



# AUXLY REPORTS Q3 2022 FINANCIAL RESULTS

TORONTO, Nov. 14, 2022 /CNW/ - **Auxly Cannabis Group Inc.** (TSX: XLY) (OTCQX: CBWTF) ("**Auxly**" or the "**Company**") today released its financial results for the three and nine months ended September 30, 2022. These filings and additional information regarding Auxly are available for review on SEDAR at [www.sedar.com](http://www.sedar.com). All amounts are Canadian dollars except common shares ("**Shares**") and per Share amounts.

## Q3 2022 Highlights

- Total net revenues from sale of adult use cannabis in Canada of \$19.8 million for the three months ended September 30, 2022, a 19% decrease from the same period last year and a 28% increase year-to-date;
- SG&A declined approximately 11% from the previous quarter as the Company continues to focus its efforts on reducing costs;
- Adjusted EBITDA was negative \$5.8 million, an improvement of \$0.3 million as compared to the same period last year;
- Auxly Leamington continues to contribute to positive gross margins through low-cost cultivation and increased yields;
- Continues to rank among the top 10 LPs in Canada by total recreational retail sales as the Company continues to launch new and exciting cannabis products to the Canadian market.

## Q3 Highlights

For the three months ended: (000's)	September 30, 2022	September 30, 2021	Change	Change
Total net revenues	\$ 19,830	\$ 24,493	\$ (4,663)	-19 %
Net income/(loss)*	(60,102)	(13,527)	(46,575)	-344 %
Net income/(loss) from continuing operations*	(60,102)	(13,527)	(46,575)	-344 %
Adjusted EBITDA**	(5,776)	(6,099)	323	5 %
Weighted average shares outstanding	901,521,265	825,612,944	75,908,321	9 %

For the nine months ended: (000's)	September 30, 2022	September 30, 2021	Change	Change
Total net revenues	\$ 69,791	\$ 54,511	\$ 15,280	28 %
Net income/(loss)*	(114,237)	(15,363)	(98,874)	-644 %
Net income/(loss) from continuing operations*	(114,237)	(27,519)	(86,718)	-315 %
Adjusted EBITDA**	(16,095)	(15,628)	(467)	-3 %
Weighted average shares outstanding	884,496,806	767,844,307	116,652,499	15 %

As at: (000's)	September 30, 2022	December 31, 2021	Change	Change
Cash and equivalents	\$ 16,019	\$ 14,754	\$ 1,265	9 %
Total assets	\$ 345,060	\$ 450,422	\$ (105,362)	-23 %
Debt***	\$ 173,689	\$ 168,809	\$ 4,880	3 %

\*Attributable to shareholders of the Company

\*\*Adjusted EBITDA is a Non-IFRS financial measure. Refer to the Non-GAAP Measures

\*\*\* Debt is a supplementary financial measure. Refer to the Non-GAAP Measures

## Results of Operations

For the periods ended: (000's)	Three months September 30,		Nine months September 30,	
	2022	2021	2022	2021
<b>CONTINUING OPERATIONS</b>				
Revenues				

