uruguay due to the slower than anticipated pace of cannabis-specific regulatory development in Latin America, and as of October 20, 2023, the company has divested of all its shares in Inverell. Auxly is continuing to monitor the progress of other jurisdictions towards recreational and medical cannabis legalization, including the United States and Europe.

OUTLOOK

In 2023, Auxly committed to improving its earnings performance. The Company is pleased to have achieved its goal of becoming Adjusted EBITDA profitable for an entire fiscal year, while maintaining its leadership position in the Canadian cannabis market. The Company's high-level objectives for 2023 were:

- Increase net revenues by 15%, with a focus on key product categories, enhanced by strategic expansion of Auxly's product portfolio, while supporting strong retail distribution through the Company's internal sales team.
  - In 2023, net revenues were $101.1 million, an increase of approximately $6.6 million or 7% over 2022. This was driven by a focused expansion of Cannabis 1.0 Products and continued leadership in the Cannabis 2.0 Product category. In 2023, the Company was the 5th largest licensed producer in Canada by total recreational retail sales. Highlights include[2]:
    - Moved from the #9 licensed producer in dried flower sales in 2022 to the #6 licensed producer in 2023, securing 4.8% share of market nationally;
    - Back Forty's Wedding Pie 10x0.35g pre-rolls established itself as the #1 best selling non-infused pre-roll SKU nationally;
    - Moved from the #9 licensed producer in pre-roll sales in 2022 to the #5 ranked producer nationally in 2023, in large part driven by Back Forty 40s with their innovative, single-strain, straight roll format;
    - Launched new Back Forty all-in-one vapes in Alberta, Ontario, Saskatchewan and Manitoba in November, which quickly secured the top four disposable vape SKU positions in Ontario by February 2024.
  - Although the Company did not meet its full growth ambitions, it made significant progress in optimizing its portfolio to expand margins by leveraging the Company's competitive advantages in vapes, pre-rolls and dried flower products, the product formats which mirror how Canadians are choosing to consume cannabis, and represent, in aggregate, approximately 85% of the adult-use recreational market.
- Continue to leverage Auxly Leamington's large-scale, low-cost cultivation facility and the Company's manufacturing automation to increase blended Gross Margin on Finished Cannabis Inventory Sold to an average of 35-40%.
  - The shift in sales mix towards Cannabis 1.0 Products allowed the Company to better leverage Auxly Leamington's cost efficiencies and contributed to the improved Gross Margin on Finished Cannabis Inventory Sold of 34% in 2023. Notably, this margin increased to 40% in Q4 2023, driven by permanent improvements in the Company's pre-roll manufacturing capabilities, the benefits of consolidating functions previously conducted at its Auxly Ottawa facility into its state-of-the-art Auxly Leamington facility starting in Q2 2023 and the continuous operational improvements at its Charlottetown facility where the majority of Cannabis 2.0 Product margins increased throughout 2023, including vape profitability, a key category for the Company.
  - Despite price compression in the adult-use recreational market as consumer preferences have evolved to focus more on value offerings, the Company has

[2] Data provided by HiFyre IQ as of January 23, 2024.

maintained industry-leading margins amongst its peers in the adult-use recreational market. The Company is well-positioned to compete in the value price segment given Auxly Leamington's cost structure and has taken steps to adjust product pricing to maintain distribution for its value offerings.

- Vigorously manage SG&A as a percentage of net revenues to keep it below 40%.
  - SG&A expenses were $38.6 million in 2023, representing 38% of net revenue. Compared to the same period in 2022, SG&A expenses were $8.0 million or 17% lower, primarily due to measures taken to reduce overhead in the organization and as a result of lower selling expenditures.
  - Focused efforts were made in 2023 to reduce overhead, which included consolidation of the Company's pre-roll and dried flower manufacturing activities, streamlining of operations and support staff, and increasing efficiency, which included reducing waste and finding cost efficiencies with product development.
  - Selling expenses in 2023 were $8.4 million, a decrease of $4.7 million over 2022, primarily as a result of cost reductions associated with the internalization of the sales team and reduced marketing initiatives, partially offset by higher Health Canada fees related to higher revenues.
- Prudently manage the Company's balance sheet and streamline assets where possible.
  - The Company raised additional capital of $8.4 million, including a private placement of Shares in February 2023 resulting in gross proceeds of $3.4 million, and an inventory financing in October 2023 for gross proceeds of $5.0 million.
  - Subsequent to year end, the Company was able to strengthen its balance sheet by working with its strategic partner Imperial, who recently elected to convert $123.4 million of its indebtedness outstanding on the Imperial Debenture, including accrued interest, increasing Imperial's equity holding in the Company to 19.8%.
  - Subsequent to year end, the Company entered into a definitive agreement with the syndicate of lenders led by BMO to extend the maturity date of Auxly Leamington's credit facility to December 31, 2025.

The Canadian cannabis industry continues to face challenges posed by fierce competition and continued fragmentation, ongoing price compression, oppressive taxation, a robust and increasingly sophisticated illicit market, and restrictive regulations which impede the Company's ability to compete with the illicit market, which were further exacerbated by inflation, global conflict, negative macroeconomic impacts from the COVID-19 pandemic, global supply chain disruptions, and constrained capital markets.

Despite these challenges, the Company has seen improvements in its revenues, gross margins, and material improvements in Adjusted EBITDA resulting from significant reductions in its supporting cost structure. This has also improved the Company's operating cash flows. Cash generated in operating activities in 2023 was $8.2 million, an improvement of approximately $10.7 million over 2022, primarily as a result of higher net revenues, gross profit improvements, lower SG&A expenditures and improved inventory management practices. Operating cash flows improved throughout the year as the Company successfully advanced its optimization strategy and grew gross margins. In Q4 of 2023 the Company generated $7.8 million of cash from operating activities which is a 208% improvement from the previous quarter.

