



**AUXLY CANNABIS GROUP INC.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025**

**Dated May 13, 2026**

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

# AUXLY CANNABIS GROUP INC.

## Interim Condensed Consolidated Statements of Financial Position

Expressed in thousands of Canadian dollars

Unaudited

| As at:  | March 31,<br>2026 | December 31,<br>2025 |
|---|-------------------|----------------------|
| <b>Assets</b>                                 |                   |                      |
| <b>Current assets</b>                         |                   |                      |
| Cash and cash equivalents                     | \$ 42,663         | \$ 32,279            |
| Restricted cash (Note 4)                      | 250               | 250                  |
| Short-term investments                        | 143               | 142                  |
| Accounts receivable (Note 5)                  | 19,650            | 20,801               |
| Biological assets (Note 6)                    | 10,692            | 10,488               |
| Inventory (Note 7)                            | 32,244            | 31,855               |
| Prepaid expenses                              | 1,371             | 1,370                |
| Deposits (Note 11)                            | 659               | 472                  |
| Loans receivable (Note 26)                    | 517               | -                    |
| Other receivables                             | 957               | 1,582                |
|   | <b>\$ 109,146</b> | <b>\$ 99,239</b>     |
| <b>Non-current assets</b>                     |                   |                      |
| Property, plant and equipment, net (Note 8)   | \$ 142,172        | 143,636              |
| Intangible assets, net (Note 9)               | 27,823            | 28,210               |
| Long-term investments (Note 10)               | 261               | 261                  |
| Long-term deposits (Note 11)                  | 280               | 290                  |
|   | <b>\$ 170,536</b> | <b>\$ 172,397</b>    |
| <b>Total assets</b>                           | <b>\$ 279,682</b> | <b>\$ 271,636</b>    |
| <b>Liabilities</b>                            |                   |                      |
| <b>Current liabilities</b>                    |                   |                      |
| Accounts payable and accrued liabilities      | \$ 39,877         | \$ 35,795            |
| Interest payable (Note 14)                    | 257               | 265                  |
| Lease liability (Note 12)                     | 2,656             | 2,602                |
| Loans payable (Note 14)                       | 5,101             | 5,083                |
| Promissory notes (Note 15)                    | 1,052             | 1,037                |
| Deferred revenue                              | -                 | 351                  |
|   | <b>\$ 48,943</b>  | <b>\$ 45,133</b>     |
| <b>Non-current liabilities</b>                |                   |                      |
| Lease liability (Note 12)                     | \$ 8,085          | \$ 8,767             |
| Loans payable (Note 14)                       | 37,338            | 38,404               |
| Promissory notes (Note 15)                    | 1,552             | 1,755                |
|   | <b>\$ 46,975</b>  | <b>\$ 48,926</b>     |
| <b>Total liabilities</b>                      | <b>\$ 95,918</b>  | <b>\$ 94,059</b>     |
| <b>Equity</b>                                 |                   |                      |
| Share capital (Note 16)                       | \$ 551,798        | \$ 549,557           |
| Reserves (Notes 13, 16)                       | 116,798           | 116,318              |
| Accumulated other comprehensive income/(loss) | (30,533)          | (30,533)             |
| Retained earnings/(deficit)                   | (454,299)         | (457,765)            |
| <b>Total equity</b>                           | <b>\$ 183,764</b> | <b>\$ 177,577</b>    |
| <b>Total liabilities and equity</b>           | <b>\$ 279,682</b> | <b>\$ 271,636</b>    |

Commitments and contingencies (Note 20)

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

The interim condensed consolidated financial statements were approved by the Board of Directors on May 13, 2026, and were signed on its behalf by:

(s) Genevieve Young

Genevieve Young

# AUXLY CANNABIS GROUP INC.

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

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

Unaudited

For the three months ended March 31:

|   | 2026             | 2025             |
|---|------------------|------------------|
| <b>Revenue</b>  |                  |                  |
| Revenue from sales of cannabis products   | \$ 59,738        | \$ 49,212        |
| Excise taxes  | (19,985)         | (16,543)         |
| <b>Total net revenue</b>  | <b>\$ 39,753</b> | <b>\$ 32,669</b> |
| <b>Cost of sales</b>  |                  |                  |
| Cost of finished cannabis inventory sold (Note 7)   | \$ 17,881        | \$ 16,838        |
| Inventory impairment (Note 7)   | 234              | 123              |
| <b>Gross profit/(loss) excluding fair value items</b>   | <b>\$ 21,638</b> | <b>\$ 15,708</b> |
| Unrealized fair value gain/(loss) on biological transformation (Note 6)   | \$ 9,758         | \$ 12,312        |
| Realized fair value gain/(loss) on inventory  | (13,086)         | (9,337)          |
| <b>Gross profit/(loss)</b>  | <b>\$ 18,310</b> | <b>\$ 18,683</b> |
| <b>Expenses</b>   |                  |                  |
| Selling, general and administrative expenses (Note 21)  | \$ 11,384        | \$ 9,672         |
| Equity-based compensation (Notes 16, 23)  | 1,011            | 1,505            |
| Depreciation and amortization (Notes 7, 8, 9)   | 1,218            | 1,296            |
| Interest and accretion expenses (Note 22)   | 1,092            | 2,147            |
| <b>Total expenses</b>   | <b>\$ 14,705</b> | <b>\$ 14,620</b> |
| <b>Other income/(loss)</b>  |                  |                  |
| Interest and other income   | \$ 58            | \$ 47            |
| Gain/(loss) on settlement of assets and liabilities and other expenses  | -                | 39               |
| Foreign exchange gain/(loss)  | (197)            | (163)            |
| <b>Total other income/(loss)</b>  | <b>\$ (139)</b>  | <b>\$ (77)</b>   |
| <b>Net income/(loss) before income tax</b>  | <b>\$ 3,466</b>  | <b>\$ 3,986</b>  |
| Income tax recovery/(expense) (Note 9)  | -                | 8,125            |
| <b>Net income/(loss)</b>  | <b>\$ 3,466</b>  | <b>\$ 12,111</b> |
| <b>Other comprehensive income/(loss)</b>  |                  |                  |
| Fair value gain/(loss) on fair value through other comprehensive income investments – not subsequently reclassified to profit or loss (Note 10) | \$ -             | \$ (333)         |
| <b>Total comprehensive income/(loss)</b>  | <b>\$ 3,466</b>  | <b>\$ 11,778</b> |
| <b>Net income/(loss) per common share (\$) (Note 16)</b>  |                  |                  |
| Net income/(loss) per common share (\$) – basic and diluted   | \$ 0.00          | \$ 0.01          |
| <b>Weighted average number of shares outstanding (Note 16)</b>  |                  |                  |
| Basic   | 1,376,550,373    | 1,310,291,543    |
| Diluted   | 1,611,596,497    | 1,365,880,272    |