Revenue from sales of cannabis products	\$ 29,138	\$ 35,817	\$ 102,430	\$ 77,520
Excise taxes	(9,308)	(11,324)	(32,639)	(23,009)
<b>Total net revenues</b>	<b>19,830</b>	<b>24,493</b>	<b>69,791</b>	<b>54,511</b>
<b>Costs of sales</b>				
Costs of finished cannabis inventory sold	14,921	19,471	53,017	39,380
Biological asset impairment	-	-	704	-
Inventory (gain)/impairment	2,014	716	8,670	1,070
<b>Gross profit/(loss) excluding fair value items</b>	<b>2,895</b>	<b>4,306</b>	<b>7,400</b>	<b>14,061</b>
Unrealized fair value gain/(loss) on biological transformation	7,496	352	25,704	922
Realized fair value gain/(loss) on inventory	(8,175)	(1)	(17,398)	(1)
<b>Gross profit</b>	<b>2,216</b>	<b>4,657</b>	<b>15,706</b>	<b>14,982</b>
<b>Expenses</b>				
Selling, general, and administrative expenses	11,559	11,507	37,134	31,612
Equity-based compensation	475	55	3,594	1,221
Depreciation and amortization	3,525	2,223	12,025	6,829
Interest expense	5,507	3,932	15,923	13,320
<b>Total expenses</b>	<b>21,066</b>	<b>17,717</b>	<b>68,676</b>	<b>52,982</b>
<b>Other income/(loss)</b>				
Fair value gain/(loss) for financial instruments accounted under FV/TPL	-	223	-	414
Interest and other income	105	436	274	1,283
Impairment of long-term assets	(4,809)	(60)	(17,693)	(11,426)
Impairment of intangible assets and goodwill	(38,022)	-	(48,811)	-
Gain/(loss) on settlement of assets and liabilities and other expenses	(1,574)	41	(1,411)	21,104
Gain/(loss) on disposal of subsidiary	-	1,355	-	1,355
Share of gain/(loss) on investment in joint venture	-	(3,095)	-	(6,048)
Foreign exchange gain/(loss)	938	633	1,224	(546)
<b>Total other income/(loss)</b>	<b>(43,362)</b>	<b>(467)</b>	<b>(66,417)</b>	<b>6,136</b>
<b>Net loss before income tax</b>	<b>(62,212)</b>	<b>(13,527)</b>	<b>(119,387)</b>	<b>(31,864)</b>
Income tax recovery	2,110	-	5,150	4,330
<b>Net loss from continuing operations</b>	<b>\$ (60,102)</b>	<b>\$ (13,527)</b>	<b>\$ (114,237)</b>	<b>\$ (27,534)</b>
<b>Net income/(loss) from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,156</b>
<b>Net income/(loss)</b>	<b>\$ (60,102)</b>	<b>\$ (13,527)</b>	<b>\$ (114,237)</b>	<b>\$ (15,378)</b>
<b>Net income/(loss) attributable to shareholders of the Company</b>	<b>\$ (60,102)</b>	<b>\$ (13,527)</b>	<b>\$ (114,237)</b>	<b>\$ (15,363)</b>
<b>Net loss attributable to non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15)</b>
<b>Adjusted EBITDA</b>	<b>\$ (5,776)</b>	<b>\$ (6,099)</b>	<b>\$ (16,095)</b>	<b>\$ (15,628)</b>
From continuing operations	\$ (0.07)	\$ (0.02)	\$ (0.13)	\$ (0.04)
From discontinued operations	-	-	-	0.02
<b>Net income/(loss) per common share (basic and diluted)</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>	<b>\$ (0.13)</b>	<b>\$ (0.02)</b>
<b>Weighted average shares outstanding (basic and diluted)</b>	<b>901,521,265</b>	<b>825,612,944</b>	<b>884,496,806</b>	<b>767,844,307</b>

Hugo Alves, CEO of Auxly, commented: "This quarter was transitional for the company as we took insights from and listened to our consumers to understand their evolving needs and preferences so that we could begin to deliver on quality improvements across our vape, dried flower and pre-roll portfolio, while also implementing pricing reductions. These necessary adjustments along with disruptions at some of our wholesale customers and hurricane Fiona's temporary impact on our Auxly Charlottetown facility led to lower than expected revenue for the quarter. We expect to see the benefits of our portfolio and pricing adjustments along with increased traction from our 30+ new SKUs that have launched, or will be launching, in Q4 2022. We have been working hard on an updated and expanded dried flower portfolio utilizing Auxly Leamington's competitive advantage of high-quality, large-scale, and low-cost cultivation. We will continue to expand our presence in this category through the introduction of four unique strains under our award winning Back Forty and Kolab Project brands, as well as through new dried and milled flower product offerings that will be offered under our new ultra-value brand, Parcel. Finally, we will continue to focus on cost control and margin enhancement through continued process improvements and investments in automation to further support our key objective of Adjusted EBITDA profitability in 2022."

