

This is Auxly / 2024 Shareholder Meeting

Auxly

June 28th, 2024

Auxly Cannabis Group Inc.
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Dear Auxly Shareholders,

As we come together for our Annual General Meeting, I want to express my sincere appreciation for your ongoing support in Auxly. This past year has been marked by significant milestones and challenges, all of which have strengthened our resolve and shaped our path forward. I'm excited to share some of the progress we made over the past year and provide you with further insights into our future plans.

2023 was a pivotal year for Auxly. We remained dedicated to our consumers and helping them live happier lives by delivering quality cannabis products that they can trust and love. We also worked tirelessly to focus and simplify our business, reduce our costs and improve our financial performance.

Thanks to a tremendous team effort; the support of our partners and the loyalty of our consumers we were able to achieve great success across all fronts, from financial milestones to ground breaking innovations.

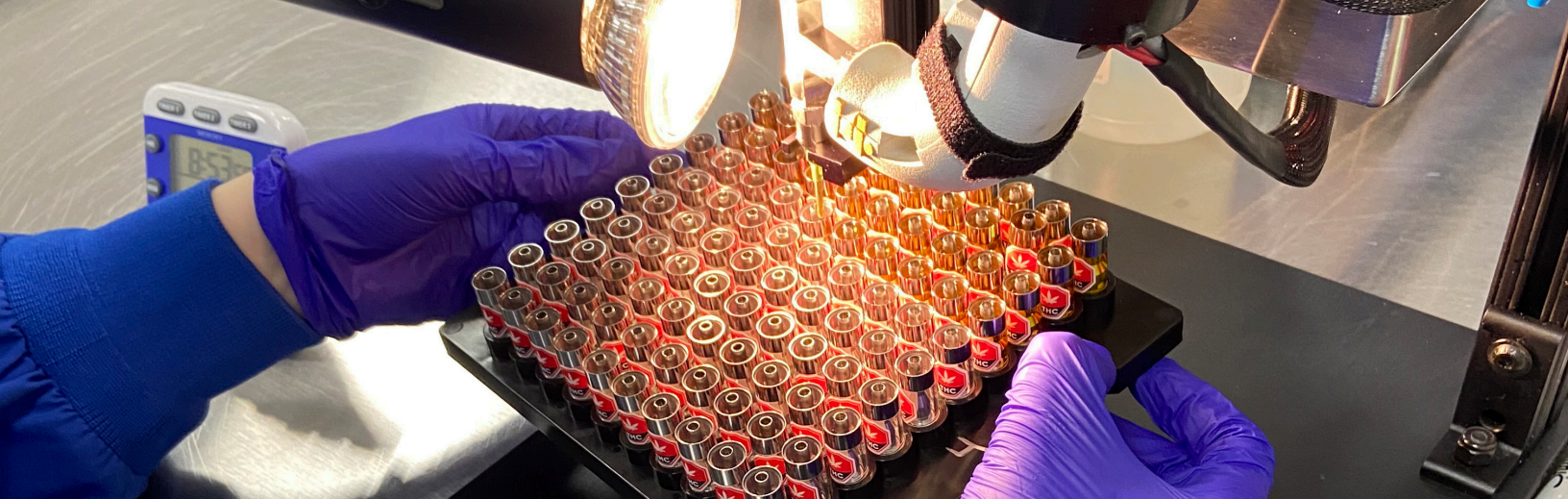
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KOLAB PROJECT

BACK FORTY



Parcel



Our revenues climbed to new heights, growing 7% year over year, and breaking \$100m in annual net revenues for the first time in our history. Because of the excellence of our people and their dedication to working as a united team, Auxly was able to achieve that growth while also getting more efficient and profitable as a company. Even with the disruption of consolidating our flower and pre-roll manufacturing activities into our Auxly Leamington facility, we were able to significantly reduce our costs by over 17% year over year and increase our gross margin by 800 basis points (8%) year over year. This resulted in Auxly finishing 2023 Adjusted EBITDA positive and cash flow positive on a full year basis for the first time in its corporate history.

We ended the year as the 5th largest LP in Canada, securing approximately 5% of the recreational cannabis market. We maintained and grew our leadership position in our three core product categories: vapes, dried flower and pre-rolls; ending the year in the #3, #6 and #5 LP positions respectively in terms of national market share in those categories.

We continued to push boundaries in innovation, introducing revolutionary new products like the recent introduction of our Back Forty all-in-one vapes that have quickly taken over the disposable vape category, currently ranking #1 in national sales.