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

# AUXLY CANNABIS GROUP INC.

## Interim Condensed Consolidated Statements of Cash Flows

Expressed in thousands of Canadian dollars

Unaudited

For the three months ended March 31:

|  | 2026              | 2025              |
|--|-------------------|-------------------|
| <b>Operating activities</b>  |                   |                   |
| <b>Net income/(loss) for the period</b>  | <b>\$ 3,466</b>   | <b>\$ 12,111</b>  |
| Items not affecting cash:  |                   |                   |
| Inventory impairment (Note 7)  | 234               | 123               |
| Unrealized fair value loss/(gain) on biological transformation (Note 6)                                | (9,758)           | (12,312)          |
| Realized fair value loss/(gain) on inventory   | 13,086            | 9,337             |
| Depreciation and amortization (Notes 7, 8, 9)  | 2,986             | 2,570             |
| Interest and accretion expenses (Note 22)  | 151               | 348               |
| Equity-based compensation (Notes 16, 23)   | 1,011             | 1,465             |
| Unrealized foreign exchange loss/(gain)  | 79                | (4)               |
| Realized foreign exchange loss/(gain) on investing and financing activities                            | -                 | 46                |
| Income tax expense/(recovery) (Note 9)   | -                 | (8,125)           |
| <b>Cash provided by/(used in) operating activities before net non-cash working capital adjustments</b> | <b>\$ 11,255</b>  | <b>\$ 5,559</b>   |
| Net change in non-cash working capital (Note 24)   | 746               | (3,590)           |
| <b>Net cash provided by/(used in) operating activities</b>   | <b>\$ 12,001</b>  | <b>\$ 1,969</b>   |
| <b>Investing activities</b>  |                   |                   |
| Purchase of property, plant and equipment (Note 8)   | \$ (814)          | \$ (67)           |
| Proceeds from sale of assets (Note 8)  | 2                 | -                 |
| Issuance of loans receivable (Note 26)   | (500)             | -                 |
| <b>Net cash provided by/(used in) investing activities</b>   | <b>\$ (1,312)</b> | <b>\$ (67)</b>    |
| <b>Financing activities</b>  |                   |                   |
| Repayment of loans payable, net (Note 14)  | \$ (1,308)        | \$ (2,709)        |
| Proceeds from loans payable (Note 14)  | 266               | -                 |
| Deferred financing fees (Note 14)  | (45)              | -                 |
| Proceeds from warrants exercised (Note 16)   | 1,710             | 301               |
| Payment on promissory notes (Note 15)  | (300)             | (150)             |
| Payment on lease liability, net (Note 12)  | (628)             | (588)             |
| <b>Net cash provided by/(used in) financing activities</b>   | <b>\$ (305)</b>   | <b>\$ (3,146)</b> |
| <b>Increase/(decrease) in cash and cash equivalents during the period</b>                              | <b>\$ 10,384</b>  | <b>\$ (1,244)</b> |
| Cash and cash equivalents, beginning of period   | 32,279            | 18,356            |
| <b>Cash and cash equivalents, end of period</b>  | <b>\$ 42,663</b>  | <b>\$ 17,112</b>  |

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

# AUXLY CANNABIS GROUP INC.

## Interim Condensed Consolidated Statements of Changes in Equity

Expressed in thousands of Canadian dollars

Unaudited

For the three months ended March 31:

|   | 2026                | 2025                |
|---|---------------------|---------------------|
| <b>Share capital</b>  |                     |                     |
| Balance, beginning of period  | \$ 549,557          | \$ 542,632          |
| Exercise of warrants (Note 16)                                      | 2,241               | 404                 |
| <b>Share capital, end of period</b>                                 | <b>\$ 551,798</b>   | <b>\$ 543,036</b>   |
| <b>Reserves</b>   |                     |                     |
| <b>Convertible debentures</b>                                       |                     |                     |
| Balance, beginning of period  | \$ 18,591           | \$ 20,052           |
| <b>Convertible debentures, end of period</b>                        | <b>\$ 18,591</b>    | <b>\$ 20,052</b>    |
| <b>Warrants</b>   |                     |                     |
| Balance, beginning of period  | \$ 54,799           | \$ 43,285           |
| Exercise of warrants (Note 16)                                      | (531)               | (103)               |
| <b>Warrants, end of period</b>                                      | <b>\$ 54,268</b>    | <b>\$ 43,182</b>    |
| <b>Contributed surplus</b>  |                     |                     |
| Balance, beginning of period  | \$ 42,928           | \$ 39,507           |
| Employee share options:   |                     |                     |
| Stock options (Notes 16, 23)  | 8                   | 24                  |
| Restricted share units (Notes 16, 23)                               | 1,003               | 510                 |
| <b>Contributed surplus, end of period</b>                           | <b>\$ 43,939</b>    | <b>\$ 40,041</b>    |
| <b>Reserves, end of period</b>                                      | <b>\$ 116,798</b>   | <b>\$ 103,275</b>   |
| <b>Accumulated other comprehensive income/(loss)</b>                |                     |                     |
| Balance, beginning of period  | \$ (30,533)         | \$ (30,200)         |
| Fair value changes in long-term investments (Note 10)               | -                   | (333)               |
| <b>Accumulated other comprehensive income/(loss), end of period</b> | <b>\$ (30,533)</b>  | <b>\$ (30,533)</b>  |
| <b>Retained earnings/(deficit)</b>                                  |                     |                     |
| Balance, beginning of period  | \$ (457,765)        | \$ (499,620)        |
| Net income/(loss)   | 3,466               | 12,111              |
| <b>Retained earnings/(deficit), end of period</b>                   | <b>\$ (454,299)</b> | <b>\$ (487,509)</b> |
| <b>Equity, end of period</b>  | <b>\$ 183,764</b>   | <b>\$ 128,269</b>   |

