AURORA CANNABIS INC.

(Formerly Prescient Mining Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended December 31, 2014

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Aurora Cannabis Inc. (formerly Prescient Mining Corp. ("Prescient")) (the "Company" or "Aurora") was incorporated under the provisions of the *Business Corporations Act* (British Columbia). The Company is listed for trading on the Canadian Securities Exchange (the "**CSE**") under the symbol "PMC".

The head office of the Company is located at Suite 610 – 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8. The Company's registered office address is located at Suite 1780 – 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6.

This Management's Discussion and Analysis ("MD&A") reports on the operating results and financial condition of the Company for the three and six months ended December 31, 2014 and is prepared as of February 27, 2015. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and six months ended December 31, 2014 ("Interim Financial Statements").

The MD&A and Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting*" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS").

The accompanying Interim Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Aurora Marijuana Inc., Aurora Cannabis Enterprises Inc. and 1769474 Alberta Ltd. All significant intercompany balances and transactions were eliminated on consolidation. The principal office of the subsidiaries is located at 14613 - 134 Avenue, Edmonton, Alberta T5L 4S9.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company's continuous disclosure documents including the Company' Listing Statement with respect to the acquisition of Aurora Marijuana Inc. dated December 9, 2014, are available on SEDAR at www.sedar.com and CSE website at www.cnsx.ca.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance and the Company's ability to become a leader in the field of medical marijuana. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this

document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com and CSE website at www.cnsx.ca. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

BUSINESS OVERVIEW

The Company was previously engaged in the acquisition, exploration, and development of resource properties. The Company abandoned its exploration assets, terminated its property option agreements and does not hold any interest in any mineral properties.

Aurora Cannabis Enterprises Inc. ("Aurora Cannabis"), a wholly-owned subsidiary of the Company, is an Alberta company and a licensed producer of medical marijuana under the *Marihuana for Medical Purposes Regulations* ("MMPR") issued pursuant to the *Controlled Drugs and Substances Act* (Canada). Aurora Cannabis received its license from Health Canada on February 19, 2015. It is the first company to obtain such a license in Alberta.

The Company's operations have been focused at securing its license, completing construction of its brand new purposeful-built, state-of-the-art, expandable 55,200 square foot production facility ("Facility"), hiring and assembling a team of professionals and completing the reverse takeover transaction.

The Company's Facility, which costs approximately $8.6 million, is situated on 160 acres of land in Mountain View county, Alberta and is capable of growing up to 8,000 kilograms of medical marijuana per year. It is nestled in the foothills of the Rocky Mountains which allows for a never-ending supply of clean, pure, mountain-fed water and close proximity to Olds College. Olds College is the largest agricultural college in Alberta, and its graduates are approximately 25 per cent of agricultural diploma recipients in Canada. Specializing in agriculture, horticulture, and land and environmental management, Olds College has spearheaded projects in more than 30 countries. Aurora intends to work closely with Olds College on student development and help foster diploma-to-employment programs.

The Company is now positioned to accelerate its business growth and expansion plans. Its focus will now be in producing safe, pure, high-quality medical cannabis, creating brand recognition for its products and generating awareness of its product to the medical community and patient groups.

Acquisition of Aurora Marijuana Inc.

On December 9, 2014, the Company completed the acquisition of Aurora Marijuana Inc. ("AMI") pursuant to a Share Exchange Agreement dated September 9, 2014, as amended by agreements on September 10, 2014 and October 30, 2014 (the "Agreement"). Prescient acquired all of the issued and outstanding securities of AMI in consideration for securities of the Company (the "Transaction"). The Transaction constituted a reverse acquisition of Prescient by AMI and as part of the Transaction, Prescient changed its name to Aurora Cannabis Inc.

Pursuant to the Agreement, Prescient acquired all of the issued and outstanding securities of AMI in exchange for 60,000,000 common shares of the Company. The Agreement also included the following terms and conditions:

(a) Issuance of the following securities of Prescient to AMI warrant and option holders:

i. An aggregate of 21,450,000 warrants ("RTO replacement warrants") as follows:
- 11,250,000 warrants at $0.02 per share expiring December 9, 2019; and
- 10,200,000 warrants at $0.50 per share expiring December 9, 2017.

ii. 4,000,000 options ("RTO replacement options) at a price of $0.001 per share expiring December 1, 2019.

(b) Issuance of 3,750,000 performance warrants at $0.02 per share for a term of 5 years exercisable on completion of funding milestones;

(c) Issuance of 20,000,000 performance shares on completion of performance milestones;

(d) Assumption of AMI's non-interest bearing, unsecured shareholder loan of $1,500,000 convertible into common shares of the Company at a price of $0.125 per share at any time during the 5 year term; and

(e) Issuance of 3,000,000 as finders' fees in connection with the Acquisition.

On closing of the RTO, the shareholders of AMI held approximately 60,000,000 or 57.14% of the issued and outstanding shares of the Company at a fair value of $51,000,000 (which value was based on the fair value of the common shares issued by the Company pursuant to a private placement which closed prior to the closing of the RTO) and an aggregate of 21,450,000 warrants at a fair value of $16,752,581. As a result, AMI shareholders controlled the Company and Prescient's name was changed to Aurora Cannabis Inc. AMI's assets, liabilities and operations since incorporation were included in these consolidated interim financial statements at their historical carrying values. The results of operations of Prescient from the date of acquisition of December 9, 2014 were included in these consolidated interim financial statements.

Since Prescient did not meet the definition of a business under IFRS 3, *Business* Combinations, the acquisition was accounted for as the purchase of Prescient's assets by AMI. The consideration paid was determined as equity settle share-based payment under IFRS 2, *Share-based Payments*, at the fair value of

the equity instruments of the Company retained by the shareholders of Prescient based on the market value of the Company's common shares on the date of closing of the RTO.