In 2024, the Company remains dedicated to sustainable growth, improved profitability, and the excellence of our people. The Company will prioritize focused and efficient growth in its key product categories of vape, pre-roll and dried flower and continue to optimize and improve distribution and sales of its products. It will continue to foster a collaborative team environment and pursue continued improvements in efficiency to reduce costs and deliver strong gross margins and increased profitability. The Company will also continue to pursue opportunities to strengthen its balance sheet.

The Company has a clear focus on its growth trajectory and as it continues to invest in its future, it stands on the strong foundation of its industry-leading capabilities including state-of-the-art facilities, outstanding and dedicated employees, and Auxly's collective mission to help our consumers live happier lives by delivering quality products that they trust and love.

RECENT DEVELOPMENTS: Fourth Quarter 2023 To Date

Imperial Debt Conversion

On March 22, 2024, Imperial, through its wholly owned subsidiary, provided the Company with notice of its election to convert (i) approximately $121.9 million of the principal amount outstanding under the Imperial Debenture and (ii) approximately $1.6 million of accrued interest under the Imperial Debenture, which, together with Imperial's existing equity holdings, will result in Imperial holding an equity position in the Company of approximately 19.8% (the "Imperial Debt Conversion").

In connection with the Imperial Debt Conversion:

- $121.9 million of the principal amount under the Imperial Debenture will be converted at an exercise price of $0.81 for 150,433,450 common shares in the capital of the Company;
- approximately $1.6 million of accrued interest will be converted and issued, on a private placement basis, into 90,882,667 common shares in the capital of the Company at a price of $0.017, subject to the approval of the Toronto Stock Exchange (the "TSX"); and
- Imperial and Auxly have agreed to amend the existing amended and restated investor rights agreement dated July 6, 2021 between the parties to, among other things, remove the existing requirement that Imperial will use the Company as its exclusive cannabis partner.

After completing the Imperial Debt Conversion: (i) a principal amount of $1.0 million will remain outstanding under the Imperial Debenture convertible at $0.81 per share and due on September 25, 2026; (ii) approximately $20.5 million of accrued interest due September 25, 2026 will remain outstanding, without accruing further interest thereon, unless otherwise converted in accordance with the terms of the Imperial Debenture; and (iii) Imperial will own approximately 19.8% of the Company's common shares.

The closing of the Imperial Debt Conversion is conditional upon certain customary closing conditions for a transaction of this nature, including the approval of the TSX. The parties anticipate the Imperial Debt Conversion will close by early April 2024.

Auxly Completes Amendment and Extension of Auxly Leamington Credit Facility

On February 1, 2024, the Company announced that it had signed a definitive agreement (the "Amendment Agreement") to amend and restate the credit facility between its wholly owned subsidiary Auxly Leamington Inc. and a syndicate of lenders, led by the Bank of Montreal as administrative agent, upon the following terms:

- Extension of the maturity date by two years until December 31, 2025, with an option for Auxly Leamington to extend the maturity date for an additional year by making a $2.5 million principal repayment by December 31, 2025;
- Updated EBITDA and other financial and operational covenants for Auxly Leamington;
- Increased quarterly principal payments throughout the term; and
- The obligations of Auxly Leamington under the amended and restated credit facility will continue to be supported by a $33 million limited guarantee by Auxly and a pledge by Auxly of all its securities of Auxly Leamington.

Also as announced on September 29, 2023, November 30, 2023 and January 3, 2024, respectively, prior to entering into the Amendment Agreement, the Company was granted three interim extensions of the maturity date of the amended and restated credit facility from September 30, 2023 to January 31, 2024, as the Company and the lenders worked towards the formal credit amendment.

Auxly Enters into Inventory Financing Agreement

On October 19, 2023, Auxly Ottawa and Auxly Charlottetown, as borrowers, entered into an inventory financing agreement with GrassHopper Capital Inc. ("GrassHopper") whereby GrassHopper agreed to loan an aggregate principal amount of $5.0 million which bears interest at 18% per annum payable on a monthly basis and matures in 12 months. As of December 31, 2023, $2.5 million of the principal amount had been advanced, with a second tranche of $2.5 million to be advanced upon the satisfaction of certain conditions. As of the date of this MD&A, the second tranche of $2.5 million has also been advanced. Obligations of the borrowers under the agreement are secured by a first-priority security interest in all cannabis inventory and is guaranteed by the Company.

FINANCIAL HIGHLIGHTS AND KEY PERFORMANCE INDICATORS

For the three months ended: (000's)		**December 31, 2023**		December 31, 2022		Change	% Change
Net revenues	**$**	**26,909**	$	24,681	$	2,228	9%
Gross margin on finished cannabis inventory sold*		**10,804**		7,436		3,368	45%
Gross margin on finished cannabis inventory sold (%)*		**40%**		30%		10%	33%
Net income/(loss)		**(54,020)**		(16,056)		(37,964)	-236%
Adjusted EBITDA*		**2,294**		(783)		3,077	393%
Weighted average shares outstanding		**1,005,194,829**		905,819,080		99,375,749	11%

For the years ended: (000's)		**December 31, 2023**		December 31, 2022		Change	% Change
Net revenues	**$**	**101,078**	$	94,472	$	6,606	7%
Gross margin on finished cannabis inventory sold*		**34,295**		24,210		10,085	42%
Gross margin on finished cannabis inventory sold (%)*		**34%**		26%		8%	32%
Net income/(loss)		**(44,511)**		(130,293)		85,782	66%
Adjusted EBITDA*		**1,471**		(16,878)		18,349	109%
Weighted average shares outstanding		**990,994,056**		889,871,187		101,122,869	11%

As at: (000's)		**December 31, 2023**		December 31, 2022		Change	% Change
Cash and equivalents	**$**	**15,608**	$	14,636	$	972	7%
Total assets		**261,904**		331,820		(69,916)	-21%
Debt*		**142,737**		174,475		(31,738)	-18%

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

Financial Year 2023 vs 2022

For the year ended December 31, 2023, net revenues were $101.1 million, an increase of approximately $6.6 million or 7% over the same period of 2022. Sales increased primarily as a result of an increased focus on the sale of dried flower and pre-roll products which supported the Company's top 5 LP status for the year, partially offset by price compression in the adult-use recreational market as the customer and product mix evolve to focus on more value offerings.