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

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

### 1. Nature of operations

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

#### Description of the Company

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

### 2. Basis of preparation

#### Statement of compliance

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

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

The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements, are consistent with those disclosed in the notes to the annual consolidated financial statements as at and for the year ended December 31, 2025. These interim condensed consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on May 13, 2026.

#### Subsidiaries

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

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

### 2. Basis of preparation (continued)

The interim condensed consolidated financial statements of the Company include:

| <b>Subsidiaries</b>                              | <b>Equity interests</b> |
|--|-------------------------|
| Auxly Inc.                                       | 100%                    |
| Auxly Charlottetown Inc. ("Auxly Charlottetown") | 100%                    |
| Auxly Leamington Inc. ("Auxly Leamington")       | 100%                    |

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

### 3. Material accounting information

#### Adoption of accounting pronouncements

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

In May 2024, amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*, were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or a financial liability, including clarifying that a financial liability is derecognized on the settlement date. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Company adopted the amendments with no material impact on the Company's interim condensed consolidated financial statements.

#### Future changes in accounting policies

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

##### ***IFRS 18, Presentation and Disclosure in Financial Statements***

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

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

### 4. Restricted cash

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

### 5. Accounts receivable

Accounts receivable comprise the following:

|                                     | As at<br>March 31, 2026 | As at<br>December 31, 2025 |
|-------------------------------------|-------------------------|----------------------------|
| Less than 30 days past billing date | \$ 18,213               | \$ 18,330                  |
| 31 to 60 days past billing date     | 1,247                   | 1,349                      |
| 61 to 90 days past billing date     | 130                     | 887                        |
| Over 90 days past billing date      | 60                      | 235                        |
|                                     | \$ 19,650               | \$ 20,801                  |

### 6. Biological assets

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

|  |                  |
|--|------------------|
| <b>Balance, December 31, 2024</b>  | <b>\$ 8,286</b>  |
| Changes in fair value less cost to sell due to biological transformation | 57,104           |
| Capitalized production costs   | 22,721           |
| Transferred to inventory upon harvest                                    | (77,623)         |
| <b>Balance, December 31, 2025</b>  | <b>\$ 10,488</b> |
| Changes in fair value less cost to sell due to biological transformation | 9,758            |
| Capitalized production costs   | 6,594            |
| Transferred to inventory upon harvest                                    | (16,148)         |
| <b>Balance, March 31, 2026</b>   | <b>\$ 10,692</b> |

As at March 31, 2026, the Company's cannabis biological assets consisted of 163,666 plants (December 31, 2025 – 168,340 plants) and the Company's cannabis plants were on average 49% (December 31, 2025 – 55%) complete in their estimated 70-day growing cycle.

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

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

## AUXLY CANNABIS GROUP INC.

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

#### 6. Biological assets (continued)

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

| As at March 31, 2026               |                      |                               |                                    |
|------------------------------------|----------------------|-------------------------------|------------------------------------|
| Significant inputs and assumptions | Range of inputs      | Sensitivity                   | Effect on biological asset balance |
| Selling price per gram             | \$0.09-\$1.27 dollar | Increase/decrease \$0.10/gram | Increase/decrease \$2,159          |
| Average yield per plant            | 132 grams            | Increase/decrease 10%         | Increase/decrease \$1,434          |
| Post-harvest cost per gram         | \$0.09 dollar        | Increase/decrease \$0.01/gram | Decrease/increase \$216            |

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

#### 7. Inventory

The following is a breakdown of inventory:

|  | As at<br>March 31, 2026 | As at<br>December 31, 2025 |
|--|-------------------------|----------------------------|
| Dried cannabis                                   |                         |                            |
| Work-in-process                                  | \$ 14,531               | \$ 19,745                  |
| Finished goods                                   | 4,807                   | 2,440                      |
| Generation 2 derivative products                 |                         |                            |
| Work-in-process                                  | 3,051                   | 2,806                      |
| Finished goods                                   | 2,362                   | 2,307                      |
| Packaging, hardware, consumables and ingredients | 7,493                   | 4,557                      |
| <b>Total</b>                                     | <b>\$ 32,244</b>        | <b>\$ 31,855</b>           |

As at March 31, 2026, the Company recognized \$32,244 (December 31, 2025 – \$31,855) of inventory on the interim condensed consolidated statements of financial position, including \$7,591 non-cash income (December 31, 2025 – \$11,120) relating to the fair value less cost to sell transferred to inventory upon harvest. During the three months ended March 31, 2026, inventory expensed to cost of sales was \$17,170 (2025 – \$16,389).

Depreciation capitalized into inventory during the three months ended March 31, 2026 was \$1,447 (2025 – \$1,546). Cost of sales for the three months ended March 31, 2026 included \$1,768 (2025 – \$1,274) of depreciation.

During the three months ended March 31, 2026, the Company recognized a loss of \$234 (2025 – \$123) on cannabis inventory due to the costs capitalized exceeding the net realizable value of the inventory.