## Net Revenues

For the three and nine months ended September 30, 2022, net revenues were \$19.8 million and \$69.8 million as compared to \$24.5 million and \$54.5 million during the same periods in 2021. Revenue in the third quarter of 2022 was comprised of approximately 36% in sales of dried flower and pre-roll Cannabis Products, with the remainder from oils and Cannabis 2.0 Product sales. Net revenues for the third quarter were negatively impacted by reduced orders from two of our largest customers Ontario and British Columbia, as they worked through their respective data security and labour issues, and by a one-week closure of Auxly Charlottetown due to hurricane Fiona. In addition, revenues were impacted by lower vape orders following price reduction notifications delivered during the quarter and fewer dried flower reorders while lower potency dried flower sold during the end of the second quarter was being depleted. Year-to-date revenues are higher than the same period in 2021 due to further product expansion and distribution, partially offset by price compression and changes in share of market. Consistent with prior periods, as the Company does not participate in the Quebec market, approximately 85% of cannabis sales during the third quarter of 2022 originated from sales to British Columbia, Alberta and Ontario.

### **Gross Profit**

Auxly realized a gross profit of \$2.2 million and \$15.7 million for the three and nine months ending September 30, 2022 resulting in a 11% and 23% Gross Profit Margin<sup>1</sup> respectively, as compared to \$4.7 million (19%) and \$15.0 million (27%) during the same periods in 2021. Cost of Finished Cannabis Inventory Sold Margin<sup>1</sup> during the third quarter remained strong at 25%, 4% greater than the same period of 2021, and consistent with the second quarter of 2022, despite the lower proportion of dried flower sales and short-term impacts from vape pricing reductions.

Following the acquisition of Auxly Leamington in November 2021, the Company recognizes gross profit or loss from Auxly Leamington as part of the costs of finished cannabis inventory sold only as product is sold to the Company's customers after being further processed by Auxly Ottawa or Auxly Charlottetown. Realized and unrealized fair value gains and losses reflect accounting treatments associated with Auxly Leamington cultivation and sales. Prior to the acquisition of Auxly Leamington, the net operating results of Auxly Leamington were recorded in other income and expenses on an equity basis in proportion to the Company's ownership in the joint venture.

Biological and inventory impairments during the current period of \$2.0 million are primarily a result of SKU rationalization and run-off and product not meeting quality specifications, with year-to-date charges of \$9.4 million inclusive of the closures of the Auxly Annapolis and Auxly Annapolis OG facilities, certain third-party product write-offs, and current period charges.

<sup>1</sup> Gross Profit Margin and Cost of Finished Cannabis Inventory Sold Margin are supplemental financial measures – See "Non-GAAP Measures".

### **Total Expenses**

Selling, general and administrative expenses ("**SG&A**") are comprised of wages and benefits, office and administrative, professional fees, business development, and selling expenses. SG&A expenses were \$11.6 million during the third quarter of 2022, in line with the same period in 2021 and \$1.3 million lower than the previous quarter of 2022. Year-to-date expenditures of \$37.1 million in 2022 are \$5.5 million greater than the same period in 2021 primarily due to the addition of Auxly Leamington and expenditures associated with increased revenues.

Wages and benefits were \$4.8 million during the third quarter of 2022, approximately \$0.8 million higher than the same period of 2021, primarily due to the addition of Auxly Leamington and lower overhead absorption, partially offset by reductions associated with the Auxly Annapolis and Auxly Annapolis OG closures. Year-to-date expenditures of \$15.6 million were higher by \$2.7 million than those during the same period of 2021. The increases relate to the inclusion of Auxly Leamington and

lower overhead absorption, partially offset by cost reductions from the closure of the Auxly Annapolis and Auxly Annapolis OG facilities.

Office and administrative expenses were \$2.4 million during the current quarter, decreasing by \$0.9 million compared to the same period in 2021. The decreased expenditures primarily relate to higher product cost absorption, reduced waste and the timing and cost associated with product innovation, partially offset by the inclusion of Auxly Leamington. For the first nine months of 2022 expenditures were \$8.5 million, approximately \$1.5 million below the same period of 2021 reflecting reductions in the current quarter partially offset by the addition of Auxly Leamington.

Auxly's professional fees were \$0.7 million during the third quarter of 2022 and \$2.2 million year-to-date which were \$0.1 million lower and \$0.3 million greater respectively, than the same periods in 2021. Professional fees incurred during the period primarily related to accounting fees, regulatory matters, reporting issuer fees, and legal fees associated with certain corporate activities.