The Gross Margin on Finished Cannabis Inventory Sold improved to 34% versus 26% in 2022, as a result of the higher proportion of Cannabis 1.0 Products sold by the Company utilizing low-cost cannabis cultivated at Auxly Leamington, the streamlining of certain Cannabis 2.0 Products, and the reduction in operating costs that includes input costs and overhead, especially in vapes, a key category for the Company.

Net loss of $44.5 million decreased by $85.8 million over the same period in 2022, primarily due to improved operating results in 2023, a gain from the extension of the Imperial Debenture in 2023, and losses of $25.7 million associated with the closure of the Auxly Annapolis Inc. ("Auxly Annapolis") and Auxly Annapolis OG Inc. ("Auxly Annapolis OG") facilities in 2022.

Adjusted EBITDA was $1.5 million for the year, an improvement of $18.4 million when compared to negative $16.9 million during the same period of 2022. Adjusted EBITDA for the year ended December 31, 2023 improved primarily as a result of improved gross profits and SG&A reductions.

For the year ended December 31, 2023, the average number of Shares outstanding increased to 1.0 billion Shares, an increase of 101.1 million Shares or 11% over 2022 primarily as a result of the full year impact of Shares issued in 2022 and Shares issued in connection with the February 2023 private placement.

Cash and equivalents were $15.6 million on December 31, 2023, an increase of $1.0 million from December 31, 2022. The change in cash was primarily driven by net cash provided by operating activities, net proceeds from the February 2023 private placement and the October 2023 inventory financing loan, partially offset by capital expenditures and cash used in financing activities.

Financial Year 2022 vs 2021

For the year ended December 31, 2022, net revenues were $94.5 million, an increase of approximately $10.6 million or 13% over the same period of 2021. Sales increased primarily as a result of a continuous shift in sales towards Cannabis 1.0 Products which accounted for approximately 70% of retail sales and wholesale bulk dried flower sales during the fourth quarter, supported by overall industry sales growth.

The Gross Margin on Finished Cannabis Inventory Sold improved to 26% versus 25% in 2021, as a result of a higher proportion of Cannabis 1.0 Products sold by the Company utilizing low-cost cannabis cultivated at Auxly Leamington, and the streamlining of Cannabis 2.0 SKUs and operating costs.

Net losses attributable to shareholders from continuing operations of $130.3 million increased by $96.6 million over the same period in 2021, primarily due to the impairment of goodwill and other assets of $45.0 million as reported in the third quarter, losses of $25.7 million associated with the closure of the Auxly Annapolis facilities, greater equity-based compensation, increased depreciation and amortization, and interest expense associated with the addition of Auxly Leamington.

Adjusted EBITDA was negative $16.9 million for the year, an improvement of $4.8 million when compared to negative $21.7 million during the same period of 2021. Adjusted EBITDA for the twelve months ended December 31, 2022 improved primarily as a result of net improvements in revenues and cost of finished cannabis inventory sold, partially offset by higher SG&A on an annual basis, with significant net improvement in the fourth quarter of 2022.

For the year ended December 31, 2022, the average number of Shares outstanding increased to 889.9 million Shares, an increase of 106.5 million Shares or 14% over 2021 primarily as a result of the full year impact of Shares issued in 2021 as well as Shares issued under the Company's at-the-market equity program and in relation to the amendment of unsecured convertible debentures in the second quarter of 2022.

Cash and equivalents were $14.6 million on December 31, 2022, a decrease of $0.1 million from December 31, 2021. The change in cash was associated with net proceeds from financing activities and the sale of non-core assets, partially offset by capital expenditures, negative cash from operating activities, and payments made towards lease liabilities and debt instruments.

RESULTS OF OPERATIONS

For the years ended December 31:		
(000's)	**2023**	2022
Revenues		
Revenue from sales of cannabis products	**$ 151,762**	$ 138,885
Excise taxes	**(50,684)**	(44,413)
Total net revenues	**101,078**	94,472
Costs of sales		
Costs of finished cannabis inventory sold	**66,783**	70,262
Biological asset impairment	**-**	704
Inventory impairment	**10,474**	10,732
Gross profit/(loss) excluding fair value items	**23,821**	12,774
Unrealized fair value gain/(loss) on biological transformation	**16,207**	28,518
Realized fair value gain/(loss) on inventory	**(18,751)**	(24,780)
Gross profit	**21,277**	16,512
Expenses		
Selling, general, and administrative expenses	**38,641**	46,649
Equity-based compensation	**1,641**	4,023
Depreciation and amortization	**6,943**	14,816
Interest and accretion expense	**25,715**	21,578
Total expenses	**72,940**	87,066
Other income/(loss)		
Interest and other income	**32**	337
Impairment of assets	**(39,706)**	(67,180)
Gain/(loss) on settlement of assets and liabilities and other expenses	**48,365**	(2,231)
Gain on disposal of assets held for sale	**-**	2,150
Gain/(loss) on disposal of subsidiary	**(4,006)**	-
Foreign exchange gain/(loss)	**(771)**	923
Total other income/(loss)	**3,914**	(66,001)
Net income/(loss) before income tax	**(47,749)**	(136,555)
Income tax recovery	**3,238**	6,262
Net income/(loss)	**$ (44,511)**	$ (130,293)
Adjusted EBITDA	**$ 1,471**	$ (16,878)
Net income/(loss) per common share (basic and diluted)	**$ (0.04)**	$ (0.15)
Weighted average shares outstanding (basic and diluted)	**990,994,056**	889,871,187