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

Unaudited

### 8. Property, plant and equipment

|                                  | Computers<br>and office<br>furniture | Leasehold<br>improvements | Equipment | Buildings  | Construction-<br>in-progress | Land     | Right-of-use<br>assets | Total      |
|----------------------------------|--------------------------------------|---------------------------|-----------|------------|------------------------------|----------|------------------------|------------|
| <b>Cost:</b>                     |                                      |                           |           |            |                              |          |                        |            |
| December 31, 2025                | \$ 3,613                             | \$ 21,571                 | \$ 33,085 | \$ 122,938 | \$ 81                        | \$ 4,127 | \$ 21,890              | \$ 207,305 |
| Additions                        | -                                    | -                         | 527       | -          | 287                          | -        | -                      | 814        |
| March 31, 2026                   | \$ 3,613                             | \$ 21,571                 | \$ 33,612 | \$ 122,938 | \$ 368                       | \$ 4,127 | \$ 21,890              | \$ 208,119 |
| <b>Accumulated depreciation:</b> |                                      |                           |           |            |                              |          |                        |            |
| December 31, 2025                | \$ 3,227                             | \$ 6,848                  | \$ 17,971 | \$ 20,299  | \$ -                         | \$ 27    | \$ 15,297              | \$ 63,669  |
| Depreciation                     | 41                                   | 244                       | 637       | 1,053      | -                            | -        | 303                    | 2,278      |
| March 31, 2026                   | \$ 3,268                             | \$ 7,092                  | \$ 18,608 | \$ 21,352  | \$ -                         | \$ 27    | \$ 15,600              | \$ 65,947  |
| <b>Carrying amounts</b>          |                                      |                           |           |            |                              |          |                        |            |
| March 31, 2026                   | \$ 345                               | \$ 14,479                 | \$ 15,004 | \$ 101,586 | \$ 368                       | \$ 4,100 | \$ 6,290               | \$ 142,172 |

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

### 9. Intangible assets

|                                      | Cultivation<br>interests | Canadian<br>cultivation<br>licences | Processing<br>licences | Distribution<br>agreements | Other    | Total     |
|--------------------------------------|--------------------------|-------------------------------------|------------------------|----------------------------|----------|-----------|
| <b>Cost:</b>                         |                          |                                     |                        |                            |          |           |
| December 31, 2025 and March 31, 2026 | \$ 14,016                | \$ 10,340                           | \$ 17,371              | \$ 284                     | \$ 4,199 | \$ 46,210 |
| <b>Accumulated amortization:</b>     |                          |                                     |                        |                            |          |           |
| December 31, 2025                    | \$ 14,016                | \$ 405                              | \$ 1,022               | \$ 284                     | \$ 2,273 | \$ 18,000 |
| Amortization                         | -                        | 102                                 | 255                    | -                          | 30       | 387       |
| March 31, 2026                       | \$ 14,016                | \$ 507                              | \$ 1,277               | \$ 284                     | \$ 2,303 | \$ 18,387 |
| <b>Carrying amounts</b>              |                          |                                     |                        |                            |          |           |
| March 31, 2026                       | \$ -                     | \$ 9,833                            | \$ 16,094              | \$ -                       | \$ 1,896 | \$ 27,823 |

# AUXLY CANNABIS GROUP INC.

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### 9. Intangible assets (continued)

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

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

### 10. Long-term investments

| Entity                | Instrument | Classification | As at December<br>31, 2025 | Fair value<br>change | Purchases/<br>(sales) | As at March 31,<br>2026 |
|-----------------------|------------|----------------|----------------------------|----------------------|-----------------------|-------------------------|
| Cannabis OneFive Inc. | Shares     | FVOCI          | \$ 261                     | \$ -                 | \$ -                  | \$ 261                  |

  

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

### 11. Deposits

|                             | Capital assets | Inventory     | Other         | Total         |
|-----------------------------|----------------|---------------|---------------|---------------|
| Current portion             | \$ -           | \$ 625        | \$ 34         | \$ 659        |
| Non-current portion         | 71             | -             | 209           | 280           |
| <b>As at March 31, 2026</b> | <b>\$ 71</b>   | <b>\$ 625</b> | <b>\$ 243</b> | <b>\$ 939</b> |

  

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

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### 12. Lease liability

|                               | As at          |               | As at             |               |
|-------------------------------|----------------|---------------|-------------------|---------------|
|                               | March 31, 2026 |               | December 31, 2025 |               |
| Balance, beginning of period  | \$             | 11,369        | \$                | 13,792        |
| Payments                      |                | (787)         |                   | (3,159)       |
| Interest expense              |                | 159           |                   | 736           |
| <b>Balance, end of period</b> | <b>\$</b>      | <b>10,741</b> | <b>\$</b>         | <b>11,369</b> |

  

|   | As at          |               | As at             |               |
|---|----------------|---------------|-------------------|---------------|
|   | March 31, 2026 |               | December 31, 2025 |               |
| <b>Maturity analysis – contractual undiscounted cash flows</b>  |                |               |                   |               |
| Less than one year  | \$             | 3,193         | \$                | 3,181         |
| Two years and beyond  |                | 10,349        |                   | 11,148        |
| <b>Total undiscounted lease obligations</b>   | <b>\$</b>      | <b>13,542</b> | <b>\$</b>         | <b>14,329</b> |
| Current portion   | \$             | 2,656         | \$                | 2,602         |
| Long-term portion   |                | 8,085         |                   | 8,767         |
| <b>Discounted lease obligations included in the interim condensed consolidated statements of financial position</b> | <b>\$</b>      | <b>10,741</b> | <b>\$</b>         | <b>11,369</b> |

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

### 13. Convertible debentures

#### Imperial Brands

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

In July 2025, the Company entered into an exchange agreement with Imperial to settle all remaining amounts owing under the convertible debenture (the “Imperial Debenture Settlement”), which provided for the following:

- Imperial converted the remaining \$1,000 principal amount owed under the outstanding convertible debenture held by Imperial into 1,234,568 common shares of the Company at a conversion price of \$0.81 per common share;
- Imperial converted \$1,387 of interest payable under the convertible debenture into 17,101,921 shares at a conversion price of \$0.0811 per share, based on the trailing 5-day volume-weighted average trading price of the shares on the TSX; and
- The Company issued pre-funded warrants to acquire up to 90,883,618 shares in exchange for \$7,371 of additional interest payable, with the remaining accrued interest owed under the convertible debenture in the amount of approximately \$11,889 forgiven. Each warrant entitles an affiliate of Imperial to purchase one share for a nominal exercise price at any time prior to December 31, 2028 (the “Expiry Date”), provided that the number of warrants exercisable for shares (the “Underlying Shares”) that may be exercised at any time prior to the Expiry Date will

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Unaudited

### 13. Convertible debentures (continued)

be limited to such number of warrants for which the issuance of corresponding Underlying Shares would not result in Imperial owning more than 19.9% of all the then outstanding shares.

