

This is Auxly

2021 Annual General Meeting of Shareholders

June 30, 2022

Auxly

Agenda

1. Canadian Market Performance
2. Driving Continued Growth
3. Asset Update
4. Financial Overview

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1. Canadian Market Performance
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4. Financial Overview

Auxly Emerges as a Canadian Market Leader



Maintain Leadership in 2.0

- #1 LP in Cannabis 2.0 sales with 15% SOM (grew from 14% in 2020)
- Maintained #1 LP position in national vape sales, securing 23% SOM for the year (grew from 19% in 2020)
- Auxly's Back Forty brand secured the #1 vape brand position in the country in 2021
- Ended the year with Top 5 sales positions across all 2.0 product categories that we participate in
- Received top honours for three 2.0 product categories at this year's 2021 KIND awards
 - Best Sativa Cart
 - Best Indica Cart
 - Best Topical



Build to Leadership in Dried Flower and Pre-Rolls

- Ended 2020 as #30 LP in dried flower with 0.4% SOM and ended 2021 as the #7 LP with 5.1% SOM
- Ended 2020 as #19 LP in PRs with 1.3% SOM and ended 2021 as #8 LP with 3.5% SOM
- Back Forty secured the #4 dried flower brand in Ontario securing 5.2% SOM by year-end
- Wedding Pie 28g SKU finished the year as the #2 selling SKU in Ontario
- With less than 4 months on the market, Back Forty 40s won "Best Indica Pre-Roll" at the 2021 KIND awards
- Strengthened cultivation platform with the acquisition of Sunens Farms Inc. (now Auxly Leamington)



Become Top 5 LP by SOM

- Achieved #5 LP position by SOM in 2021
- Ended Q4/20 as #8 LP with ~4% SOM and ended Q4/21 as #5 LP 7.4% SOM (largest SOM accretion of any LP in Canada in 2021)
- Launched 51 new SKUs into market in FY2021 – 14 line-extensions; 37 new SKUs, including 10 first-to-market SKUs
- Continued to expand distribution footprint with presence in over 92% of stores across Canada by year-end



Improve Margins and Grow Revenue with low-to-no Overhead Growth

- Revenue for 2021 increased 79% year-over-year to \$83.8M
- SG&A costs declined YoY by approx. \$900k, ending 2021 with \$45,721 (inclusive of Auxly Leamington and increased selling expenses)
- Gross margins target of 30% communicated to stakeholders at the beginning of the year
 - 2021 total gross margins of 23% - with mix between 1.0 and 2.0 products, with 2.0 products remaining the main driver

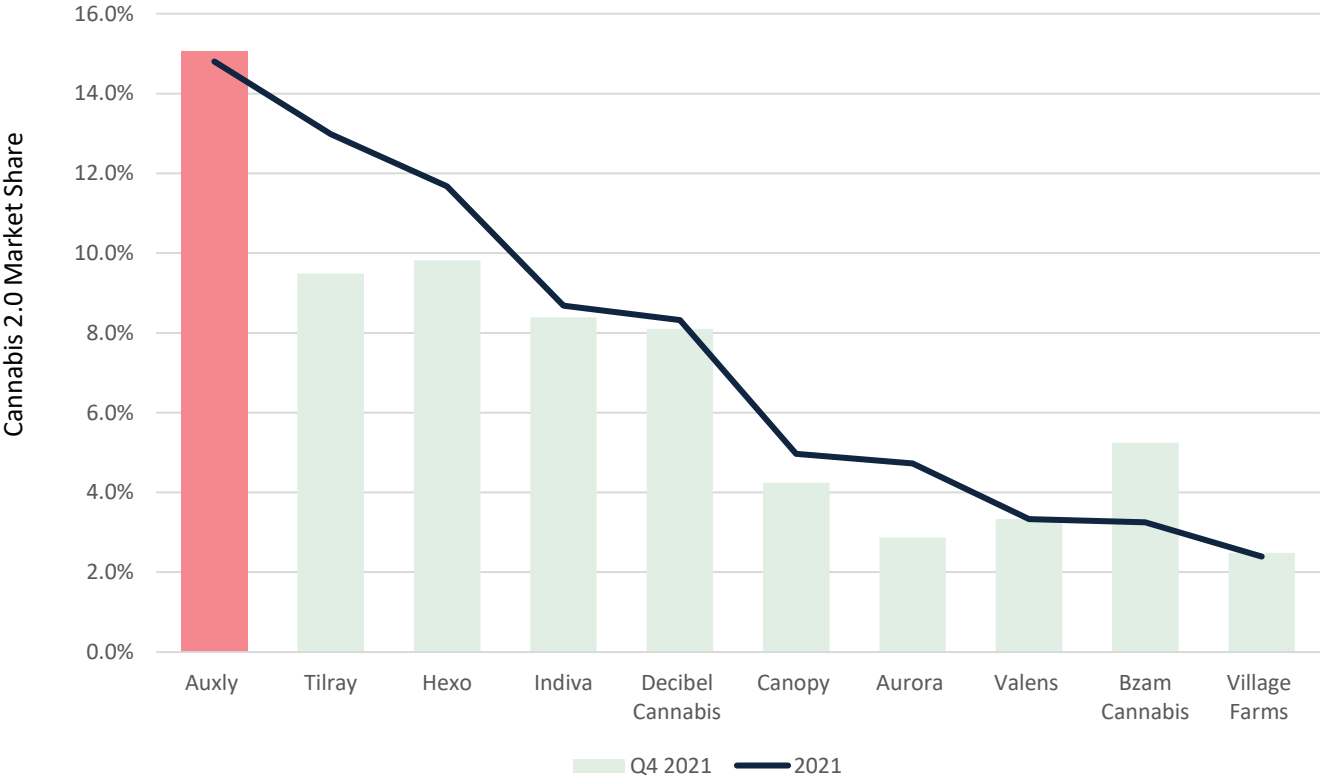


Adjusted EBITDA Positive

- Communicated goal to stakeholders of Adjusted EBITDA by end of 2021
- Adj. EBITDA improved QoQ with (\$6)M in Q4
- Adj. EBITDA improved by approx. 24% YoY, ending 2021 with (\$21.7)M
- Operational challenges negatively impacted gross margins and the Company's ability to meet stated target
- Communicated revised timeline of 2022 for achievement of target

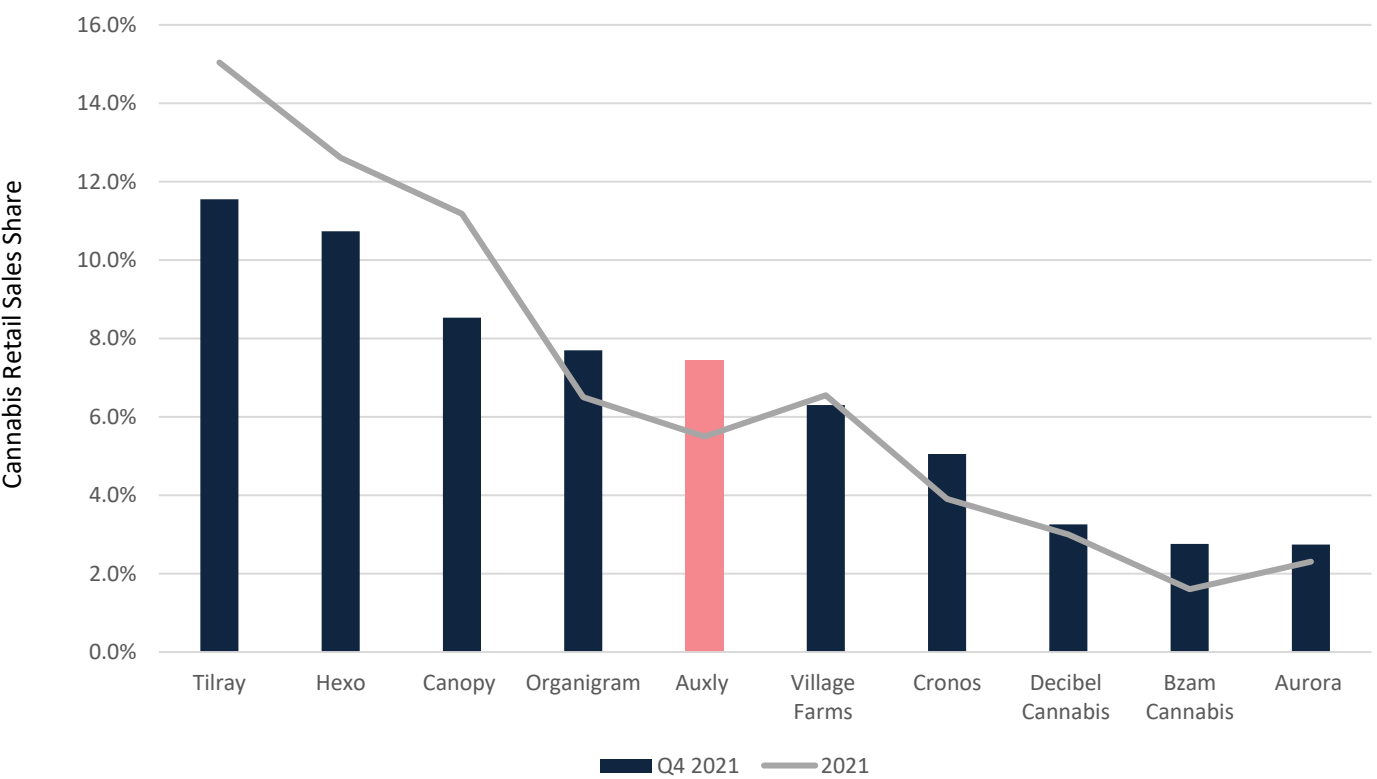
Beating Out Larger Competitors in Canada Through Focus and Execution