We continued to invest and improve our flagship Auxly Leamington cultivation facility, resulting in greater efficiency and increased quality. Our Auxly Leamington facility is one of the preeminent cannabis cultivation facilities in the world; one of the few that is capable of consistently producing ultra-high-quality cannabis at ultra-low costs. As a result of our cultivation excellence, Back Forty has quickly grown into one of the nation's largest flower brands, and we experienced increased demand for our flower on a B2B basis, helping Auxly diversify its revenue and better withstand the ebbs and flows of consumer markets.

We also continued to invest in and improve our pre-roll capabilities. We consolidated our pre-roll manufacturing activities in our Auxly Leamington facility and finished the commissioning of our automated pre-roll filling and packaging lines. The results have been remarkable. Our Back Forty pre-rolls have become consumer staples, ranking #2 in national uninfused pre-roll sales and #1 in Ontario, the largest and most competitive market in the country.

This exceptional performance is a testament to the dedication and hard work of every member of the Auxly team as well as the loyalty of our valued shareholders, partners and consumers. Thank-you to everyone who supported Auxly in 2023!

And we are not slowing down in 2024. Auxly is going to remain focused and disciplined with the goal of increasing Adjusted EBITDA and enhancing our profitability. We intend to outperform 2023 in terms of year over year top line growth through continued innovation and distribution expansion in our key product categories of vape, dried flower and pre-rolls. We also remain committed to further enhancing our operations and teamwork to unlock further efficiencies and continue to improve our margins and cash flows. Finally, we will remain focused on finding ways to improve our balance sheet and overall financial position.

We are off to a great start in 2024! As we recently reported, in Q1 of this year, Auxly achieved the best Q1 in its history across the key metrics of revenue, gross margin and Adjusted EBITDA; demonstrating that our strategy is working and a testament to the continued passion and dedication of our team.

“in Q1 of this year, Auxly achieved the best Q1 in its history across the key metrics of revenue, gross margin and Adjusted EBITDA”

We remain committed to our consumer and giving them incredible new products. We have already released another consumer favourite innovation this year with the introduction of our new 0.75g straight-cut pre-rolls; and our renewed focus on vapor innovation has seen us regain momentum in the vapor category and rise to the #2 spot nationally in vape market share. And, we are now a truly national player having finally launched our first SKU in the province of Quebec! With our entry into Quebec, Auxly products can now be found in every province in Canada! Importantly, the demand for our flower has never been stronger.



Not only are our flower sales growing domestically, but we also continue to advance direct discussions with international purchasers and are confident that we will enter international flower markets in the near term.

We are committed to building a strong and stable Auxly, one that can survive and thrive in any cannabis market. We will continue to take steps to enhance our profitability and improve our balance sheet. For example, we are taking steps to increase the utilization of our cultivation capacity in Auxly Leamington to service increased demand.

We have also made significant progress in improving our balance sheet by securing the continued support of our strategic partner Imperial Brands with the conversion of over

\$124 million of its debt and interest in exchange for 19.8% equity stake in the company. We have also secured the continued support of our senior secured lenders through the extension of the Auxly Leamington credit facility to December 31, 2025, with the option to extend for a further year.

We will continue to explore and pursue accretive ways to enhance our balance sheet and financial position including by exploring strategic partnerships, accretive acquisitions and entering new markets. We are determined to execute our strategy and believe that with your continued support, Auxly will achieve its vision of being a global leader in quality cannabis products.

In conclusion, reflecting on this past year, we are very proud of what Auxly has accomplished despite the strong macro and industry headwinds that we faced. Despite the challenges we tackled, we emerged stronger and more “resilient than ever. We believe the company is now in the best position it has ever been in – with a clear and focused strategy; best-in-class assets; an established portfolio of consumer favorite products; industry-leading innovation and a talented, passionate, committed team. All of which fuels our confidence that 2024 will continue to be a record-breaking year for Auxly.

I want to thank you, our shareholders, for your continued support and commitment to our company. Your belief in our vision and your investment in our future are critical in propelling Auxly forward. Participating further in Auxly’s journey, whether through increased investment or advocacy for our products and vision, plays a vital role in our collective success. The opportunities before us are incredible and with your continued support, there is no limit to what we can achieve.

Thank you for your continued trust and partnership.

Best,

Hugo Alves, CEO

“We are determined to execute our strategy and believe that with your continued support, Auxly will achieve its vision of being a global leader in quality cannabis products.”