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

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

The convertible debenture was settled during July 2025. The associated accretion expense for the three months ended March 31, 2025 was \$35. Interest expense for the three months ended March 31, 2025 was \$10.

### 14. Loans payable

|                          | As at            |                   | As at             |
|--------------------------|------------------|-------------------|-------------------|
|                          | March 31, 2026   | December 31, 2025 | December 31, 2025 |
| Amended Credit Facility  | \$ 42,168        | \$                | 43,472            |
| Equipment loans payable  | 271              |                   | 15                |
| <b>Total</b>             | <b>\$ 42,439</b> | <b>\$</b>         | <b>43,487</b>     |
| Less: current portion    | 5,101            |                   | 5,083             |
| <b>Long-term portion</b> | <b>\$ 37,338</b> | <b>\$</b>         | <b>38,404</b>     |

#### Amended Credit Facility

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

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

Under the Amended Credit Facility, the Company is required to comply with financial covenants, including maintaining set ratios for fixed charge coverage and total funded debt to EBITDA at all times. As at March 31, 2026, the Company was in compliance with all financial covenants.

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### 14. Loans payable (continued)

The Company recorded deferred financing charges of \$223 on the recognition of the new financial liability, which will be amortized until June 30, 2027. During the three months ended March 31, 2026, the Company recorded deferred financing charges of \$45 (2025 – \$nil), representing the annual agency fee. As at March 31, 2026, the Company had a balance of \$174 (December 31, 2025 – \$168) on its interim condensed consolidated statements of financial position.

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

|  | As at            |                   |
|--|------------------|-------------------|
|  | March 31, 2026   | December 31, 2025 |
| Balance, beginning of period             | \$ 43,472        | \$ 38,254         |
| Additions                                | -                | 9,873             |
| Payments                                 | (1,298)          | (4,758)           |
| Deferred financing fees additions        | (45)             | (223)             |
| Deferred financing fees amortization     | 39               | 195               |
| Derecognition of deferred financing fees | -                | 131               |
| <b>Balance, end of period</b>            | <b>\$ 42,168</b> | <b>\$ 43,472</b>  |
| Less: current portion                    | 5,045            | 5,078             |
| <b>Long-term portion</b>                 | <b>\$ 37,123</b> | <b>\$ 38,394</b>  |

Interest expense on the Amended Credit Facility for the three months ended March 31, 2026 was \$748 (2025 – \$701).

### Equipment loans payable

The Company entered into arrangements with leasing companies to finance several pieces of equipment used in its operations. The equipment loans generally have terms between one and three years, with interest ranging from 2.75% to 16.54% per annum. The continuity schedule of the equipment loans is presented below:

|                               | As at          |                   |
|-------------------------------|----------------|-------------------|
|                               | March 31, 2026 | December 31, 2025 |
| Balance, beginning of period  | \$ 15          | \$ 701            |
| Additions                     | 266            | 18                |
| Payments                      | (11)           | (740)             |
| Interest expense              | 1              | 36                |
| <b>Balance, end of period</b> | <b>\$ 271</b>  | <b>\$ 15</b>      |
| Less: current portion         | 56             | 5                 |
| <b>Long-term portion</b>      | <b>\$ 215</b>  | <b>\$ 10</b>      |

### Receivables financing loan

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

In 2024, the Company entered in several amendments to extend the maturity date to July 21, 2025, with \$700 USD of principal to be repaid in monthly instalments beginning August 2024 and the remaining balance due at maturity.

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### 14. Loans payable (continued)

On July 7, 2025, the Company fully repaid the remaining principal amount and the interest payable on the receivables financing loan. The loan bore an interest rate of 18% per annum with interest payable on a monthly basis. Interest expense for the three months ended March 31, 2025 was \$297.

#### Inventory financing loan

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

In 2024, the Company and GrassHopper entered into an amended agreement to extend the maturity date to October 25, 2025, for an extension fee of \$150.

On October 24, 2025, the Company fully repaid the remaining principal amount and the interest payable on the inventory financing loan. The loan bore an interest of 18% per annum with interest payable on a monthly basis. Interest expense for the three months ended March 31, 2025 was \$222.

### 15. Promissory notes

The continuity schedule of the promissory notes is presented below:

|                                | As at           |                   |
|--------------------------------|-----------------|-------------------|
|                                | March 31, 2026  | December 31, 2025 |
| Balance, beginning of period   | \$ 2,792        | \$ 3,318          |
| Payments                       | (300)           | (1,050)           |
| Interest and accretion expense | 112             | 524               |
| <b>Balance, end of period</b>  | <b>\$ 2,604</b> | <b>\$ 2,792</b>   |
| Less: current portion          | 1,052           | 1,037             |
| <b>Long-term portion</b>       | <b>\$ 1,552</b> | <b>\$ 1,755</b>   |

#### Fresh Energy agreement

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

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

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### 15. Promissory notes (continued)

#### Due to Peter Quiring

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

The promissory note was amended multiple times over 2023 and 2024. Based on the latest amendment in 2024, the Company began to pay monthly instalments of \$100, starting in August 2025 and maturing in November 2028, and a one-time payment of \$72 on the maturity date of the note. The unsecured promissory note bears interest of 8.0% per annum between November 2024 and August 2025, and 6.0% per annum starting August 2025.