#1 Licensed Producer in Canada, ending the year with 15.1% Market Share¹



Cannabis 2.0

#5 Licensed Producer in Canada, ending the year with 7.4% Total Market Share¹



Accelerating Total Market Share

1. Headset Canadian Insight.

2022 Key High-Level Objectives

Improve Revenue and Gross Profit Margin to Achieve Positive Adjusted EBITDA

- Key Priority in 2022 is to achieve Adjusted EBITDA profitability
 - Continue to grow top line revenue while enhancing gross profit margins through:
 - Leveraging the increasing flower output from Auxly Leamington
 - Focused and differentiated brand and product offerings
 - Increased depth and breadth of distribution
 - Cost optimization through investments in automation to increase production capabilities and efficiency
 - Continuous improvement initiatives

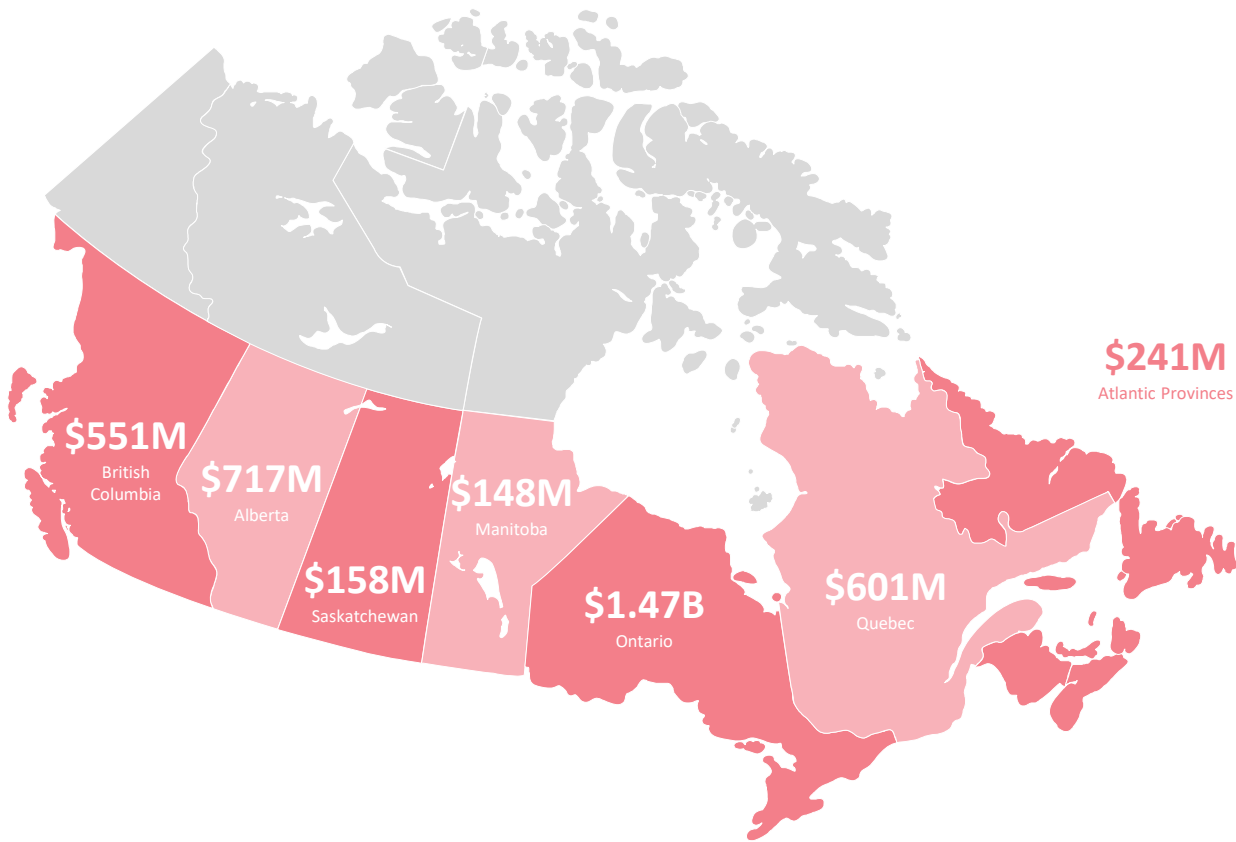
Win with Consumers and Increase Brand Traction

- Deep commitment to understanding consumers and developing products that help them live happier lives
- Continue to develop our brand portfolio to earn and keep the trust and loyalty of customers and consumers
- Be the choice of consumers in-store
- Service the evolving preferences of consumers with insights-driven innovation
- Ensure that consumers can access our products broadly and reliably

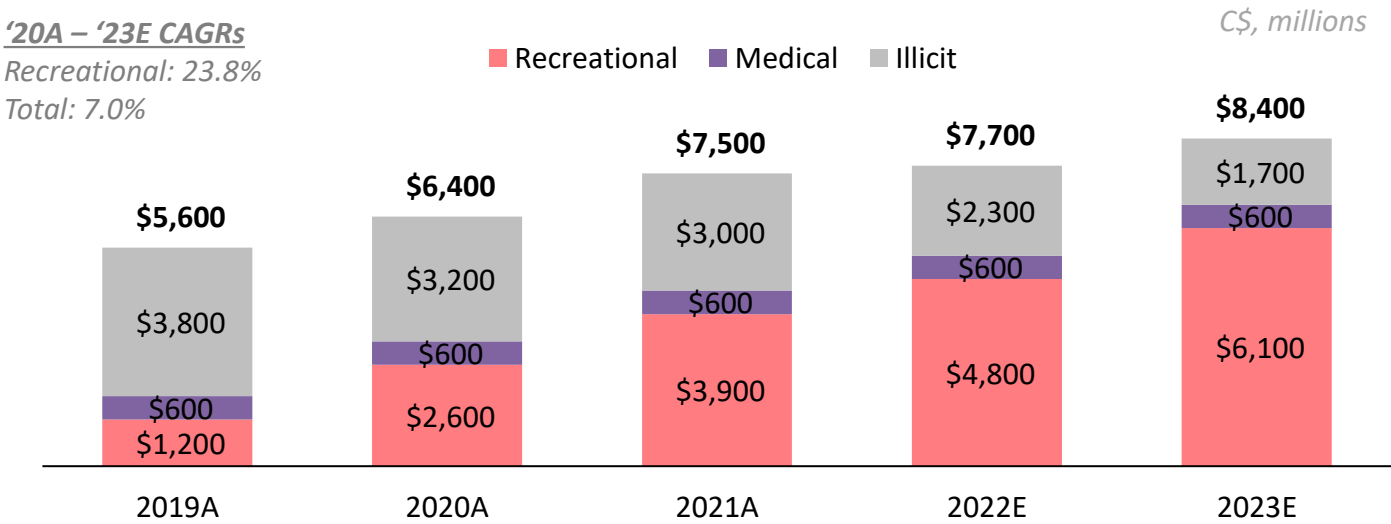
Canadian Market Performance

Market Size and Opportunity

Canadian Cannabis Recreational Market Overview



Sales Channel Summary

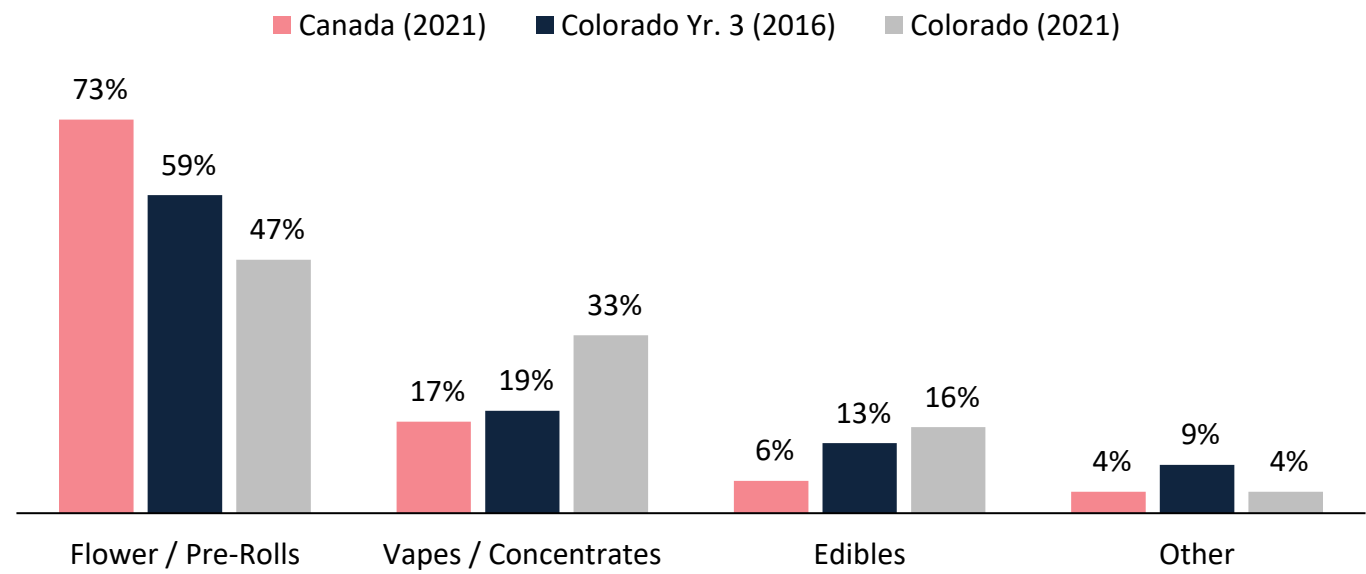


- The Canadian recreational cannabis market increased by ~50% in 2021 versus 2020
- 791 net store increase in Ontario in 2021, providing greater access for consumers and increasing sales revenue
- Cannabis sales have steadily increased month-over-month, with a total of \$361 million during January 2022
- The illicit market is the biggest competitor for legal cannabis businesses
 - The legal market has become more competitive by lowering prices, improving quality, offering a better selection of products and increasing the number of physical retail stores, and overtook the illicit market during 2021