Net Revenues

For the year ended December 31, 2023, net revenues were $101.1 million as compared to $94.5 million during the same period in 2022, an increase of 7%. Revenues for 2023 were comprised of approximately 61% (2022 – 42%) in sales of dried flower and pre-roll Cannabis Products, with the remainder from oils and Cannabis 2.0 Product sales. Net revenues included wholesale bulk flower sales of approximately $15.7 million during the year.

Consistent with prior periods, as the Company does not directly participate in the Quebec market, approximately 82% of cannabis sales in 2023 originated from sales to British Columbia, Alberta and Ontario.

Gross Profit

Auxly realized a gross profit of $21.3 million in 2023 resulting in a 21% Gross Profit Margin, as compared to $16.5 million or 17%, respectively, during the same period in 2022. The Gross Margin on Finished Cannabis Inventory Sold improved to 34% versus 26% in 2022, while increasing from 37% in the first quarter of 2023 to 40% in the fourth quarter as a result of the higher proportion of Cannabis 1.0 Products sold by the Company that leverage the cost efficiencies of the Auxly Leamington cultivation facility, the streamlining of certain Cannabis 2.0 Products, and the reduction in operating costs that includes input costs and overhead, especially in vapes, a key category for the Company.

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 year of $10.5 million were associated with charges related to reductions in net realizable value of dried cannabis under the Company's product specifications and obsolescence of certain retired products and packaging, a decrease of $0.2 million from the comparative period. The impairments recognized in 2022 include impairments related to the closure of the Auxly Annapolis facilities.

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 $38.6 million in 2023, $8.0 million or 17% lower than the same period in 2022, primarily due to measures taken to reduce overhead in the organization and lower selling expenditures.

Wages and benefits were $16.3 million for the year, as compared to $18.7 million for the same period of 2022. The decrease in expenses was related to the streamlining of operations and support staff as a result of a more focused product portfolio.

Office and administrative expenses were $10.4 million for the year, $1.2 million lower than the same period in 2022. The decreased expenditures primarily relate to streamlining of operations, reduced waste and insurance expenses, partially offset by a provision for bad debt related to Fire & Flower Holdings Corp. filing for creditor protection under the Companies' Creditors Arrangement Act.

Auxly's professional fees were $3.0 million during 2023, flat to 2022. 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 significantly from one period to the next.

Business development expenses were $0.5 million for the year ended December 31, 2023 as compared to $0.3 million during the same period in 2022. These expenses primarily relate to business development and travel related expenses.

Selling expenses were $8.4 million for the year ended December 31, 2023, a decrease of $4.7 million over 2022, primarily as a result of cost reductions associated with the internalization of our sales team and reduced marketing initiatives, partially offset by higher Health Canada fees related to higher revenues.

Equity-based compensation for the year ended December 31, 2023 was $1.6 million. In 2022, equity-based compensation was $4.0 million, primarily reflecting the impact of restricted share units ("RSU") granted in June 2022, in respect of services provided by employees in 2021.

Depreciation and amortization expenses were $6.9 million for the year ended December 31, 2023, representing a decrease of $7.9 million over the same period in 2022, primarily as a result of reductions in intangible assets, completion of certain leases and right of use assets, and depreciation associated with disposed assets.

Interest expenses were $25.7 million for the year ended December 31, 2023, an increase of $4.1 million over the same period in 2022. The increase in expense is primarily a result of the impact of rising interest rates where such obligations are subject to variable charges, interest from newly financed obligations and higher accretion expense on convertible debentures. Interest expense includes accretion on the convertible debentures and interest paid in kind on the Imperial Debenture. Subsequent to year end, Imperial elected to convert $123.4 million of indebtedness owing under the Imperial Debenture, including accrued interest, increasing its holdings to 19.8% of the equity of the Company which, when closed, will result in substantially lower interest accretion expense in future periods. Interest payable in cash was approximately $9.4 million for the year ended December 31, 2023, an increase of $2.7 million over the same period in 2022.

Total Other Incomes and Losses

Total other incomes and losses for the year were a net income of $3.9 million compared to a net loss of $66.0 million in the comparative period. Total other incomes and losses in 2023 included a gain due to the extension of the Imperial Debenture and the unsecured promissory notes, partially offset by $35.9 million of impairment of other assets, noting that the Company's market capitalization trades significantly below its shareholders' equity. Other income and losses in 2023 also included the closure of the Auxly Ottawa facility where the carrying value exceeded the fair value less cost to sell, and the disposal of Inverell. Total other incomes and losses during 2022 included $45.0 million impairment of goodwill and other assets and $25.7 million of losses associated with the closure of the Auxly Annapolis and Auxly Annapolis OG facilities where the carrying value exceeds the fair value less cost to sell.

Net Income and Loss

Net loss for the year ended December 31, 2023 was $44.5 million, representing a net loss of $0.04 per share on a basic and diluted basis. The change in net loss in 2023 as compared to a net loss of $130.3 million in 2022 was primarily driven by improved gross profits, lower expenses, and changes in total other incomes and losses in 2023 as compared to the other losses recorded in 2022.

Adjusted EBITDA

Adjusted EBITDA for the year ended December 31, 2023 was $1.5 million, an improvement of $18.4 million over the same period of 2022, primarily as a result of improvements in gross profits and SG&A.

