FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Auxly Cannabis Group Inc. (the “**Company**”)
777 Richmond St W, Unit 002
Toronto, Ontario M6J 0C2

Item 2 Date of Material Change

June 19, 2025

Item 3 News Release

The news release announcing the material change was issued on behalf of the Company and disseminated through PR Newswire on June 19, 2025, and filed on the System for Electronic Data Analysis and Retrieval + (“**SEDAR+**”).

Item 4 Summary of Material Change

On June 19, 2025, the Company announced that it had entered into an exchange agreement (the “**Exchange Agreement**”) with 1213509 B.C. Ltd. (“**Imperial Brands**”), a wholly-owned indirect subsidiary of Imperial Brands plc, pursuant to which, subject to the terms and conditions of the Exchange Agreement, the Company and Imperial Brands will settle all amounts owing under the 4.00% unsecured convertible debenture of the Company due September 25, 2026 (the “**Debenture**”) held by Imperial Brands in common shares of the Company (“**Shares**”) and pre-funded warrants to purchase Shares.

Item 5 Full Description of Material Change

On June 19, 2025, the Company announced that it had entered into a non-binding agreement (the “**Term Sheet**”) to amend and restate the Company's existing syndicated credit facility led by the Bank of Montreal (such amended and restated form being the “**Amended Credit Facility**”).

The Company also announced that it had entered into the Exchange Agreement with Imperial Brands, pursuant to which, subject to the terms and conditions set out therein, including the execution of the Amended Credit Facility on the terms provided in the Term Sheet (collectively, the “**Settlement Transaction**”):

(a) Imperial Brands will convert the remaining $1.0 million principal amount owed under the Debenture into 1,234,568 Shares at a conversion price of $0.81 per share in accordance with the terms of the Debenture (the "**Principal Conversion**");

(b) Imperial Brands will convert $1,386,966 of accrued interest under the Debenture into Shares at a per-share conversion price of $0.0811, equal to the trailing 5-day volume-weighted average trading price of the Shares on the Toronto Stock Exchange (the "**TSX**") as of the date of the Exchange Agreement (the "**Interest Conversion**");

(c) in exchange for $7,370,661 of accrued and unpaid interest owed under the Debenture (the “**Exchanged Interest Amount**”), the Company will issue to Imperial Brands 90,883,618 pre-funded warrants (the “**Warrants**”) to acquire up to 90,883,618 Shares (the “**Underlying Shares**”). Each Warrant will entitle Imperial Brands 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 the Underlying Shares that may be exercised at any time prior to the Expiry Date will be limited to such number of Warrants for which the issuance of corresponding Underlying Shares would not result in Imperial Brands, together with its affiliates, owning more than 19.9% of all the then outstanding Shares (the "**Share Ownership Limit**"). The number of Warrants to be issued by the Company in exchange for the Exchanged Interest Amount reflects a notional exchange price of $0.0811 per Warrant and Underlying Share, with such exercise price being prefunded in consideration for the Exchanged Interest Amount; and

(d) subject to the completion of the Principal Conversion, the Interest Conversion and the issuance of the Warrants in exchange for the Exchanged Interest Amount, the remaining $11,793,320 of accrued and unpaid interest owing by the Company under the Debenture will be forgiven in accordance with the terms and conditions of the Exchange Agreement.

Upon the completion of the Principal Conversion and the Interest Conversion (assuming such completion occurs), the Debenture will be cancelled and there will be no further amounts owing thereunder, and Imperial Brands will own and control approximately 19.9% of all issued and outstanding Shares.

The completion of the Settlement Transaction is expected to occur on or about June 30, 2025, subject to the satisfaction of certain conditions precedent, including the receipt of the required approval from the TSX.