### 16. Share capital

The share capital of the Company is summarized below:

|                                      | March 31,<br>2026 | December 31,<br>2025 |                               | March 31,<br>2026 | December 31,<br>2025 |
|--------------------------------------|-------------------|----------------------|-------------------------------|-------------------|----------------------|
| <b>Issued and outstanding shares</b> |                   |                      | <b>Outstanding securities</b> |                   |                      |
| Issued shares                        | 1,405,038,794     | 1,367,038,794        | Warrants                      | 121,185,118       | 159,185,118          |
| Escrowed shares                      | 1,888,421         | 1,888,421            | Options                       | 15,131,169        | 15,131,169           |
| Outstanding shares                   | 1,403,150,373     | 1,365,150,373        | Restricted share units        | 156,878,213       | 156,878,213          |

#### a) Authorized

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

#### b) Issued and outstanding

As at March 31, 2026, there were 1,405,038,794 issued and outstanding common shares, with 1,888,421 shares held in escrow related to the contingent considerations in acquisitions and investments (December 31, 2025 had 1,367,038,794 issued and outstanding common shares, and 1,888,421 shares held in escrow related to contingent considerations in acquisitions and investments).

#### c) Warrants

Each warrant entitles the holder to purchase one common share of the Company. The following table summarizes information about warrants outstanding as at March 31, 2026:

|   | Number of warrants | Average exercise<br>price (\$) | Average remaining<br>life (years) |
|---|--------------------|--------------------------------|-----------------------------------|
| <b>Opening balance, January 1, 2025</b>   | <b>109,970,142</b> | <b>0.064</b>                   | <b>2.23</b>                       |
| Warrants issued                           | 90,883,618         | 0.000                          | 3.00                              |
| Warrants exercised                        | (21,668,642)       | 0.045                          | -                                 |
| Warrants expired                          | (20,000,000)       | 0.150                          | -                                 |
| <b>Closing balance, December 31, 2025</b> | <b>159,185,118</b> | <b>0.019</b>                   | <b>2.39</b>                       |
| Warrants exercised                        | (38,000,000)       | 0.045                          | -                                 |
| <b>Closing balance, March 31, 2026</b>    | <b>121,185,118</b> | <b>0.011</b>                   | <b>2.22</b>                       |

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### 16. Share capital (continued)

During the three months ended March 31, 2026, 38,000,000 warrants (2025 – 6,588,642) from the February 2023 private placement and nil warrants (2025 – 92,500) from the June 2021 bought deal were exercised. Each warrant entitled the investor to purchase one common share at the price of \$0.045 per common share. For the three months ended March 31, 2026, the Company recorded proceeds of \$1,710 (2025 – \$301) on the interim condensed consolidated statements of cash flows for warrants exercised.

#### d) Stock options

The Company has an equity incentive plan to provide incentives to directors, employees and consultants of the Company. The total number of options awarded is limited to 10% of the issued and outstanding shares, or 140,503,879 as at March 31, 2026.

The following table summarizes information about stock options outstanding as at March 31, 2026:

|   | Number of options | Average exercise price (\$) | Average remaining life (years) |
|---|-------------------|-----------------------------|--------------------------------|
| <b>Opening balance, January 1, 2025</b>   | <b>19,286,581</b> | <b>0.623</b>                | <b>2.45</b>                    |
| Options expired                           | (1,800,412)       | 0.311                       | -                              |
| Options forfeited                         | (2,355,000)       | 0.806                       | -                              |
| <b>Closing balance, December 31, 2025</b> | <b>15,131,169</b> | <b>0.632</b>                | <b>1.73</b>                    |
| <b>Closing balance, March 31, 2026</b>    | <b>15,131,169</b> | <b>0.632</b>                | <b>1.48</b>                    |

Total options exercisable as at March 31, 2026 were 14,644,243 (December 31, 2025 – 14,644,243) with a remaining average life of 1.46 years (December 31, 2025 – 1.70 years). During the three months ended March 31, 2026, the Company recorded equity-based compensation expense of \$8 for stock options (2025 – \$24). Refer to Note 23 for more information.

#### e) Restricted share units

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

The following table summarizes information about the RSUs outstanding as at March 31, 2026:

|   | Number of RSUs     | Weighted average issue price (\$) | Average remaining life (years) |
|---|--------------------|-----------------------------------|--------------------------------|
| <b>Opening balance, January 1, 2025</b>   | <b>84,913,751</b>  | <b>0.045</b>                      | <b>1.51</b>                    |
| RSUs issuance                             | 73,182,674         | 0.084                             | 1.55                           |
| RSUs transferred from Cash Settled RSUs   | 158,920,849        | 0.018                             | -                              |
| RSUs settled                              | (159,093,704)      | 0.018                             | -                              |
| RSUs forfeited                            | (1,045,357)        | 0.062                             | -                              |
| <b>Closing balance, December 31, 2025</b> | <b>156,878,213</b> | <b>0.063</b>                      | <b>1.09</b>                    |
| <b>Closing balance, March 31, 2026</b>    | <b>156,878,213</b> | <b>0.063</b>                      | <b>0.88</b>                    |

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### 16. Share capital (continued)

As at March 31, 2026, the unrecognized equity-based compensation related to issued RSUs was \$2,997 (December 31, 2025 – \$3,812), which will be recognized over the remaining life as the RSUs vest. Refer to Note 23 for more information.