SUMMARY OF QUARTERLY RESULTS

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

(000's)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	**Q4/23**
Net revenues	$ 22,626	$ 27,335	$ 19,830	$ 24,681	$ 23,968	$ 21,990	$ 28,211	**$ 26,909**
Cost of finished cannabis inventory sold	17,522	20,574	14,921	17,245	15,025	16,035	19,618	**16,105**
Gross margin on finished cannabis inventory sold*	5,104	6,761	4,909	7,436	8,943	5,955	8,593	**10,804**
Gross margin on finished cannabis inventory sold (%)*	23%	25%	25%	30%	37%	27%	30%	**40%**
Net income/(loss)	(39,846)	(14,289)	(60,102)	(16,056)	(10,249)	(12,863)	32,621	**(54,020)**
Adjusted EBITDA*	(6,324)	(3,995)	(5,776)	(783)	138	(1,078)	117	**2,294**
Average shares outstanding (000's)	847,604	888,267	901,521	905,819	954,014	1,002,014	1,002,069	**1,005,195**
Per share: Basic & diluted loss	(0.05)	(0.02)	(0.07)	(0.02)	(0.01)	(0.01)	0.03	**(0.05)**

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

The Company commenced cannabis sales to the Canadian adult recreational market with the legalization of Cannabis 2.0 Products in the fourth quarter of 2019. Since that date, the Company has continued to introduce new products including Cannabis 1.0 Products to increase total net revenues. To date, net revenues have been seasonally low during the first quarter of any year as a result of retail sales trends which impact the Company's provincial customers' purchasing practices. The Company's expansion into the larger dried flower and pre-roll product categories has contributed to the generally increasing sales trend in what continues to be a volatile sales environment.

Gross Margin on Finished Cannabis Inventory Sold is a non-IFRS measure that the Company defines as net revenues less cost of finished cannabis inventory sold divided by net revenues. 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 in 2023 as a result of the shift in sales mix towards Cannabis 1.0 Products that leverage Auxly Leamington's low-cost structure, operational improvements at Auxly Charlottetown including the outsourcing of certain Cannabis 2.0 Products, and the consolidation of our dried flower and pre-roll manufacturing capabilities at Auxly Leamington that included automation efficiencies.

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 fourth quarter of 2023 reflects the impact of the disposal of Inverell and also reflects pre-tax charges of $35.9 million related to the impairment of other assets, noting that the Company's market capitalization trades significantly below its shareholders' equity. The third quarter of 2023 reflects the impact of the gains on the extension of the Imperial Debenture. The second quarter of 2023 reflects the impact of the transition of the Company's dried flower and pre-roll cannabis product manufacturing from Auxly Ottawa to Auxly Leamington. The first quarter of 2022 reflects the impact of losses associated with the closure of the Auxly Annapolis and Auxly Annapolis OG facilities, while the third quarter of 2022 reflects pre-tax charges of $45.0 million related to the impairment of goodwill and other assets.

Adjusted EBITDA has fluctuated with changes in net revenues, changes to product mix with an increase of dried flower and pre-roll Cannabis Products, and the timing of SG&A expenditures, in particular selling expenses. Improvements in the second half of 2023 compared to the historical average reflect the impact of lower cultivation costs, improved overall margins and reductions in SG&A during the period.

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

FOURTH QUARTER RESULTS OF OPERATIONS

For the three months ended December 31:				
(000's)		**2023**		2022
Revenues				
Revenue from sales of cannabis products	**$**	**39,794**	$	36,455
Excise taxes		**(12,885)**		(11,774)
Total net revenues		**26,909**		24,681
Costs of sales				
Costs of finished cannabis inventory sold		**16,105**		17,245
Biological asset impairment		**-**		-
Inventory impairment		**5,109**		2,062
Gross profit/(loss) excluding fair value items		**5,695**		5,374
Unrealized fair value gain/(loss) on biological transformation		**2,481**		2,814
Realized fair value gain/(loss) on inventory		**(5,428)**		(7,382)
Gross profit		**2,748**		806
Expenses				
Selling, general, and administrative expenses		**9,725**		9,515
Equity-based compensation		**148**		429
Depreciation and amortization		**1,708**		2,791
Interest and accretion expense		**6,837**		5,655
Total expenses		**18,418**		18,390
Other income/(loss)				
Interest and other income		**22**		63
Impairment of assets		**(37,118)**		(676)
Gain/(loss) on settlement of assets and liabilities and other expenses		**-**		1,330
Gain on disposal of assets held for sale		**-**		-
Gain/(loss) on disposal of subsidiary		**(4,006)**		-
Foreign exchange gain/(loss)		**(486)**		(301)
Total other income/(loss)		**(41,588)**		416
Net income/(loss) before income tax		**(57,258)**		(17,168)
Income tax recovery		**3,238**		1,112
Net income/(loss)	**$**	**(54,020)**	$	(16,056)
Adjusted EBITDA	**$**	**2,294**	$	(783)
Net income/(loss) per common share (basic and diluted)	**$**	**(0.05)**	$	(0.02)
Weighted average shares outstanding (basic and diluted)		**1,005,194,829**		905,819,080

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2023 as compared to the same period in 2022.

Net Revenues

Net revenues were $26.9 million, approximately $2.2 million higher than the same period in 2022. During the quarter, dried flower and pre-roll products comprised approximately 64% of net revenues while Cannabis 2.0 Products and oil sales contributed the remaining 36% of net revenues. Net revenues in the fourth quarter included wholesale bulk flower sales of approximately $5.5 million.