The Exchange Agreement may be terminated prior to the completion of the Settlement Transaction: (i) by mutual written agreement of the parties; (ii) by either party if, following the date of the Exchange Agreement, a law is enacted that makes the consummation of the Settlement Transaction illegal or otherwise permanently prohibits or enjoins Imperial Brands or the Company from consummating the Settlement Transaction; of (iii) by each of Imperial Brands and the Company upon certain conditions precedent being unsatisfied and incapable of being cured.

The description of the terms of the Exchange Agreement contained herein does not purport to be complete and is qualified in its entirety by the terms of the Exchange Agreement, which has been separately filed by the Company and is available under the Company's profile at www.sedarplus.com.

Related Party Transaction

Imperial Brands holds 247,631,691 Shares and $1,000,000.10 principal amount of the Debenture, amounting to beneficial ownership of approximately 18.87% of the issued and outstanding Shares as of the date of the Exchange Agreement (as calculated on a non-diluted basis assuming conversion of the principal amount of the Debenture). In turn, Imperial Brands is considered a "related party" of the Company, and the Settlement Transaction constitutes a "related party transaction", as such terms are defined by Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Following the completion of the Settlement Transaction (assuming it is completed), Imperial Brands will hold Imperial Brands will hold 265,968,180 Shares, representing approximately 19.9% of the issued and outstanding Shares (as calculated on a non-diluted basis), and the Warrants, being pre-funded warrants to acquire up to 90,883,618 Shares, subject to the Share Ownership Limit.

The Exchange Agreement was unanimously approved by the board of directors of the Company, who determined that the Settlement Transaction contemplated thereby was in the best interests of the Company. The Settlement Transaction will eliminate over $21 million of debt from the Company's balance sheet. This deleveraging will improve the Company's capital structure, reduce interest obligations and reinforce the Company's financial stability and long-term viability.

The completion of the Settlement Transaction is exempt from the minority shareholder approval and formal valuation requirements of MI 61-101 as, at the time of execution of the Exchange Agreement, the fair market value of the consideration to be paid pursuant to the Settlement Transaction amounted, in aggregate, to less than 25% of the market capitalization of the Company.

In the 24 months immediately preceding the date of this material change report, there has not been any prior valuation, the existence of which is known after reasonable inquiry to the Company or any director or senior officer thereof, in respect of the Company.

This material change report is being filed less than 21 days prior to the anticipated closing date of the Settlement Transaction as the Company determined that the potential benefits to the Company of completing the Settlement Transaction and executing the Amended Credit Facility (including the potential improvement of the Company's financial position) necessitated their completion as soon as possible.

Item 5.1 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, please contact Hugo Alves, Chief Executive Officer, at hugo@auxly.com.

Item 9 Date of Report

June 26, 2025

Forward Looking Statements

This material change report 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 material change report. Forward-looking information includes, but is not limited to: the execution of the Amended Credit Facility and the anticipated timing thereof; the anticipated benefits of the Amended Credit Facility and the timing thereof; the completion of the Settlement (and any portion thereof) and the anticipated timing thereof; the issuance of Underlying Shares in connection with the potential future exercise of Warrants; the anticipated benefits of the Settlement Transaction and the timing thereof; the Company's execution of its product development and commercialization strategy; consumer preferences; political change; future legislative and regulatory developments involving cannabis and cannabis products; and 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 included in this material change report including, but not limited to, whether: the expected benefits of the execution of the Amended Credit Facility and/or the Settlement Transaction (or any portion thereof) materialize in the manner expected, or at all; there is acceptance and demand for current and future Company products by consumers and provincial purchasers; and general economic, financial market, legislative, regulatory, competitive and political conditions in which the Company operates will remain the same. Additional risk factors are disclosed in the annual information form of the Company for the financial year ended December 31, 2024 dated March 20, 2025 and other documents that the Company files with Canadian securities regulatory authorities from time to time.

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 material change report 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 material change report. Readers should not place undue reliance on forward-looking information contained in this material change report.

The forward-looking information contained in this material change report is expressly qualified by the foregoing cautionary statements and is made as of the date of this material change report. 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 material change report or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.