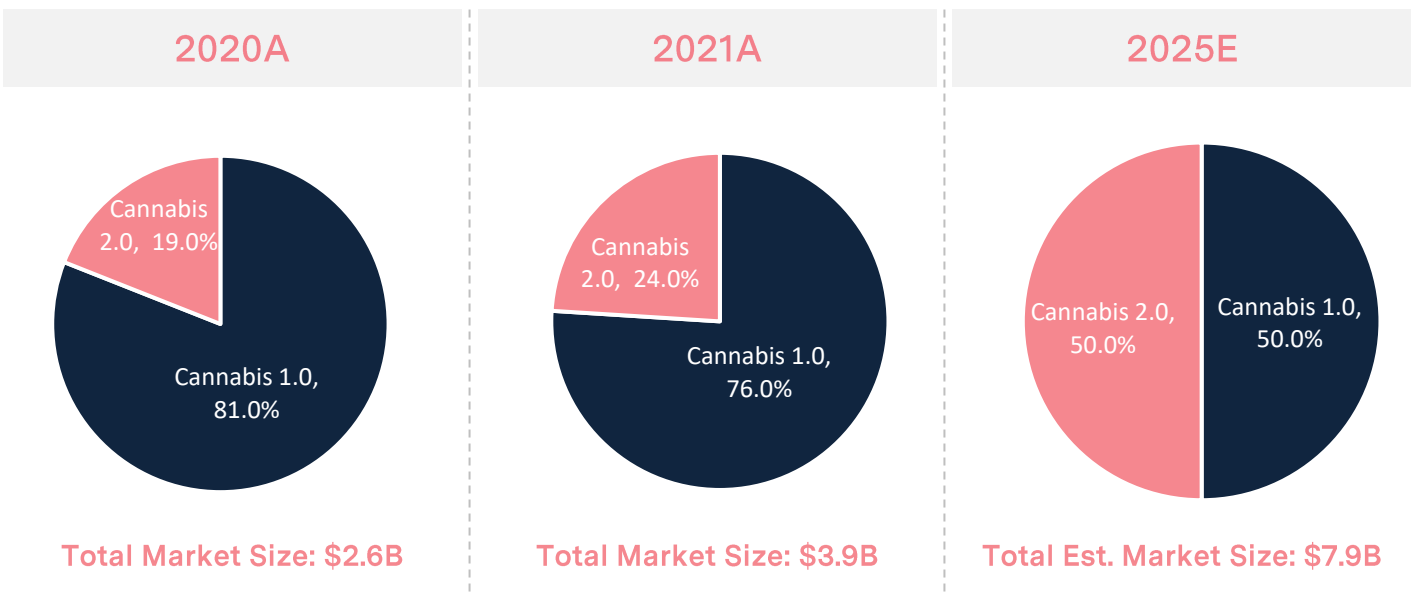
Canadian Market Performance

Market Share Overview

Product Sales Mix Comparison



Canadian Cannabis Sales Formats ⁽¹⁾



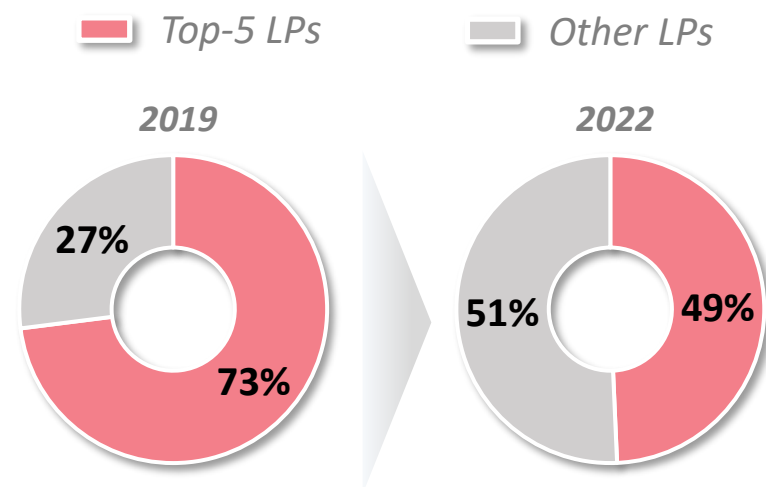
Commentary

- The derivative category gained market share in 2021, but flower remains the dominant product format – making up ~70% of sales as flower share losses were partially offset by pre-roll share gains
- Cannabis 2.0 products made up 24% of the Canadian market as of December 2021, growing from ~19% of the market during 2020 and even more significantly since inception
 - Mature U.S. markets (ie: Colorado) are not subject to the same Cannabis 2.0 limitations as Canada; Cannabis 2.0 makes up 53% of the market in Colorado
 - The rate at which 2.0 products are displacing 1.0 products in Canada is a slower curve because of: (i) a more cautious regulatory approach (both in terms of THC content and how products can be marketed); and (ii) some provinces in Canada are yet to allow vapes and other 2.0 formats – most notably Quebec (the 3rd largest market in Canada)
- The momentum of 2.0 products gaining share for the past six months is expected to continue in 2022 as companies introduce new derivative products to the Canadian market

Canadian Market Performance

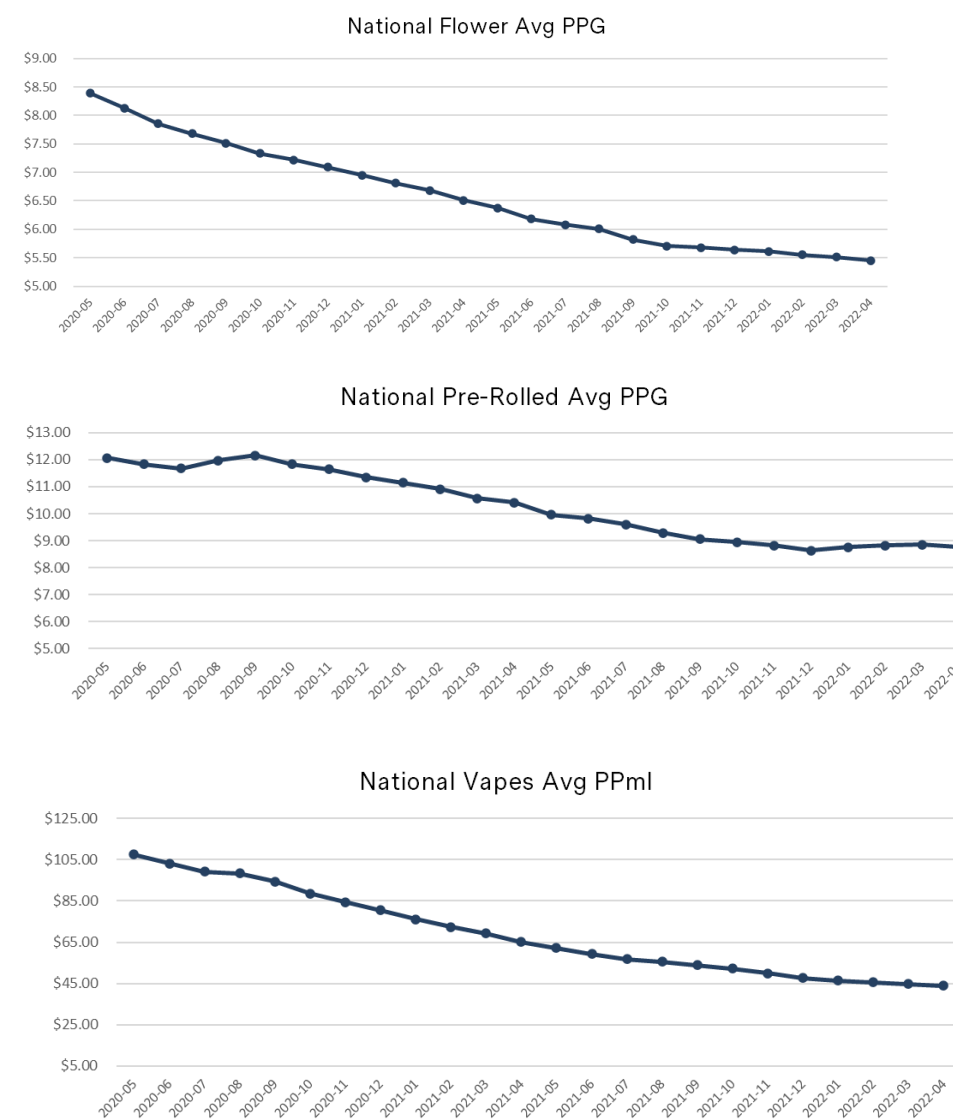
Competitive Overview

Canadian Cannabis Market Share Over Time



- 55 Licensed Producers with 115 Brands were active in January 2020 – this increased to 144 Licensed Producers with 364 active brands in January 2022
- LPs looked to the introduction of new and novel products, as well as to M&A (across LPs and down the value chain) to bolster market share
- Smaller and private LPs have continued to win market share from large LPs as new entrants continue to enter the industry

Prices Have Compressed but are Stabilizing in Mature Categories



- Price compression driven by:
 - Increased competition
 - Increased availability of inputs and expertise
 - Willingness of competitors to sell at negative or negligible margin in order to win market share
- While we have continued to see overall price compression, we have started to see the curve flattening out in more mature categories
- Based on current taxation provincial mark-ups we predict that this trend will flatten over the course of 2022 in categories like vapour products
- Over time we anticipate LP contraction in the segment and supply leveling off which will reverse the downward trend, increasing prices in the market