Gross Profit

Auxly achieved a gross profit of $2.7 million in the fourth quarter of 2023, compared to a gross profit of $0.8 million for the fourth quarter of 2022. Gross Profit Margin was approximately 10% whereas Gross Margin on Finished Cannabis Inventory Sold was 40%. Gross profits were impacted by increased sales of Cannabis 1.0 Products which have an improved margin profile based on the favourable Auxly Leamington costs of production and the streamlining of certain Cannabis 2.0 Products. Inventory impairments were $5.1 million or $3.0 million higher than those of 2022, comprised of charges related to reductions in net realizable value of dried cannabis under the Company's product specifications and obsolescence of certain retired products and packaging.

Total Expenses

Selling, general and administrative expenses of $9.7 million during the fourth quarter of 2023 increased by $0.2 million over the same period in 2022. Wages and benefits were $4.4 million, as compared to $3.1 million for the same period of 2022. The increase in expenses was primarily related to the internalization of the sales team and timing of compensation accruals. Office and administrative expenses were $2.3 million for the fourth quarter of 2023, $0.7 million lower than the same period in 2022. The decreased expenditures primarily relate to lower insurance premiums and reduced overhead from streamlining of operations. Professional fees of $0.6 million and selling expenses of $2.3 million were $0.2 million and $0.3 million lower than the same period in 2022, primarily as a result of cost reductions associated with the internalization of the sales team and reduced marketing initiatives, partially offset by higher Health Canada fees related to higher revenues.

Depreciation and amortization expenses were $1.7 million, which was $1.1 million lower than the same period of 2022, primarily as a result of reductions in intangible assets and depreciation associated with disposed assets.

Interest expenses were $6.8 million for the three months ended December 31, 2023, which reflects an increase of $1.2 million from 2022, primarily as a result of higher accretion expense on convertible debentures and interest from newly financed obligations.

Total Other Incomes and Losses

For the quarter, net total other loss was $41.6 million primarily comprised of $35.9 million of impairment of other assets, $4.0 million loss on disposal of Inverell and $1.2 million impairment of assets related to the production of certain Cannabis Products pursuant to contract manufacturing agreements entered into by the Company.

Net Income and Loss

Net loss for the three months ended December 31, 2023 was $54.0 million, representing a net loss of $0.05 per share on a basic and diluted basis. The change in net loss in 2023 as compared to a net loss of $16.1 million in 2022 was primarily driven by the impairment of other assets, the loss in disposal of Inverell in 2023 and the gain on settlement of assets and liabilities and other expenses of $1.3 million in 2022.

Adjusted EBITDA

Adjusted EBITDA for the three months ended December 31, 2023 was $2.3 million, an improvement of $3.1 million over the same period of 2022, primarily as a result of improvements in gross profits and SG&A.

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 current and key management personnel is as follows:

For the years ended December 31: (000's)		**2023**		2022
Short-term benefits	**$**	**1,758**	$	2,083
Long-term benefits		**1,094**		2,656
Total	**$**	**2,852**	$	4,739

LIQUIDITY AND CAPITAL RESOURCES

For the years ended December 31: (000's)		**2023**		2022
Cash provided by/(used in) operating activities	**$**	**8,214**	$	(2,481)
Net change in investments and proceeds from sale of assets		**47**		10,371
Capital expenditures		**(1,604)**		(9,192)
Cash provided by/(used in) investing activities		**(1,557)**		1,179
Net cash provided by/(used in) financing activities		**(5,685)**		1,184
Cash position, at the beginning of the period		**14,636**		14,754
Cash position, end of period	**$**	**15,608**	$	14,636

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.

During the year ended December 31, 2023, Auxly generated $8.2 million in net cash provided by operating activities, including the positive impact of $17.9 million from changes in working capital. Net investing activities for the year ended December 31, 2023, were a use of cash of $1.6 million driven by capital expenditures at Auxly Leamington and Auxly Ottawa. Net financing activities were a use of cash of $5.7 million for the year ended December 31, 2023 that reflects the repayment of the Company's loans, lease and other payments, partially offset by proceeds from the February 2023 private placement and inventory financing loan in the fourth quarter.

Going concern uncertainty

The Company's financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

On December 31, 2023, the Company had total cash and cash equivalents of $15.6 million, negative working capital of $41.0 million, and cash flow provided by operating activities of $8.2 million for the year ended December 31, 2023. The Company will have insufficient cash to fund its operations for the next 12 months if the Company's sales do not improve or if they decline; if the Company's margins do not improve or if they decline; and/or if the Company's selling, general and administrative expenses increase. The Company's ability to sustain profitability and positive cash flows from operations is subject to material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future including, but not limited to, all relevant information available about the twelve-month period following December 31, 2023. To address its financing requirements, the Company will seek financing through debt and equity financings (which may include use of an at-the-market offering program and/or rights offerings to existing shareholders) and non-core asset sales. The Company will also seek to improve its sales and cash flows by prioritizing certain products and projects with a greater expected return and reduce operating costs by streamlining its operations and support functions. While the Company has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Company's ability to raise capital may be adversely impacted by: market conditions that have resulted in a lack of normally available financing in the cannabis industry; the Company's ongoing litigation matters; increased competition and price compression across the industry; the industry's inability to quickly eliminate Canada's large illicit cannabis market, and overall negative investor sentiment in light of inflation, global conflict and negative macroeconomic impacts from the COVID-19 pandemic. Accordingly, there can be no assurance that the Company will achieve profitability, or secure financing on terms favourable to the Company or at all.

Should the Company be unable to generate sufficient cash flow from financing and operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these consolidated financial statements should such events impair the Company's ability to continue as a going concern.

Auxly's business is subject to risks and uncertainties that could significantly impair Auxly's ability to raise funds or to generate profits sufficient to meet future obligations, operational, or development needs. See "*Risk Factors*" in this MD&A for information on the risks and uncertainties that could have a negative effect on Auxly's liquidity.