Business development expenses were \$0.1 million for the three months ended September 30, 2022 and \$0.2 million after nine months, as compared to \$0.1 million and \$0.2 million respectively, during the same periods in 2021. These expenses were nominal during the COVID-19 pandemic and primarily relate to acquisition, business development and travel related expenses which have increased modestly as a result of loosening restrictions and the resumption of business travel.

Selling expenses were \$3.6 million for the three months ended September 30, 2022 and \$10.6 million year-to-date, increases of \$0.3 million and \$3.9 million over the same periods in 2021, as a result of cannabis sales activities comprised of brokerage fees, Health Canada fees related to higher revenues, and increased marketing initiatives for Cannabis Products.

Equity-based compensation for the three and nine months ended September 30, 2022 were \$0.5 million and \$3.6 million respectively. During the same periods of 2021 these amounts were \$0.1 million and \$1.2 million. The charges for the current quarter reflect the impact of prior option grants and restricted share units ("**RSU**") granted in June 2022, in respect of services provided by employees in 2021. The expense related to options is primarily a function of the number of grants, the weighted average aging of the grants and the share price at the time of grant. The RSU charge is primarily determined by the number of units granted, vesting periods and forfeiture assumptions, and the Share price at the time of grant.

Depreciation and amortization expenses were \$3.5 million for the period ended September 30, 2022, and \$12.0 million year-to-date increasing by \$1.3 million and \$5.2 million respectively over the same periods in 2021. The increase in expense during the current period is primarily related to additional capital expenditures and inclusion of Auxly Leamington in 2022.

Interest expenses were \$5.5 million and \$15.9 million for the three and nine months ended September 30, 2022, an increase of \$1.6 million and \$2.6 million over the same periods in 2021 primarily as a result of the inclusion of Auxly Leamington. Interest expense includes accretion on the convertible debentures and interest paid in kind on the \$123 million Imperial Brands Debenture. Interest payable in cash was approximately \$1.8 million for the current quarter.

### ***Total Other Incomes and Losses***

Total other incomes and losses for the quarter were a net loss of \$43.4 million primarily due to the impairment of goodwill and other assets of \$45 million partially offset by gains related to foreign exchange, assets and liabilities and interest and other income, as compared to a loss of \$0.5 million during the same period in 2021, which were primarily driven in 2021 by a loss on investment in joint venture, partially offset by gains on disposal of subsidiary and other smaller gains.

During the third quarter of 2022 the Company determined the existence of impairment indicators, as a result the Company performed an impairment test and concluded that the carrying value was

higher than the recoverable amount of the Canadian cannabis CGU by \$45.0 million. As a result, the Company wrote off the goodwill balance of \$24.8 million, and the balance of \$20.2 million was allocated to other assets of the Company based on their relative carrying amounts at the impairment date, with no individual asset being reduced below its estimated fair value. Management allocated \$20.2 million of impairment as follows: \$13.2 million of impairment losses towards intangible assets, \$2.2 million towards other receivables, and \$4.8 million of impairment losses towards long-term assets, including property, plant and equipment.

Total other incomes and losses for the nine months ending September 30, 2022 of \$66.4 million include the first quarter losses associated with the closure of the Auxly Annapolis and Auxly Annapolis OG facilities where the carrying value exceeds the fair value less cost to sell.

The share of losses on investment in joint venture during 2021 represented the Company's proportionate share of Auxly Leamington's earnings prior to its acquisition in November 2021, which results are presently consolidated into the Company's financial statements.

Auxly is exposed to foreign exchange fluctuations from the U.S. dollar to CAD dollar exchange rate primarily related to inventory, capital purchases and Inverell net assets.

### ***Net Income and Loss***

Net losses attributable to shareholders of the Company were \$60.1 million for the three months ended September 30, 2022, representing a net loss of \$0.07 per share on a basic and diluted basis. The net loss of \$118.7 million through nine months of 2022 includes the net impact of approximately \$25.7 million related to the closure of the Auxly Annapolis and Auxly Annapolis OG facilities during the first quarter of 2022.

### ***Adjusted EBITDA***

Adjusted EBITDA during the three months ended September 30, 2022 was negative \$5.8 million, an improvement over the same period of 2021. Year-to-date Adjusted EBITDA of negative \$16.1 million was \$0.5 million worse than the same period of 2021.