#### f) Net income/(loss) per share

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

| For the three months ended March 31:   |                      |                      |
|--|----------------------|----------------------|
|  | 2026                 | 2025                 |
| <b>Net income/(loss)</b>   | <b>\$ 3,466</b>      | <b>\$ 12,111</b>     |
| <b>Weighted average number of shares outstanding for basic income/(loss) per share</b>   | <b>1,376,550,373</b> | <b>1,310,291,543</b> |
| Dilutive impact of assumed exercise or conversion of:                                    |                      |                      |
| Restricted share units   | 122,233,449          | 31,383,077           |
| Warrants   | 110,762,165          | 23,009,802           |
| Stock options  | 2,050,510            | 1,195,850            |
| <b>Weighted average number of shares outstanding for diluted income/(loss) per share</b> | <b>1,611,596,497</b> | <b>1,365,880,272</b> |
| <b>Income/(loss) per common share – basic and diluted (\$)</b>                           | <b>\$0.00</b>        | <b>\$ 0.01</b>       |

### 17. Related party balances and transactions

#### Key management and director compensation

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

Compensation provided to key management personnel is as follows:

| For the three months ended March 31: |                 |                 |
|--------------------------------------|-----------------|-----------------|
|                                      | 2026            | 2025            |
| Short-term benefits                  | \$ 1,077        | \$ 1,049        |
| Long-term benefits                   | 865             | 1,238           |
| <b>Total</b>                         | <b>\$ 1,942</b> | <b>\$ 2,287</b> |

# AUXLY CANNABIS GROUP INC.

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### 18. Financial instruments and risk management

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

#### a) Financial instrument classification and measurement

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

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

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

|                                | Level 1       | Level 2     | Level 3       | Total         |
|--------------------------------|---------------|-------------|---------------|---------------|
| Short-term investments         | \$ 143        | \$ -        | \$ -          | \$ 143        |
| Long-term investments          | -             | -           | 261           | 261           |
| <b>Balance, March 31, 2026</b> | <b>\$ 143</b> | <b>\$ -</b> | <b>\$ 261</b> | <b>\$ 404</b> |

  

|                                   | Level 1       | Level 2     | Level 3       | Total         |
|-----------------------------------|---------------|-------------|---------------|---------------|
| Short-term investments            | \$ 142        | \$ -        | \$ -          | \$ 142        |
| Long-term investments             | -             | -           | 261           | 261           |
| <b>Balance, December 31, 2025</b> | <b>\$ 142</b> | <b>\$ -</b> | <b>\$ 261</b> | <b>\$ 403</b> |

#### b) Fair values of financial assets and liabilities

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

As at March 31, 2026, the carrying values of cash and cash equivalents, restricted cash and short-term investments are measured at fair value. The carrying values of accounts receivable, accounts payable and accrued liabilities, and other receivables approximate their fair values due to their short-term nature. The carrying values of loans payable, promissory notes and convertible debentures are discounted at the effective interest rate and approximate their fair values.

#### c) Market risk

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

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

Unaudited

### 18. Financial instruments and risk management (continued)

| Financial instrument             | Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement  |
|----------------------------------|---------------------|---------------------------------|--|
| Investments in private companies | Market approach     | Investment index                | If the investment index fair value change increased/(decreased) by 10%, the estimated fair value of the long-term investment would increase/(decrease) by \$26/(\$26) (December 31, 2025 – \$26/(\$26)). |

#### d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the cash flows of the Company. All the Company's financial debt is on fixed interest rates, with the exception of the Amended Credit Facility with BMO. For financial debt on fixed interest rates, a change in interest rates will not impact the Company's income or cash flows during the contract term. For the Amended Credit Facility, the impact of a 10% increase/(decrease) in interest rate would increase/(decrease) interest expense by \$32/(\$32) for the three months ended March 31, 2026 (2025 – \$32/(\$32)).

#### e) Credit risk

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

#### f) Liquidity risk

Auxly has entered into certain agreements that commit the Company to future funding following a mutually agreed-upon event or events. The Company has the following undiscounted contractual obligations as at March 31, 2026:

|  | Remaining<br>2026 | Fiscal year<br>2027 | Fiscal year<br>2028 | Fiscal year<br>2029 | Thereafter      | Total             |
|--|-------------------|---------------------|---------------------|---------------------|-----------------|-------------------|
| Accounts payable and accrued liabilities | \$ 39,877         | \$ -                | \$ -                | \$ -                | \$ -            | \$ 39,877         |
| Lease obligations                        | 2,394             | 2,397               | 1,071               | 745                 | 6,935           | 13,542            |
| Loans payable obligations                | 6,112             | 40,050              | 60                  | 57                  | 62              | 46,341            |
| Promissory note obligations              | 900               | 1,200               | 1,157               | -                   | -               | 3,257             |
| <b>Total</b>                             | <b>\$ 49,283</b>  | <b>\$ 43,647</b>    | <b>\$ 2,288</b>     | <b>\$ 802</b>       | <b>\$ 6,997</b> | <b>\$ 103,017</b> |

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

#### g) Foreign exchange risk

The interim condensed consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Each entity within the consolidated group determines its own functional currency. The Company is exposed to certain foreign currency risk in that the value of certain financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure

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## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

### 18. Financial instruments and risk management (continued)

to foreign currency risk at the end of the reporting period, expressed in Canadian dollars, includes a net payable of \$2,802 (December 31, 2025 – \$1,174) denominated in USD. A 10% increase/(decrease) in the exchange rate would increase/(decrease) net income for the three months ended March 31, 2026 by \$274/(\$274) (December 31, 2025 – \$117/(\$117)).

### 19. Capital management

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

### 20. Commitments and contingencies

#### Commitments

As at March 31, 2026, the Company entered into various contractual obligations in respect of long-term debt obligations and leases relating to office spaces, equipment and land. Refer to Note 18(f) for more information. Commitments have not been described where agreements are insufficiently advanced, unlikely to progress further or amounts are indeterminable.