Q1 2022 In Review

#1 LP
position in
Cannabis 2.0
product sales
Nationally with
12.7% SoM¹

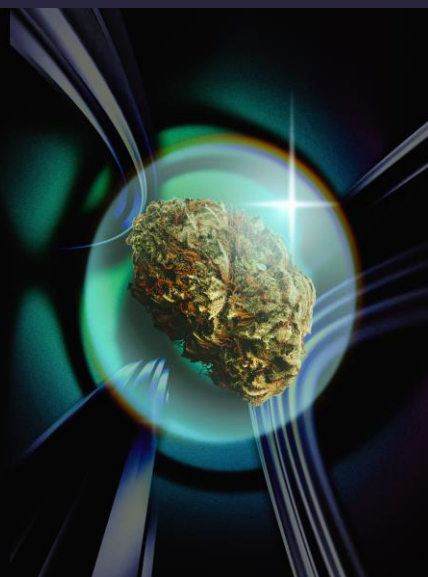


#1 LP
in national vape
sales with 20%
total market share

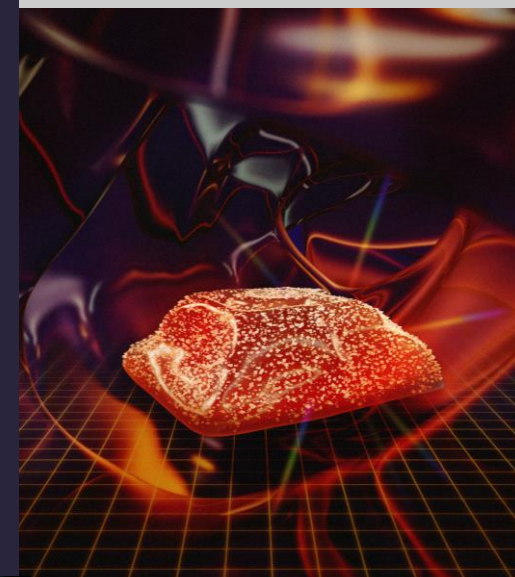


Back Forty was the
#1 vape brand
in the country with
12% market share

Back Forty
became the
#4 flower
brand
nationally with
over 4%
market share



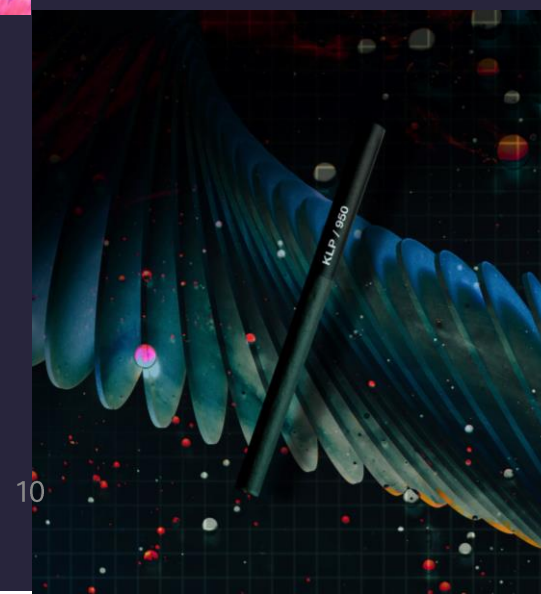
#5 LP
Position in total
national sales with
6.9% market share



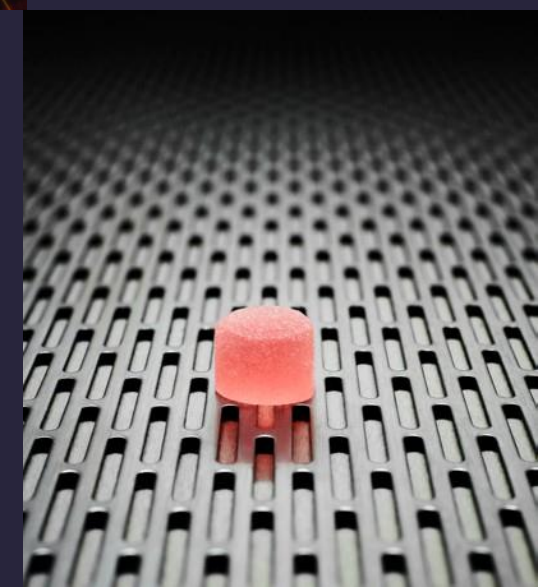
Recorded
16% blended
Gross Margins
in the quarter



Net Revenue grew 147% year-
over-year, driven by expansion
into Cannabis 1.0, continued
product innovation and overall
growth of the recreational
cannabis industry



Launched 10 New
SKUs in Q1 2022
including the
first-to-market
Live Rosin Chew
under Kolab
Project

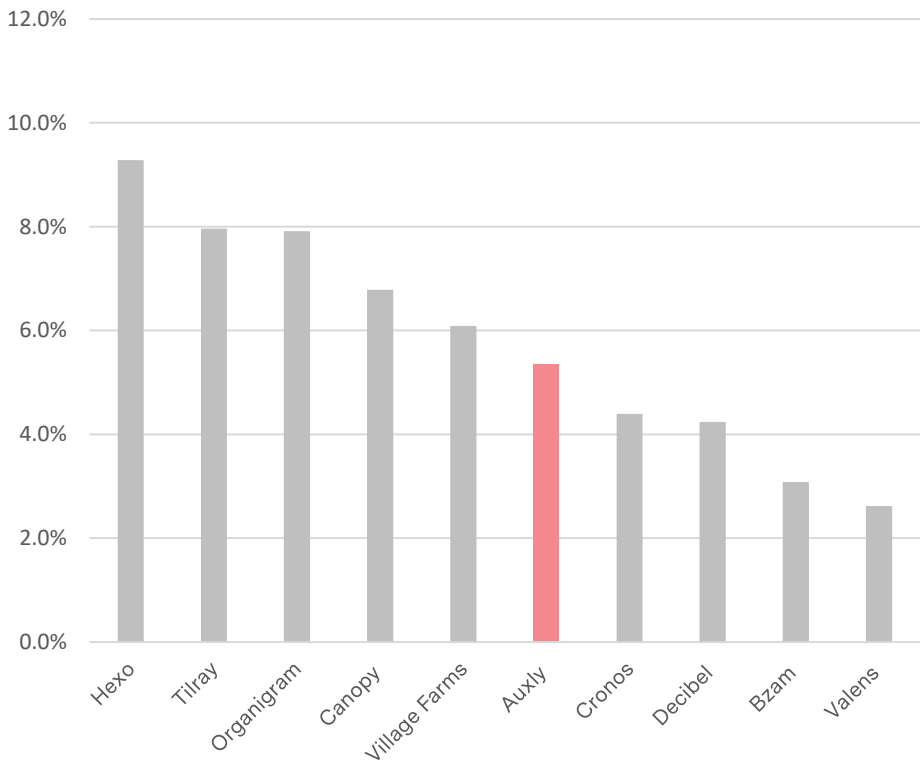


Source: Headset Canadian Insights as of May 4, 2022

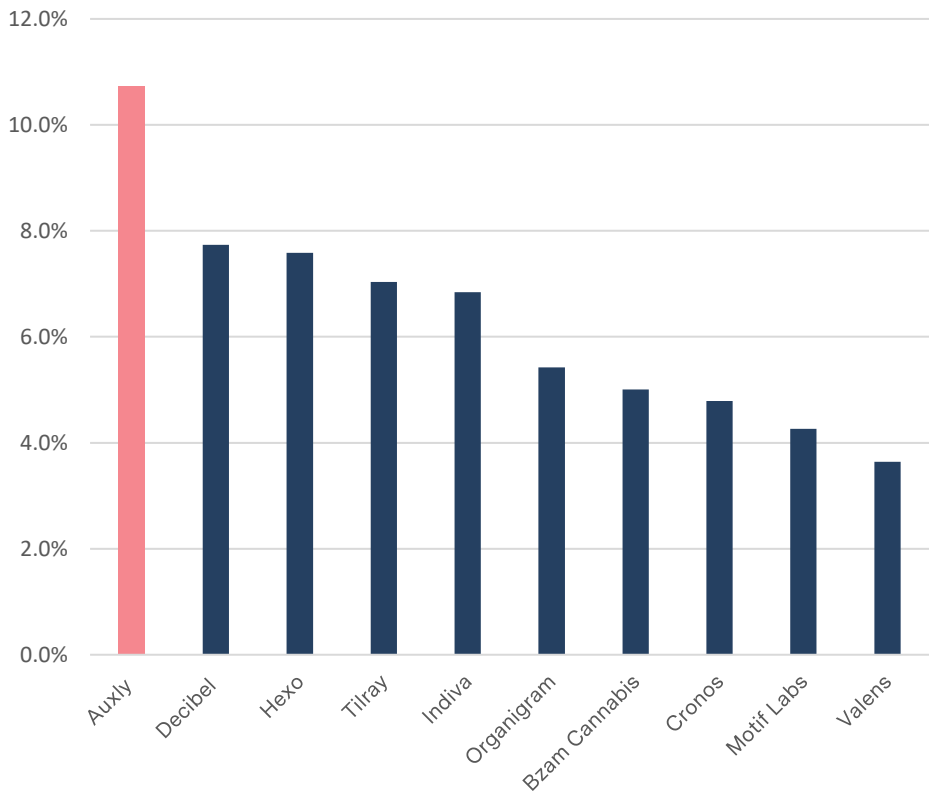
1. Cannabis 2.0 is defined as vapes, edibles, beverages, extracts and topicals