### ***Discontinued Operations***

On May 27, 2021, the Company announced that it had reached an agreement to sell KGK to Myconic Capital Corp. (now Wellbeing Digital Sciences Inc.) ("**Wellbeing**"), and on June 2, 2021, completed the sale of KGK to Wellbeing. As a result of the sale, results from operations and cash flows from KGK have been presented as discontinued operations, as applicable, on a retrospective basis.

### **Outlook**

In 2022, we remain committed to building on our success as a Canadian market leader. We plan to drive organic growth through continued innovation, increased brand traction, and ubiquitous distribution, while prioritizing operational efficiencies and profitability. Our high-level objectives for 2022 are:

- Improve revenue and Gross Profit Margin to achieve positive Adjusted EBITDA
  - Our key priority in 2022 is to achieve Adjusted EBITDA profitability by continuing to grow top line revenue while enhancing Gross Profit Margins through leveraging the increasing flower output from our Auxly Leamington facility, focused and differentiated brand and product offerings, increased depth and breadth of distribution, and cost optimization through investments in automation to increase production capabilities and efficiency and continuous improvement initiatives.
- Win with consumers and increase brand traction

- We will continue to be deeply committed to understanding our targeted consumers and developing products and brands that help them live happier lives. Driven by deep consumer insights we will continue to evolve our brand portfolio to earn and keep the trust and loyalty of its customers and consumers and be the choice of consumers in-store. We will service the evolving preferences of our consumers by delivering new and innovative branded products to market and ensuring that our consumers can access those products broadly and reliably.

The Canadian cannabis industry continues to evolve at an extraordinary pace. The challenges posed by increasing competition and fragmentation, oversupply of cannabis, high taxation, a robust illicit market and severe price compression have been further exacerbated by inflation, global supply chain disruptions, and constrained capital markets.

Our revenues during the quarter were negatively impacted by reduced orders from two of our largest customers Ontario and British Columbia, as they worked through their respective data security and labour issues, and by a one-week closure of Auxly Charlottetown due to hurricane Fiona. In addition, revenues were impacted by lower vape orders following price reduction notifications delivered during the quarter and fewer dried flower reorders while lower potency dried flower sold during the end of the second quarter was being depleted.

We have been working hard on an updated and expanded dried flower portfolio utilizing Auxly Leamington's competitive advantage of high-quality, large-scale and low-cost cultivation. We believe that our efforts over the past two quarters will immediately improve revenues through:

- improved quality of our award-winning Wedding Pie, Mandarin Cookies and Fruity Pebbles OG strains, producing higher THC potencies, improved bag appeal, and increased moisture and terpene content, which improved products were ready for sale at the end of the third quarter;
- expansion of our product portfolio to address the growing consumer demand for strain differentiation with four unique offerings: Panda Puff, Banana OG and Apple Fritter, which will expand our award winning Back Forty portfolio, and Mint Cream Pie, which will be added to Kolab Project's dried flower portfolio; and all of which will be available for sale in Q4 2022; and
- the launch of Parcel, our new ultra-value brand, which will offer a variety of dried flower and milled flower products and is currently available in the Alberta market as of Q4 2022, with other key provinces to follow early in Q1 2023. Parcel allows us to continue to expand our Cannabis Product portfolio in dried flower, which remains the largest category in Canada.

In addition to price reductions taken during the quarter, we look to grow the market share of our vape SKUs by increasing potencies and intensifying flavours across all brands, and by launching six new vape flavours over the next two quarters under our award-winning brands Back Forty and Kolab Project. Further, we expanded our infused pre-roll portfolio to include new Back Forty offerings with flavours modeled after the brand's successful vape profiles.

We remain focused on cost control and margin enhancement through continued operational process improvements and investments in automation. During the quarter, we took steps to increase efficiency by optimizing our portfolio by streamlining our Cannabis 2.0 Product offerings as part of an overall innovation and SKU rationalization process. We have started to run off certain low-margin or low-demand SKUs, and outsource certain SKUs where profitable, all with the goal of further improving Gross Profit and lowering SG&A.