#### Contingencies

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

### 21. Selling, general and administrative expenses

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

|                           | For the three months ended March 31: |                 |
|---------------------------|--------------------------------------|-----------------|
|                           | 2026                                 | 2025            |
| Wages and benefits        | \$ 5,156                             | \$ 4,647        |
| Office and administrative | 1,874                                | 1,545           |
| Professional fees         | 338                                  | 335             |
| Business development      | 42                                   | 33              |
| Selling expenses          | 3,974                                | 3,112           |
| <b>Total</b>              | <b>\$ 11,384</b>                     | <b>\$ 9,672</b> |

# AUXLY CANNABIS GROUP INC.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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Unaudited

### 22. Interest and accretion expenses

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

| For the three months ended March 31:                             |                 |                 |
|--|-----------------|-----------------|
|  | 2026            | 2025            |
| <b>Total interest expense</b>                                    | <b>\$ 1,092</b> | <b>\$ 2,147</b> |
| Less non-cash interest on Imperial convertible debentures        | -               | (10)            |
| Less non-cash accretion expense on convertible debentures        | -               | (35)            |
| Less non-cash interest and accretion expense on promissory notes | (112)           | (137)           |
| Less deferred financing fees amortization                        | (39)            | (104)           |
| Less accretion on other liabilities                              | -               | (62)            |
| <b>Total cash interest</b>                                       | <b>\$ 941</b>   | <b>\$ 1,799</b> |

### 23. Equity-based compensation

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

| For the three months ended March 31:   |                 |                 |
|--|-----------------|-----------------|
|  | 2026            | 2025            |
| Stock options                          | \$ 8            | \$ 24           |
| Restricted share units                 | 1,003           | 510             |
| Cash Settled restricted share units    | -               | 971             |
| <b>Total equity-based compensation</b> | <b>\$ 1,011</b> | <b>\$ 1,505</b> |

#### Cash Settled restricted share units

During 2023, the Company issued RSUs to eligible employees and directors; such RSUs will be settled for their cash equivalent on the applicable settlement date, subject to a maximum settlement amount equal to two times the fair value of the RSUs ("Cash Settled RSUs"). For Cash Settled RSUs, the fair value of the RSUs is recognized as an equity-based compensation expense in the interim condensed consolidated statements of income/(loss) and comprehensive income/(loss), with a corresponding increase in liabilities over the vesting period. The amount recognized as expense is based on the estimated number of RSUs expected to vest. Cash Settled RSUs are measured at their fair value at each reporting period, based on the closing price of the Company's common share on the reporting period. All Cash Settled RSUs have been settled during the fourth quarter of 2025.

The following table summarizes information about the Cash Settled RSUs:

|  | Number of Cash<br>Settled RSUs | Weighted average<br>issue price (\$) | Average<br>remaining life<br>(years) |
|--|--------------------------------|--------------------------------------|--------------------------------------|
| <b>Opening balance, January 1, 2025</b>                      | <b>170,486,131</b>             | <b>0.018</b>                         | <b>0.66</b>                          |
| Cash Settled RSUs settled                                    | (10,619,600)                   | 0.018                                |                                      |
| Cash Settled RSUs transferred to RSUs                        | (158,920,849)                  | 0.018                                | -                                    |
| Cash Settled RSUs forfeited                                  | (945,682)                      | 0.018                                | -                                    |
| <b>Closing balance, December 31, 2025 and March 31, 2026</b> | <b>-</b>                       | <b>-</b>                             | <b>-</b>                             |

# AUXLY CANNABIS GROUP INC.

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

### 24. Changes in non-cash working capital

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

| For the three months ended March 31:         |               |                   |
|--|---------------|-------------------|
|  | 2026          | 2025              |
| Short-term investments                       | \$ (1)        | \$ (1)            |
| Accounts receivable                          | 1,151         | 101               |
| Other receivables                            | 625           | (125)             |
| Prepaid expenses                             | (178)         | (383)             |
| Loans receivable (Note 26)                   | (17)          | -                 |
| Interest payable                             | (8)           | -                 |
| Biological assets and inventory (Notes 6, 7) | (4,476)       | (4,110)           |
| Accounts payable and accrued liabilities     | 4,001         | 928               |
| Deferred revenue                             | (351)         | -                 |
| <b>Total</b>                                 | <b>\$ 746</b> | <b>\$ (3,590)</b> |

### 25. Operating segments

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

### 26. Loans receivable

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

Concurrently with the Stalking Horse Agreement, the Company executed a debtor-in-possession credit facility commitment (the "DIP Facility") in a principal amount of up to \$2,000, non-revolving, bearing interest at 12% per annum, with a 2.0% upfront commitment fee paid to the Company on execution. The DIP Facility is secured by a Court-ordered super-priority charge in favour of the Company over Ayurcann's property, to the extent and on the terms approved by the Court, and is available to fund Ayurcann's operations and restructuring expenses during the CCAA proceedings.

During March 2026, the Company advanced \$500 of principal amount to Ayurcann. Interest income on the DIP Facility for the three months ended March 31, 2026 was \$17 (2025 – \$nil), including \$13 of commitment fee (2025 – \$nil). All cash movements related to the DIP facility are shown as investing activities on the interim condensed consolidated statements of cash flows. Subsequent to the end of the first quarter, the Company advanced an additional \$1,000 of principal amount to Ayurcann. Refer to Note 27 for more information.

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Unaudited

### 27. Subsequent events

- a) On April 13, 2026, the Company announced that its stalking horse bid was not selected as the successful bid in the court-supervised sale process for Ayurcann. The DIP Facility will be repaid, including interest and fees, by the successful bidder as part of the closing of the successful bid, expected in the second quarter of 2026. As at the date of these financial statements, the Company advanced a total of \$1,500 of principal amount to Ayurcann, including \$1,000 provided after the end of the first quarter. Refer to Note 26 for more information.
- b) On April 14, 2026, the Company announced that it has filed with the Toronto Stock Exchange (the "TSX"), and the TSX has accepted, the Company's notice of intention to make a normal course issuer bid (the "NCIB"). Under the NCIB, the Company is permitted to purchase for cancellation, on the open market, during the period commencing April 20, 2026 and ending on the earlier of April 19, 2027 and the completion of purchases under the NCIB, up to 68,900,000 common shares of the Company, representing less than 5% of the issued and outstanding Common Shares of the Company as of April 7, 2026, subject to the policies of the TSX.

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