Continued Strength in Sales

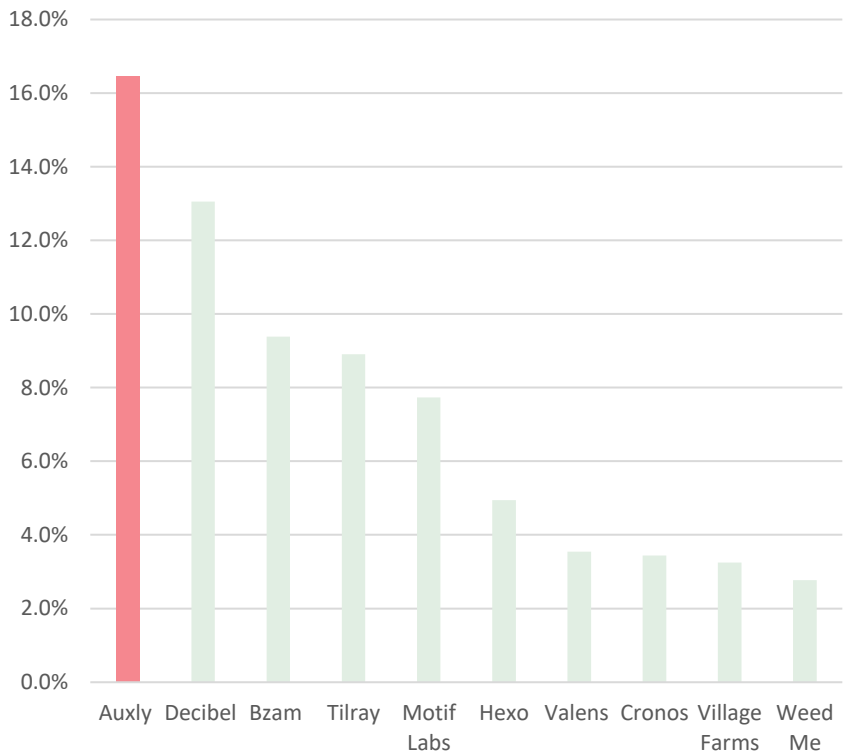
#6 LP position in Total Market Share
the first half of Q2 2022



#1 LP position in 2.0 Sales
in first half of Q2 2022



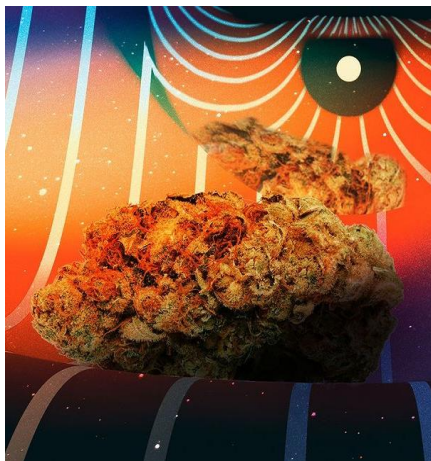
#1 LP position in Vape Sales
in first half of Q2 2022



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Innovation Continues to Drive Customer and Consumer Behaviour



Dried Flower

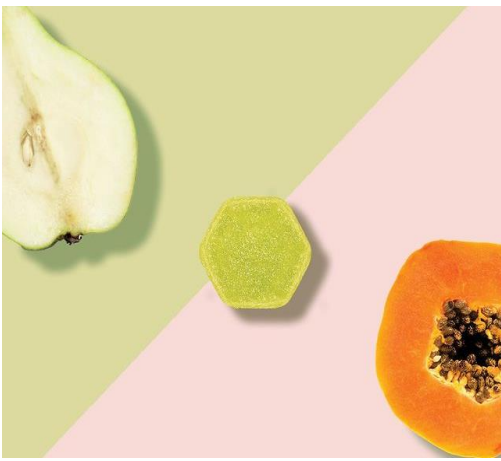
8 of the top 19 best selling dried flower 3.5g SKUs in ON launched in April 2022

Market Trends

Innovation focused on increased potency, flavour and terpene profiles and transparency of product information

Auxly Pipeline

Expanding its flower portfolio to include new unique high potency strains that include terpenes and harvest date on packaging



Edibles

Innovation launched in April 2022 accounted for 9.3% of soft chew SKUs

Market Trends

Innovation focused on increased onset timing, natural/low calorie sugar products, differentiated cannabinoids and new seasonal flavours

Auxly Pipeline

Introducing fast acting formulations and minor cannabinoid edible products in large snackable packs



Vapes

3 of the top 6 selling vape SKUs in ON launched in April 2022

Market Trends

Innovation focused on flavour evolution, input differentiation (minor cannabinoids), fresh frozen terpenes and improved hardware technology

Auxly Pipeline

Premiumizing the vapour category with new unique strains with a range of terpene sources and product formats as well as introducing minor cannabinoid profiles



Pre-Rolls

3 of the top selling pre-roll SKUs in ON launched in April 2022

Market Trends

Innovation focused on larger packs, increased potencies, flavour and terpenes and transparency of product information

Auxly Pipeline

Launching new high potency flower strains in re-sealable packs of 10 that include harvest date on packaging



Concentrates

9 out of the 20 best selling concentrate SKUs in ON launched in April 2022

Market Trends

Innovation focused on potency, terpenes and flavours as well as differentiated inputs and uniqueness of new products

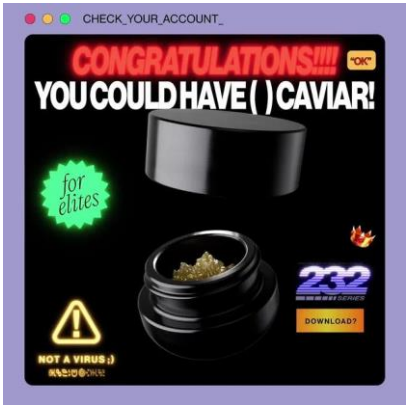
Auxly Pipeline

Expanding its infused pre-roll suite with high-potency unique strains and launching new Live Rosin products with high potency and strong terpene profiles

Building Brands that Drive Consumers to Retail and Generate Sales

Build Meaningful Brands that Connect

Distinct brands with different activations, partnerships and 360° campaigns that tell a meaningful narrative, which aligns to the DNA of the brand and consumer target



Innovation backed by research and data that meet the needs of Canadian Cannabis consumers

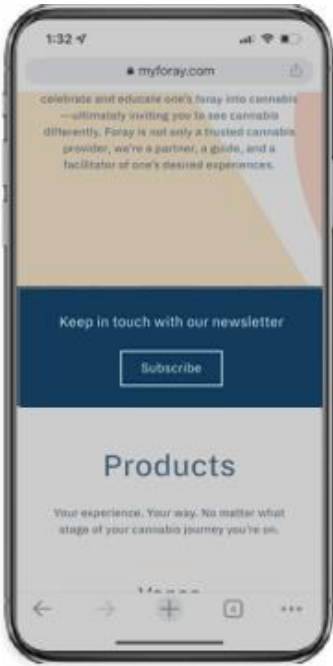


Drive Consumers to Retail

Awareness and performance paid digital media to drive consumers to retail

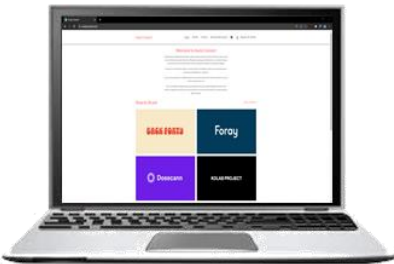


Auxly has a consumer email database of over 5,000 emails, segmented by brand for unique targeting



Influence Conversion at the Moment of Purchase

Auxly launched a display and merchandise retail exclusive e-commerce portal to allow retailers to get the tools they want to grow their business



Budtenders are the beating heart of the industry, so we've engaged them on innovation concepts and exclusive items



Auxly launched a digital asset management portal and Auxly Connect to allow retailers to gather the digital assets they need directly to help them drive sales



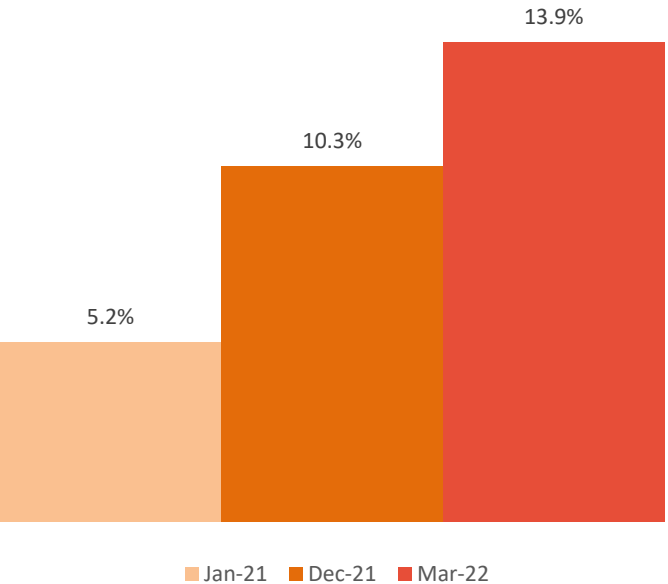
Driving Continued Growth

Growing National Brand Awareness

BACK FORTY

Back Forty continues to be a leading brand in the country, securing the #1 vape brand position nationally

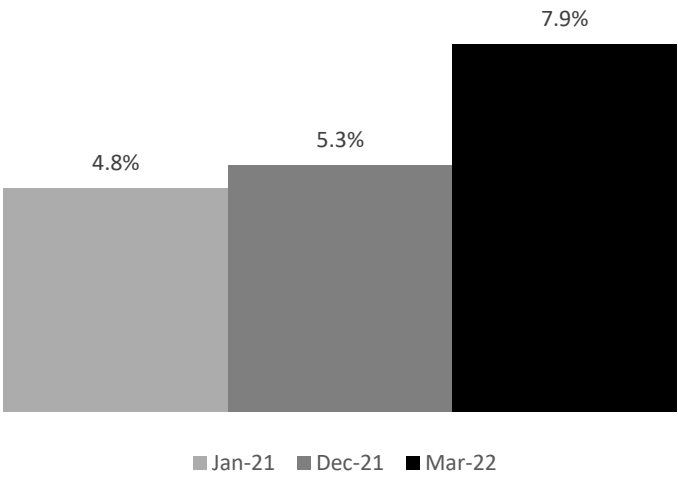
Recently introduced Mandarin Cookies, a new strain from Auxly Leamington



KOLAB PROJECT

Kolab Project continues to be a leading brand in concentrates and vapes nationally