We have and will continue to put our consumers first by delivering safe, effective, high-quality products that address their evolving needs and preferences and help them live happier lives. We continue to be leaders in product innovation and believe active management of our portfolio, as well as our continued focus on insights-driven innovation, product quality, targeted marketing efforts and brands, will allow us to continue to preserve the trust and loyalty of our consumers and maintain leading market share positions in our key product categories.

## Non-GAAP Measures

Please see the Company's MD&A for the three and nine months ended September 30, 2022, under "Non-GAAP Measures" for a further description of the following financial and supplementary financial measures.

## Financial Measures

### EBITDA and Adjusted EBITDA

These are non-GAAP measures used in the cannabis industry and by the Company to assess operating performance removing the impacts and volatility of non-cash adjustments. The definition may differ by issuer. The Adjusted EBITDA reconciliation is as follows:

(000's)	Q3/22	Q2/22	Q1/22	Q4/21	Q3/21	Q2/21	Q1/21	Q4/20
Net loss from continuing operations	\$ (60,102)	\$ (14,289)	\$ (39,846)	\$ (18,376)	\$ (13,527)	\$ (3,685)	\$ (10,322)	\$ (26,012)
Interest expense	5,507	5,336	5,080	4,348	3,932	4,787	4,601	3,814
Interest income	(105)	(84)	(85)	(308)	(436)	(431)	(416)	310
Income tax recovery	(2,110)	(85)	(2,955)	-	-	(4,291)	(39)	(24)
Depreciation and amortization Included in cost of sales	681	2,180	1,211	689	386	326	141	208
Depreciation and amortization Included in expenses	3,525	3,900	4,600	5,678	2,223	2,174	2,432	2,328
<b>EBITDA</b>	<b>(52,604)</b>	<b>(3,042)</b>	<b>(31,995)</b>	<b>(7,969)</b>	<b>(7,422)</b>	<b>(1,120)</b>	<b>(3,603)</b>	<b>(19,376)</b>
Impairment of biological assets	-	-	704	-	-	-	-	-
Impairment of inventory	2,014	1,778	4,878	2,194	716	124	230	1,763
Unrealized fair value loss/(gain) on biological transformation	-	-	-	-	-	-	(255)	-
Realized fair value loss/(gain) on Inventory	(7,496)	(11,735)	(6,473)	(1,462)	(352)	(315)	(1)	(215)
Restructuring related costs	8,175	6,898	2,325	904	1	1	206	-
Equity-based compensation	193	-	-	-	-	-	(116)	-
Fair value loss/(gain) for financial Instruments accounted under FVTPL	475	2,916	203	212	55	960	-	472
Impairment of long-term assets	-	-	-	408	(223)	(75)	-	(262)
Impairment of intangible assets and goodwill	4,809	-	12,884	-	60	11,366	-	1,784
(Gain)/loss on settlement of assets, liabilities and disposals	38,022	-	-	-	-	-	(4,068)	-
Share of loss on investment in joint Venture	1,574	-	10,789	-	-	-	459	-
Foreign exchange loss/(gain)	(938)	(163)	-	815	(1,396)	(16,995)	608	6,042
	-	-	-	(1,387)	3,095	2,494	-	4,412
	-	(647)	361	242	(633)	571	-	749
<b>Adjusted EBITDA</b>	<b>\$ (5,776)</b>	<b>\$ (3,995)</b>	<b>\$ (6,324)</b>	<b>\$ (6,043)</b>	<b>\$ (6,099)</b>	<b>\$ (2,989)</b>	<b>\$ (6,540)</b>	<b>\$ (4,631)</b>

## Supplementary Financial Measures

### Cost of Finished Cannabis Inventory Sold Margin

"Cost of Finished Cannabis Inventory Sold Margin" is a supplementary financial measure and is defined as Cost of Finished Cannabis Inventory Sold divided by net revenues.

### Gross Profit Margin

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

### Debt

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

## Conference Call

Auxly's management team will host a conference call today, Monday, November 14, 2022, at 10:00 a.m. EST to discuss its financial results. Participants can access the conference call by telephone by dialing: 1-888-664-6383 or by audio webcast at: <https://app.webinar.net/BobWPaRQpak>.

For those unable to participate in the conference call at the scheduled time, it will be available for replay on the Company's website within 24 hours after the conclusion of the call.