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.

	March 24, 2024	December 31, 2023	December 31, 2022
Issued Shares	1,008,032,685	1,013,138,454	913,008,498
Escrowed shares	1,888,421	6,994,190	6,994,190
Outstanding shares	1,006,144,264	1,006,144,264	906,014,308
Outstanding securities			
Warrants	158,059,949	187,977,199	122,510,533
Convertible debentures	196,914,452	196,914,452	205,844,409
Options	21,684,303	19,721,837	24,773,639
Restricted share units	51,286,687	51,286,687	62,088,353

Shares outstanding as at December 31, 2023 increased by approximately 100.1 million to 1,006.1 million primarily as a result of the issuance of equity during the first quarter which also resulted in an equal change in outstanding warrants. The Company repaid $1.232 million of the principal amount of convertible debentures owing under the amended standby financing agreement as a result of raising additional capital. The number of options declined to 19.7 million as at December 31, 2023 due to employee forfeitures, partially offset by options granted. The number of RSUs declined to 51.3 million as at December 31, 2023 due to employee forfeitures.

NON-GAAP MEASURES

The audited consolidated financial statements of Auxly are prepared in accordance with IFRS. Auxly's basis of presentation and material accounting information are summarized in detail in notes 2 and 3 of the annual consolidated financial statements for the year ended December 31, 2023.

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. We use 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 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 loss from continuing operations 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, changes in the share of joint venture investments, share 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)	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	**Q4/23**
Net income/(loss)	$ (39,846)	$ (14,289)	$ (60,102)	$ (16,056)	$ (10,249)	$ (12,863)	$ 32,621	**$ (54,020)**
Interest and accretion expense	5,080	5,336	5,507	5,655	5,808	6,457	6,613	**6,837**
Interest and other income	(85)	(84)	(105)	(63)	(14)	20	(16)	**(22)**
Income tax recovery	(2,955)	(85)	(2,110)	(1,112)	-	-	-	**(3,238)**
Depreciation and amortization included in cost of sales	1,211	2,180	681	1,296	1,120	911	1,151	**1,084**
Depreciation and amortization included in expenses	4,600	3,900	3,525	2,791	1,745	1,673	1,817	**1,708**
EBITDA	(31,995)	(3,042)	(52,604)	(7,489)	(1,590)	(3,802)	42,186	**(47,651)**
Impairment of biological assets	704	-	-	-	-	-	-	**-**
Impairment of inventory	4,878	1,778	2,014	2,062	673	1,459	3,233	**5,109**
Unrealized fair value loss/(gain) on biological transformation	(6,473)	(11,735)	(7,496)	(2,814)	(4,247)	(4,713)	(4,766)	**(2,481)**
Realized fair value loss/(gain) on inventory	2,325	6,898	8,175	7,382	4,639	3,146	5,538	**5,428**
Restructuring related costs	-	-	193	-	165	86	29	**131**
Equity-based compensation	203	2,916	475	429	409	377	707	**148**
Impairment of assets	23,673	-	42,831	676	-	2,588	-	**37,118**
Non-recurring bad debt expense	-	-	-	-	-	780	360	**-**
(Gain)/loss on settlement of assets, liabilities and disposals	-	(163)	1,574	(1,330)	-	(1,478)	(46,887)	**4,006**
Foreign exchange loss/(gain)	361	(647)	(938)	301	89	479	(283)	**486**
Adjusted EBITDA	$ (6,324)	$ (3,995)	$ (5,776)	$ (783)	$ 138	$ (1,078)	$ 117	**$ 2,294**

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 revenues less cost of finished cannabis inventory sold divided by net revenues.

Gross Profit Margin

“Gross Profit Margin” is defined as gross profit divided by net revenues. 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 December 31, 2023, the Company has entered into certain agreements which commit the Company to future funding following a mutually agreed upon event or events. Commitments have not been described where agreements are insufficiently advanced, unlikely to progress further or amounts are indeterminable.

The Company has funding commitments as follows:

As part of the debt financing provided by a syndicate led by BMO towards the construction of the Auxly Leamington purpose-built greenhouse facility, the Company has guaranteed payments up to $33 million in the event of default;

Payments of an aggregate of €1.6 million in 2024 for cannabis equipment to expand the Company's pre-roll and dried flower capabilities;

Annual payments of approximately $0.1 million for minimum annual volume requirement with Union Gas, with agreement ending August 1, 2029; and

Annual payments of approximately $0.1 million until 2025 for guaranteed minimum purchase of bulk carbon dioxide with Air Liquide.

The Company has commitments in respect of long-term debt obligations and leases relating to office spaces, equipment and land which will require payments as follows:

	2024	2025	2026	2027	Thereafter	Total
Lease obligations	$ 4,488	$ 2,795	$ 2,775	$ 1,951	$ 8,111	**$ 20,120**
Loans payable obligations	58,888	738	-	-	-	**59,626**
Promissory note obligations	1,200	1,200	1,200	1,136	-	**4,736**
Convertible debenture obligations	6,771	-	157,236	-	-	**164,007**
Total	**$ 71,347**	**$ 4,733**	**$ 161,211**	**$ 3,087**	**$ 8,111**	**$ 248,489**

Long-term debt obligations include principal and interest on the Imperial Debenture maturing on September 25, 2026. Pursuant to the prior amendments to the Imperial Debenture, interest payable may also be converted to Shares or capitalized and paid at maturity.