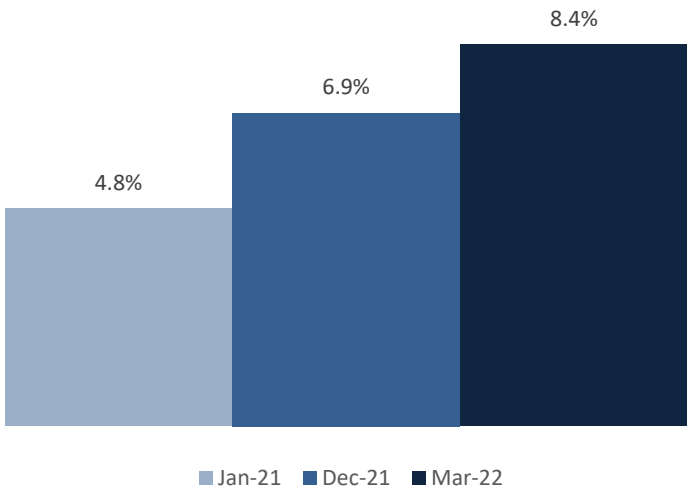
Introduced the first-to-market Live Rosin Chew in Q1 2022



Foray

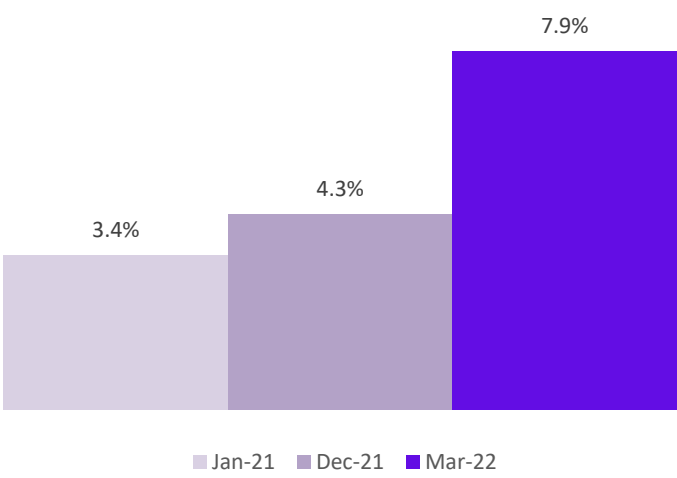
Foray remains a leading brand in the edibles category, maintaining its top 10 position nationally in 2021

Launched the brand's first minor cannabinoid vape pen, Blueberry GLTO in Q1 2022



Dosecann is quickly becoming a leading brand in the health and wellness category in Canada

Focused on a broader approach to mind, body and soul wellness in 2022 including the launch of new potent CBD oil products in Q2 2022



Increasing Breadth and Depth of Distribution

- Auxly currently has distribution agreements on the recreational side with 8 major provincial boards (BC, AB, MB, ON, NF, NS, NB, PEI) and one wholesaler (Open Fields – SK market)
- As of May 2022, Auxly is present in 95.2% of all stores in Canada
- Strategic partnerships in place with 23 retail chains (total of 731 retail stores)
- On the medical side, Auxly has two major current distribution agreements:
 - Shoppers Drug Mart
 - Medicibis/Mendo Cannabis (Quebec-based and one of the largest medical providers in Canada)

Provincial Cannabis Boards and Private Wholesalers



- Mix of physical and digital store fronts
- Key account and category management
- Forecasting & demand planning collaboration
- Regional assortment opportunities to deliver against consumer preference

Multi-Provincial Chains



- Key account and category management
- In-store visibility and trade tools
- Ongoing education for budtenders
- Forecasting collaboration
- Leverage retail CRM and brand features

Provincial Retail Chains



- Opportunities for store level influence through trade tools and budtender engagement
- Manage trade areas and seasonality to support critical times
- Developed the 'connect program' to further reach the independent retailers and sign them into joint partnerships to better service consumers

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Auxly Leamington – Cultivation



Asset Overview

- Cultivation of cannabis in a 1.1 million sq. ft. purpose-built, highly automated state-of-the-art greenhouse facility in Ontario¹
- Utilizes state-of-the-art technology and automation in all aspects of the growing process with customized growing environmental conditions and precision control over lighting, temperature and humidity
- Large, high-quality and unique genetics portfolio

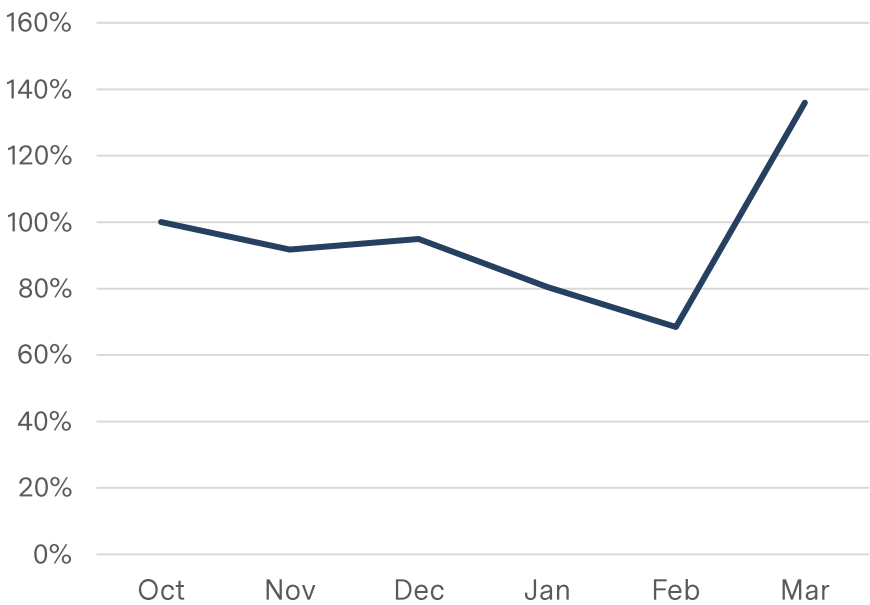
Core Capabilities

- Auxly Leamington output is utilized by the Company in over 80% of the Company’s total cannabis input requirements, including one of Ontario’s current top-selling dried-flower SKUs, Back Forty’s Wedding Pie as well as the award-winning Back Forty pre-rolls, vapes and concentrates
- Currently scaling manufacturing and packaging capabilities
- Ongoing commitment to research and development for novel and unique high THC genetics to meet evolving consumers demands

Annual Production

Production Period	Annual Capacity
H1 2021	~48,000 Kgs
Q1 2022	~60,000 Kgs
Current	~75,000 Kgs

6 Month Flower Availability



(1) Includes 877k ft² of fully completed space, plus 279k ft² of additional warehousing and processing space to be built out on an as-needed basis

Auxly Charlottetown – Manufacturing, Extraction, Science and Innovation



Auxly Charlottetown is the company’s state-of-the art, purpose-built 52,000 sq. ft. center for research and development, formulation and manufacturing.

Auxly Charlottetown is committed to providing consumers with quality products backed by science and advanced research.

Core Capabilities

- | | | |
|-------------------------------|---|---|
| ▪ Extraction and Purification | ▪ Product Formulation | ▪ Commercial manufacturing of multiple extract, edible and chewable product formats including vapes, chocolates and chews |
| ▪ Research & Development | ▪ Method development and analytical testing | ▪ Licensed to sell Cannabis 2.0 products |
-

The Auxly Charlottetown facility provides Auxly with:

- Operational flexibility and improved speed to market with unique innovation in a sector where consumer preferences are quickly evolving
- Ability to control and maintain product quality and consistency
- Team of experts from the pharmaceutical, food, scientific research and product development fields focused on product innovation to capitalize in the cannabis industry as it continues to evolve
- Capability to scale up manufacturing capacity as needed to service increasing consumer demand

Auxly Ottawa – Processing and Packaging



Overview

- Auxly Ottawa is a 10,000 sq. ft. facility located just outside of Ottawa in Carleton Place, Ontario
- Auxly Ottawa currently processes and packages all of Auxly’s flower products, including the Kolab Project Growers Series, Back Forty 40s and all Back Forty Dried Flower formats including whole and milled flower
- In order to ramp up pre-roll manufacturing capacity, Auxly has secured a first of its kind, high-speed pre-roll maker through its relationship with Imperial Brands
 - Offers a novel, unique and consistent product format and allows for large format pack sizes
 - Two additional pre-roll machines on order to service demand which will decrease production costs across the entire pre-roll production process

Core Capabilities

- Commercial manufacturing of dried flower & pre-rolls
- High-speed dried flower packaging
- High-speed pre-roll manufacturing