ON BEHALF OF THE BOARD  
"Hugo Alves" CEO

### **About Auxly Cannabis Group Inc. (TSX: XLY)**

Auxly is a leading Canadian consumer packaged goods company in the cannabis products market, headquartered in Toronto, Canada. Our focus is on developing, manufacturing and distributing branded cannabis products that delight our consumers.

Our vision is to be a leader in branded cannabis products that deliver on our consumer promise of quality, safety and efficacy.

Learn more at [www.auxly.com](http://www.auxly.com) and stay up to date at Twitter: @AuxlyGroup; Instagram: @auxlygroup; Facebook: @auxlygroup; LinkedIn: company/auxlygroup/.

### **Notice Regarding Forward Looking Information:**

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities law. Forward-looking information is frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. This information is only a prediction. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking information throughout this news release. Forward-looking information includes, but is not limited to: the proposed operation of Auxly, its subsidiaries and partners; the intention to grow the business, operations and existing and potential activities of Auxly; the Company's response to the COVID-19 pandemic; the impact of the COVID-19 pandemic on the Company's current and future operations; the Company's execution of its innovative product development, commercialization strategy and expansion plans; the Company's intention to introduce innovative new cannabis products to the market and the timing thereof; the anticipated benefits of the Company's partnerships, research and development initiatives and other commercial arrangements; the anticipated benefits of the Company's acquisition of Auxly Leamington; the expectation and timing of future revenues and of positive Adjusted EBITDA; expectations regarding the Company's expansion of sales, operations and investment into foreign jurisdictions; future legislative and regulatory developments involving cannabis and cannabis products; the timing and outcomes of regulatory or intellectual property decisions; the relevance of Auxly's subsidiaries' current and proposed products with provincial purchasers and consumers; consumer preferences; political change; competition and other risks affecting the Company in particular and the cannabis industry generally.

A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this release including, but not limited to, whether: the Company will be able to execute on its business strategy; Auxly's subsidiaries and partners are able to obtain and maintain the necessary governmental and regulatory authorizations to conduct business; the Company is able to successfully manage the integration of its various business units with its own; there are not materially more closures or lockdowns related to the COVID.19 pandemic; the Company's subsidiaries and partners obtain and maintain all necessary governmental and regulatory permits and approvals for the operation of their facilities and the development of cannabis products, and whether such permits and approvals can be obtained in

a timely manner; the Company will be able to successfully integrate Auxly Leamington's operations with its own, and whether the expected benefits of the acquisition materialize in the manner expected, or at all; the Company will be able to successfully launch new product formats and enter into new markets; there is acceptance and demand for current and future Company products by consumers and provincial purchasers; the Company will be able to increase revenues and achieve positive Adjusted EBITDA; and general economic, financial market, legislative, regulatory, competitive and political conditions in which the Company and its subsidiaries and partners operate will remain the same. Additional risk factors are disclosed in the annual information form of the Company for the financial year ended December 31, 2021 dated March 30, 2022.

New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information. The forward-looking information in this release is based on information currently available and what management believes are reasonable assumptions. Forward-looking information speaks only to such assumptions as of the date of this release. In addition, this release may contain forward-looking information attributed to third party industry sources, the accuracy of which has not been verified by the Company. The forward-looking information is being provided for the purposes of assisting the reader in understanding the Company's financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this release.

The forward-looking information contained in this release is expressly qualified by the foregoing cautionary statements and is made as of the date of this release. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

**Neither Toronto Stock Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Toronto Stock Exchange) accepts responsibility for the adequacy or accuracy of this release.**

 View original content to download multimedia:

<https://www.prnewswire.com/news-releases/auxly-reports-q3-2022-financial-results-301676795.html>

SOURCE Auxly Cannabis Group Inc.

 View original content to download multimedia:

<http://www.newswire.ca/en/releases/archive/November2022/14/c0402.html>

%SEDAR: 00005865E

**For further information:** Investor Relations: For investor enquiries please contact our Investor Relations Team: Email: [IR@auxly.com](mailto:IR@auxly.com), Phone: 1.833.695.2414; Media Enquiries (only): For media enquiries or to set up an interview please contact: Email: [press@auxly.com](mailto:press@auxly.com)

CO: Auxly Cannabis Group Inc.

CNW 07:32e 14-NOV-22