Concurrently with the acquisition of Auxly Leamington, Auxly Leamington and Fresh Energy Inc. agreed to complete the transfer of (or part of) a load facility located at 525 County Rd. 14, Mersea RD 9 PH 5 (the "Transfer") for which Auxly Leamington shall pay Fresh Energy consideration of:

- an unsecured promissory note in the principal amount of $3,000 payable in monthly instalments of $100 for 30 months (the "Fresh Energy Promissory Note") and;
- contingent consideration payable of $500 upon the completion of effecting such Transfer, included in the consideration paid for the acquisition of Auxly Leamington.

In June 2023, the Company entered into an agreement to amend the Fresh Energy Promissory Note whereby the $500 contingent consideration was added to the remaining principal amount outstanding and the Company shall continue to pay monthly instalments of $100 until the revised outstanding amount is repaid. As of December 31, 2023, the Company has repaid $2,364 of principal owing under the Fresh Energy Promissory Note.

In June 2023, the Company entered into an agreement to amend the $3,400 unsecured promissory note owing to Peter Quiring. Such unsecured promissory note was originally payable in monthly instalments of $210 for 18 months, starting December 2022. Such note was amended to require the Company to pay monthly instalments of $100 for 36 months, starting November

2024 and maturing in November 2027. The unsecured promissory note bears interest of 6.00% per annum, with interest accrual starting October 15, 2024.

The Company entered into a brokerage agreement with Kindred Partners Inc. (“Kindred”) to act as the Company’s strategic sales agent in September 2019. In October 2022, the brokerage agreement with Kindred was terminated. In January 2023, Kindred commenced arbitration against the Company for an aggregate claim of $3,442. The Company has filed its defence and counterclaim against Kindred. As at December 31, 2023, the Company has recorded a provision of $1,235 related to this claim.

In July 2023, the Company reached a settlement, in principle, of the class action commenced against it in the Ontario Superior Court of Justice on March 28, 2019 whereby $4.0 million will be paid entirely by the Company’s insurance providers to settle all claims in the action. A Settlement Approval Hearing subsequently took place on November 14, 2023, and the settlement was approved by the Ontario Superior Court of Justice on that date. The settlement was made without any admission or finding of liability on behalf of the Company.

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of the 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:

Impairment of goodwill and intangible assets

The carrying value of goodwill and intangible assets is reviewed annually for impairment or more frequently when there are indicators that impairment may have occurred. The Company’s impairment tests for goodwill and intangible assets are based on the comparison of the carrying amount of the CGU and the recoverable amount, which is the greater of value-in-use calculations that use a discounted cash flow model and estimated fair value less cost of disposal. The determination of the Company’s CGUs are based on management’s judgment.

If the recoverable amount of the CGU is greater than the carrying amount, the difference is written off as impairment loss. The impairment loss is first allocated to goodwill and the remainder is allocated to other assets of the CGU subject to the limitation that the carrying amount of an asset should not be reduced below the highest of fair value less cost of disposal, value in use or zero.

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

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

Biological assets and inventory

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

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

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

Equity-based compensation

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

Fair value measurements

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

Convertible instruments

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

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

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 December 31, 2023. There have been no changes to our ICFR during the quarter and the year ended December 31, 2023, 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 new accounting pronouncements

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendments provide clarification to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 8 with no impact to its consolidated financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Amendments to IAS 1 and IFRS Practice Statement 2 to provide guidance to help entities apply materiality judgment to accounting policy disclosure. The amendments require disclosure of material accounting policy information rather than disclosing significant accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023. The Company adopted these amendments, which have resulted in the disclosure of only material accounting policy information, but did not impact the measurement, recognition of presentation of any items in the Company's consolidated financial statements.

Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, Income Taxes ("IAS 12") to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company adopted the amendments to IAS 12 with no impact to its consolidated financial statements.

Future changes in accounting standards

Amendments to IAS 1, Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current

In January 2020 and October 2022, the IASB issued amendments to clarify the requirements for classifying liabilities current or non-current. The amendments specify that the conditions that exist at the end of a reporting period are those that will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2024, with early adoption permitted, and the amendments are to be applied retrospectively. The Company is assessing the impact of the amendments to its 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, loans payable, convertible debentures, other current liabilities, and other non-current liabilities. 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. Other receivables relate to outstanding loans and Auxly mitigates the credit risk by entering into agreements and reviewing its exposure to credit risk on a regular basis. 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 24, 2024, 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.sedar.com.

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:

- the ability of the Company to continue as a going concern;
- 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 impact of the COVID-19 pandemic on the Company's current and future operations;
- the success, and integration of operations, of the entities the Company acquires and the Company's collaborations;
- any ongoing construction, expansions, consolidations, improvements, commissioning of the Company's facilities, equipment or assets, including those of Auxly Charlottetown, Auxly Leamington and Auxly Ottawa, and the timing thereof;
- the intention of the Company to sell the Auxly Ottawa assets and the proposed use of any proceeds;
- expectations regarding the Imperial Debt Conversion and the timing and anticipated benefits thereof;
- 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, the Cannabis 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 revenues, 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 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:

- the Company will be able to continue as a going concern, will have sufficient working capital and be able to secure adequate financing required in the future on acceptable terms to develop its business and continue operations;
- 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;
- 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 Company will be able to sell the Auxly Ottawa assets and achieve the anticipated cost savings from the closure of the facility;
- the Company will be able to complete the Imperial Debt Conversion on the terms and timeline expected, or at all;
- the expected benefits of the Imperial Debt Conversion materialize in the manner expected, or at all;
- Auxly Leamington will generate sufficient cash flow to satisfy its payment obligations under the amended and restated credit facility; and whether Auxly Leamington will remain in compliance with its operating covenants under the amended and restated credit facility;
- the expected benefits of the credit facility Amendment Agreement 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 revenues, 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 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;

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, revenues and expenses. These estimates may impact the financial performance of Auxly when further information becomes available.