Production

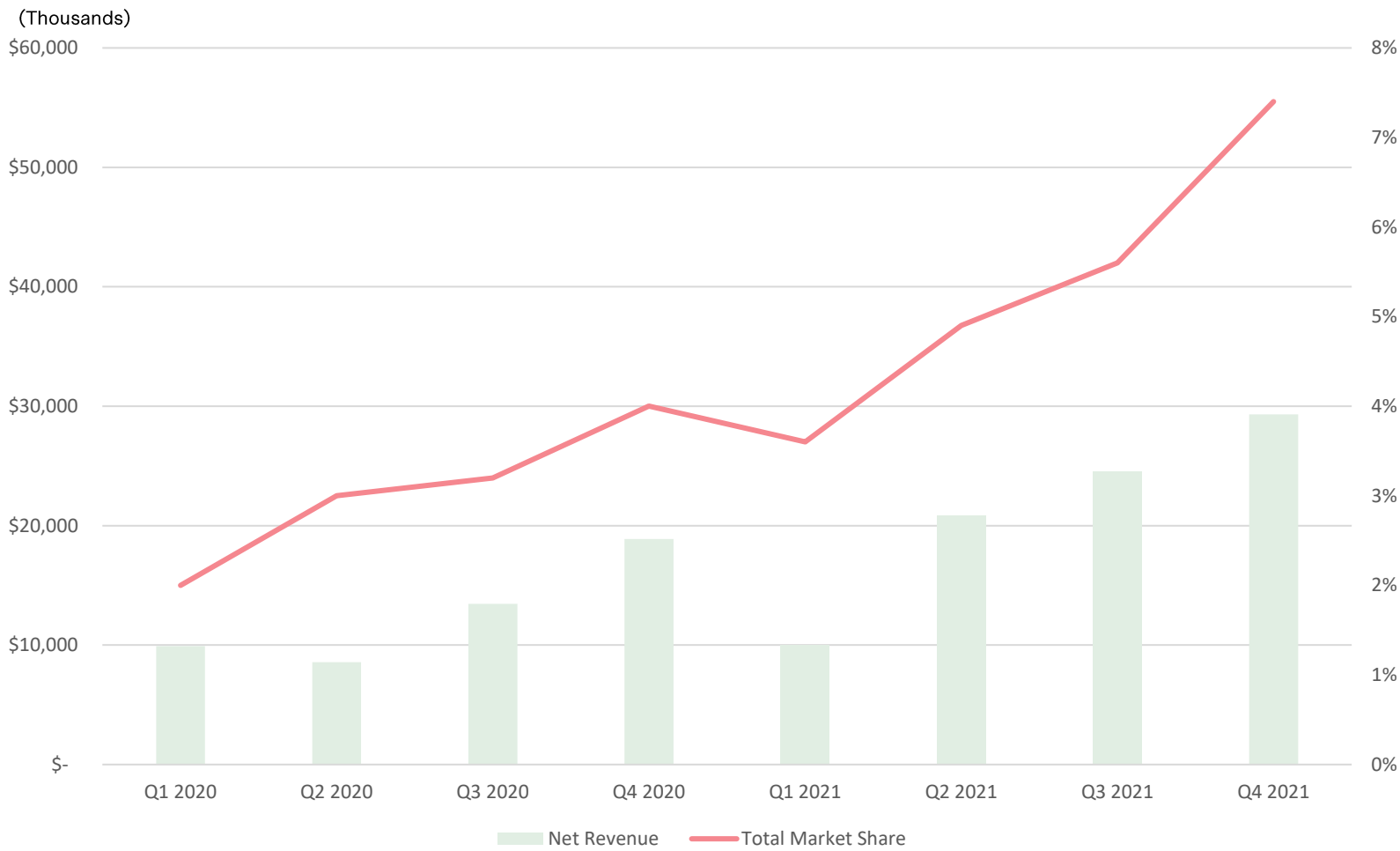
Production Type	Products
Dried Flower	Back Forty, Kolab Project (3.5G, 28G)
Pre-Rolls	Back Forty 40s, Kolab Project 950 (0.35x10)
Milled Flower	Back Forty Bush League (7G)

Agenda

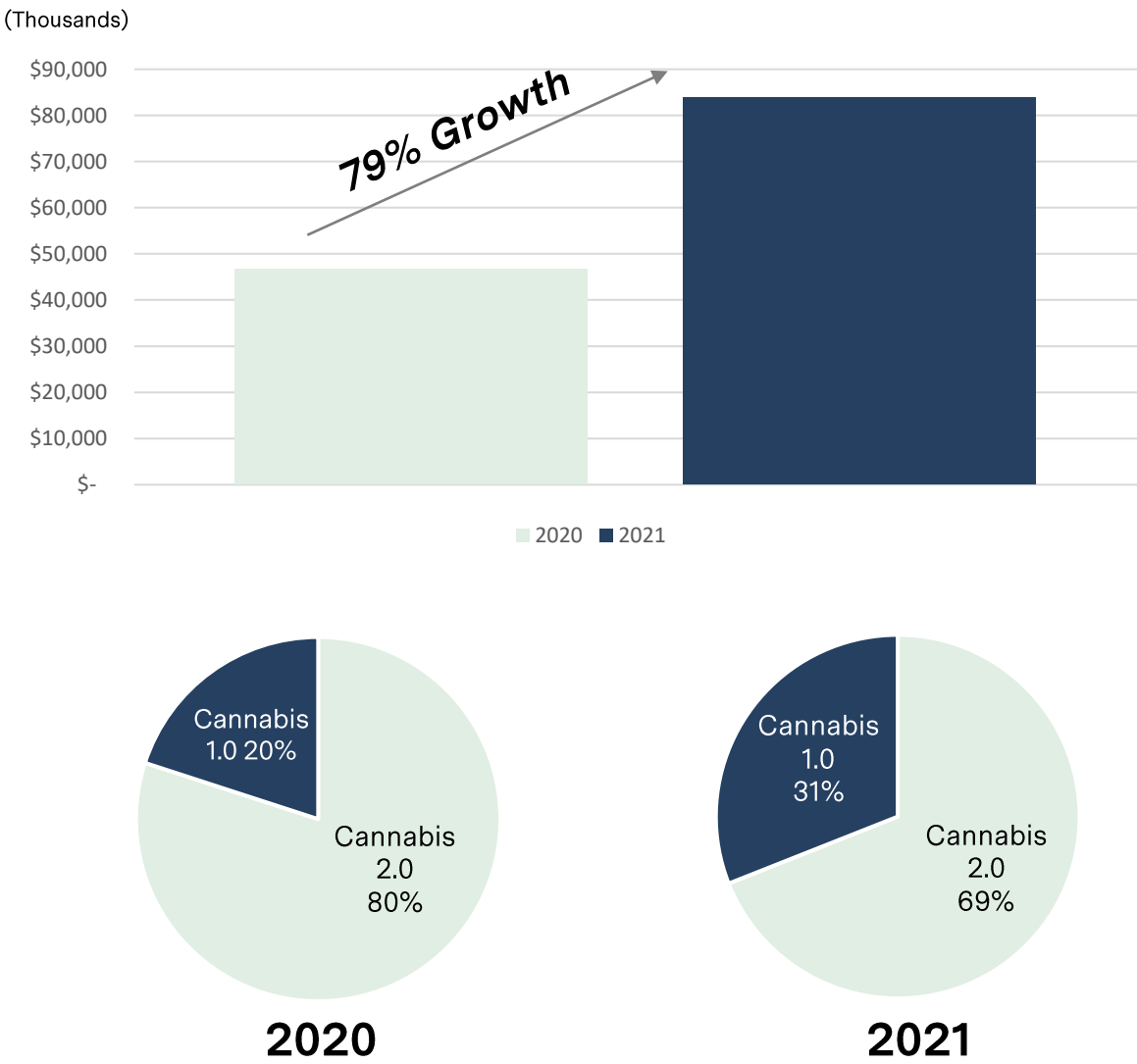
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2021 Revenue Snapshot

Auxly’s Net Revenue and Total Market Share by Quarter¹



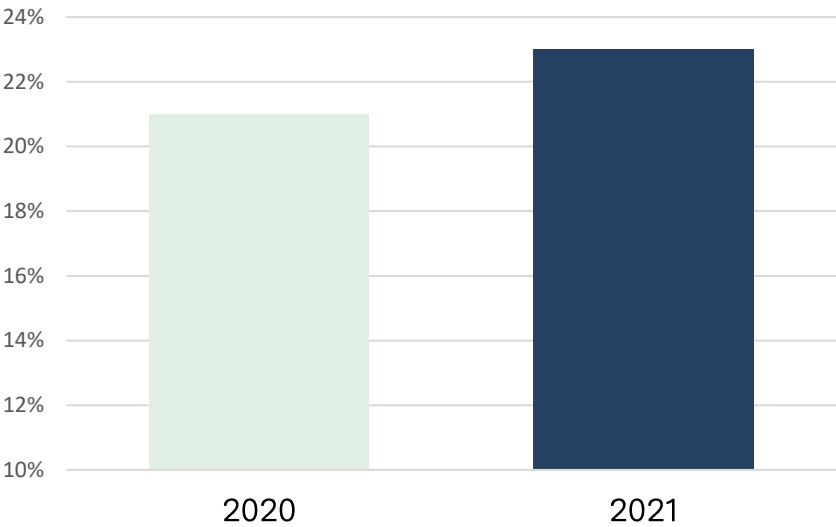
Auxly’s Year-over-Year Revenue and Segment Overview¹



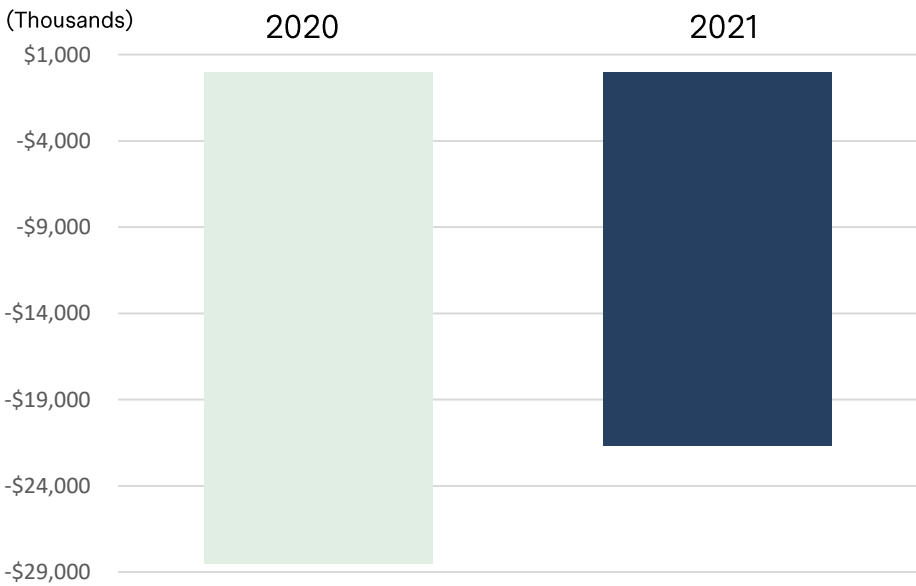
1) Cannabis 1.0 includes Dried Flower, Pre-roll and Oil sales

Earnings Overview

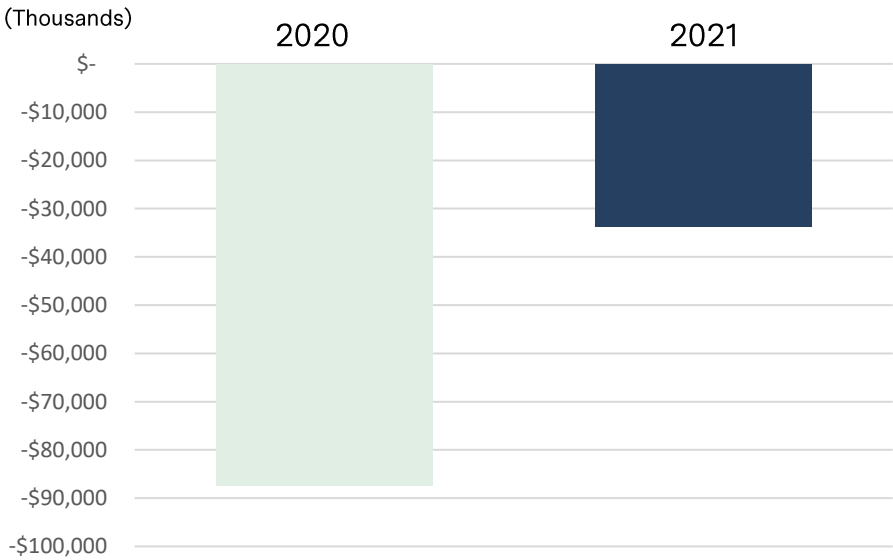
Gross Profit



Adjusted EBITDA



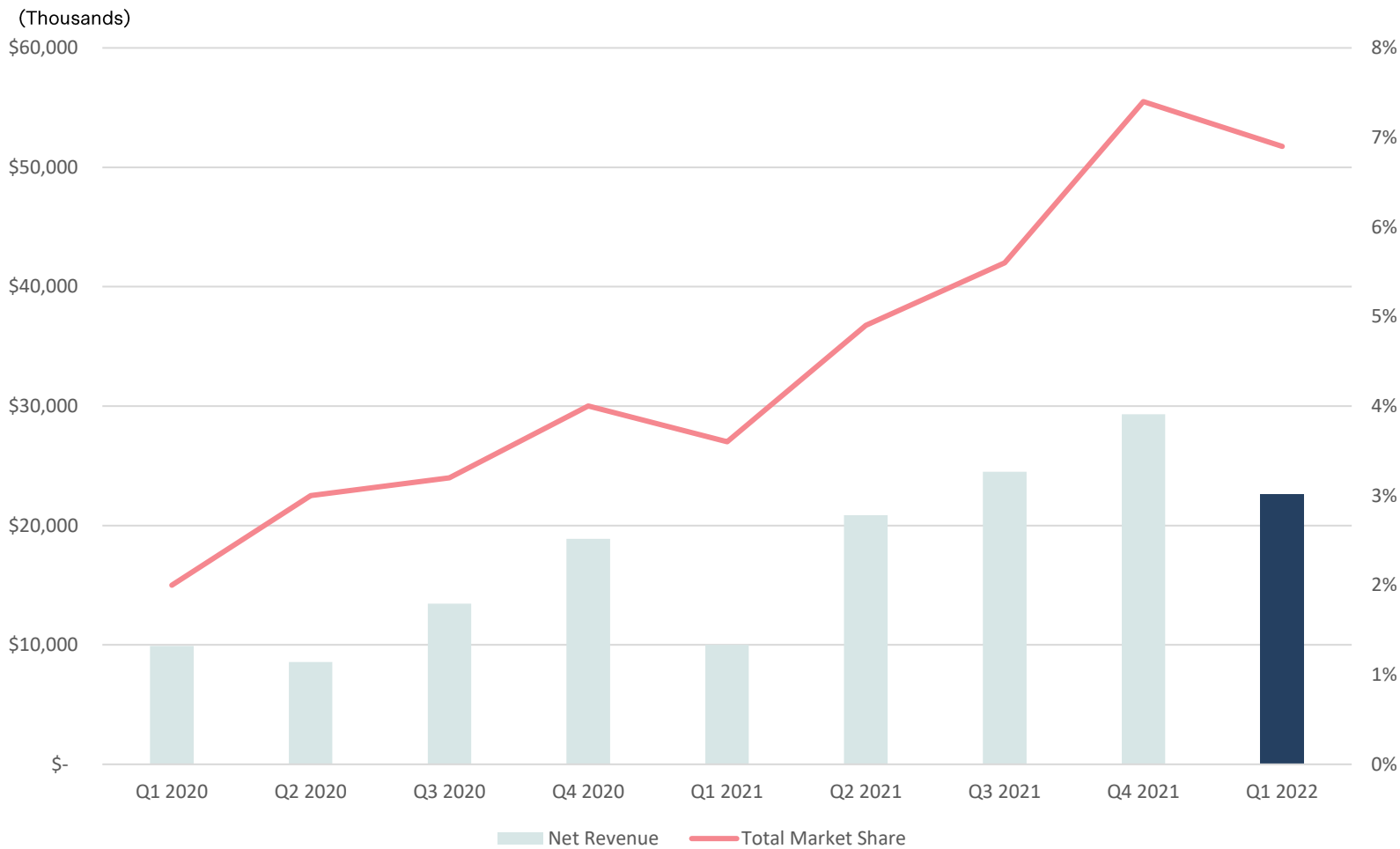
Net Income Profit/Loss*



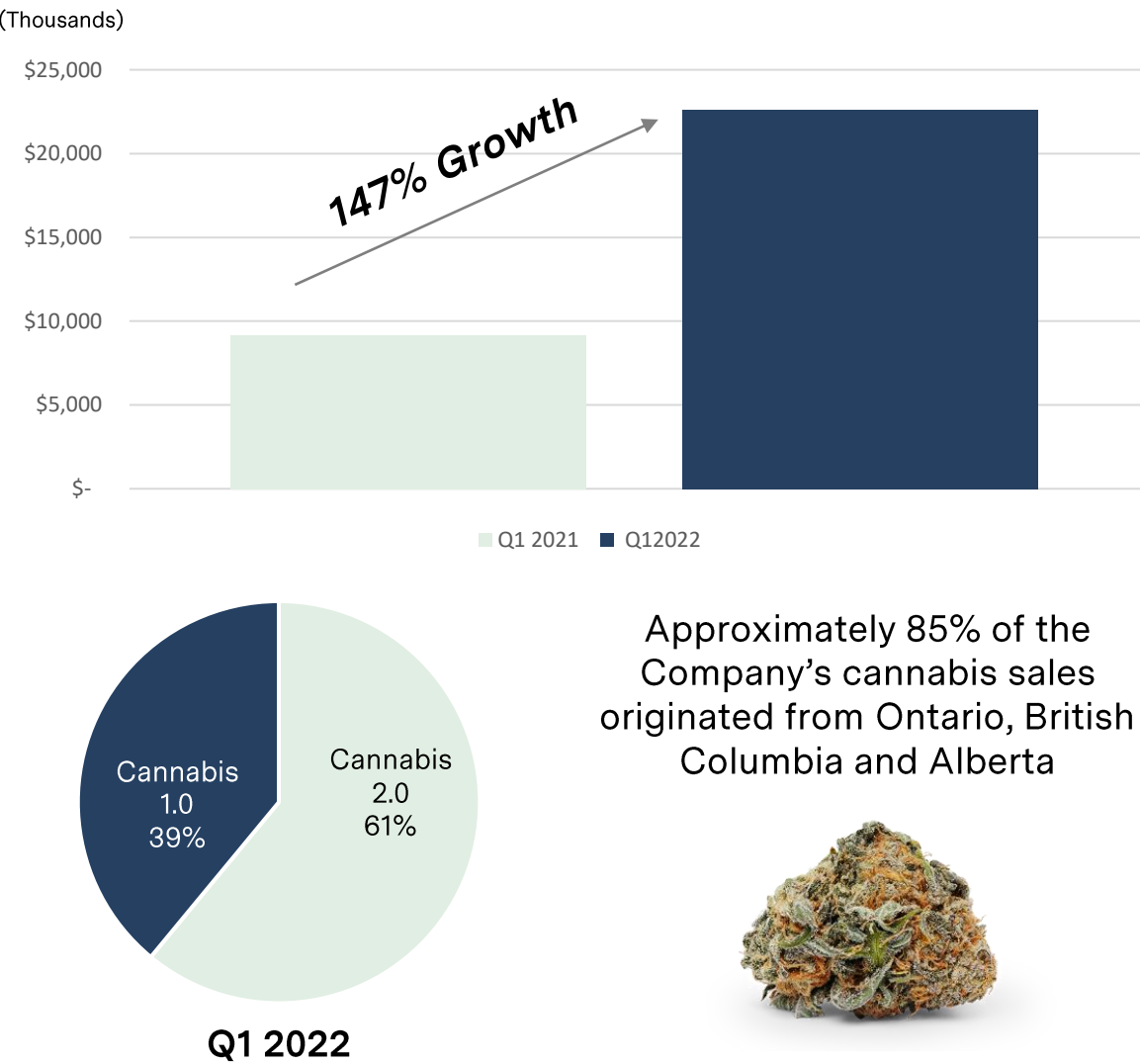
* Attributable to shareholders of the Company

Q1 2022 Revenue Snapshot

Auxly’s Net Revenue and Total Market Share by Quarter¹



Auxly’s Year-over-Year Revenue and Segment Overview²



1) Headset Canadian Insights
2) Cannabis 1.0 includes Dried Flower, Pre-roll and Oil sales

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