For RTO accounting purposes, the percentage ownership of the shareholders of Prescient in the combined entity on completion of the RTO was 40% (being 42,000,471 of the total 105,000,471 issued and outstanding shares of the Company on closing of the RTO). As a result, the fair value consideration received by Prescient shareholders amounted to $35,700,400.

The Company recorded a listing expense of $33,898,336 in the consolidated statement of loss and comprehensive loss, which reflects the aggregate estimated fair value of the consideration paid less the net assets acquired and plus the transaction costs related to the RTO as follows:

Fair value of consideration:	$
42,000,471 common shares @ $0.85 per share	35,700,400
Estimated fair value of net assets of Prescient acquired by AMI	(4,427,720)
	31,272,680
Other transaction costs:	
3,000,000 common shares for finder's fees	2,550,000
Transaction costs (legal and filing fees)	75,656
RTO listing expense	33,898,336

RISK FACTORS

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Reliance on License

The ability of the Company to successfully grow, store and sell medical marijuana in Canada is dependent on Aurora's production license from Health Canada (the "License"). The license is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements of the MMPR for future extensions or renewals of the License, there can be no assurance that Health Canada will extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License or should they renew the license on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

Regulatory Risks

The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada. Achievement of the Company's business objectives are contingent, in part, upon compliance

with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operations and financial condition.

Change in Laws, Regulations and Guidelines

The Company's business will be subject to particular laws, regulations, and guidelines. The production and distribution of medical marijuana is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Resulting Issuer's control. On March 21, 2014, the Federal Court of Canada issued an order allowing certain individuals to continue under their MMAR licenses, thereby affecting the repeal of the MMAR. As of the date of this MD&A the Government of Canada has decided to appeal the order; however, it is unclear what a final ruling on this issue may be, and how it may affect the Resulting Issuer's business. It is possible that a ruling in favour of the original order could allow persons who had a license under the MMAR to opt out of the new MMPR regime, thereby decreasing the size of the market for the Resulting Issuer's business, and potentially materially and adversely affecting the Company's business, its results of operations and financial condition.

Limited Operating History and No Assurance of Profitability

Aurora was incorporated in 2013 and as of this date, has not entered the production, sales and distribution stage. The Company will be subject to all of the business risks and uncertainties associated with any earl-staged enterprise, including under capitalization and the risks that it will be unable to successfully produce commercial marijuana, or establish a market for its products and services, achieve our growth objectives, and/or ultimately become profitable. There can be no assurance that consumer demand for the products will be as anticipated, or that the Company will become profitable.

Unfavourable Publicity or Consumer Perception

The success of the medical marijuana industry may be significantly influenced by the public's perception of marijuana's medicinal applications. Medical marijuana is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

Competition

Although the market for the Company's product does appear to be sizeable and Health Canada has only issued a limited number of licenses under the MMPR to produce and sell medical marijuana, the

Company expects significant competition from other companies due to the recent nature of the MMPR regime. A large number of companies, possibly more than 800, appear to be applying for production licenses, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

Should the size of the medical marijuana market increase as projected, the demand for product will increase as well, and if the Company hopes to be competitive it will need to invest significantly in research and development, marketing, production expansion, new client identification, and client support. If the Company is not successful in achieving sufficient resources to invest in these areas, the Company's ability to compete in the market may be adversely affected, which could materially and adversely affect the Company's business, its financial condition and operations.

Uninsured or Uninsurable Risk

The Company may become subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's usual business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Key Personnel

The Company's success will depend on its directors' and officers' ability to develop the Company business and manage its operations, and on the Company ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

Conflicts of Interest

Certain of the Company directors and officers are also directors and operators in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

In addition, the directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Agricultural Operations

Since the Resulting Issuer's business will revolve mainly around the growth of medical marijuana, an agricultural product, the risks inherent with agricultural businesses will apply. Such risks may include disease and insect pests, among others. Although the Company expects to grow the its product in a climate controlled, monitored, indoor location, there is not guarantee that changes in outside weather and climate will not adversely affect production. Further, any rise in energy costs may have a material adverse effect on the Company's ability to produce medical marijuana.

Transportation Disruptions

As a business revolving mainly around the growth of an agricultural product, the ability to obtain speedy, cost-effective and efficient transport services will be essential to the prolonged operations of the Company's business. Should such transportation become unavailable for prolonged periods of time, there may be a material adverse effect on the Company's business, financial situation, and operations.

Fluctuating Prices of Raw Materials

The Company revenues, if any, are expected to be in large part derived from the production, sale and distribution of marijuana. The price of production, sale and distribution of marijuana will fluctuate widely due to the how young the marijuana industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore the economic viability of any of the Company's business, cannot accurately be predicted.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to obtain an Environmental Compliance Approval or otherwise comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. Aurora has no patented technology or trademarked business methods at this time nor has it applied to register any patents, trademarks or copyrights or applied to register the trademark "Aurora".

Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, Aurora is not assured that competitors will not develop similar technology, business methods or that Aurora will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions have a meaningfully impact our ability to successfully grow our business.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Liquidity and Future Financing

The Company is in the development stage, having not started operating and has not generated any revenues. The Company will likely operate at a loss until its business becomes established and therefore may require additional financing in order to fund future operations and expansion plans. The Company's ability to secure any required financing to sustain its operations will depend in part upon prevailing capital market conditions, as well as the Company's business success. There can be no assurance that the Company will be successful in its efforts to secure any additional financing or additional financing on terms satisfactory to the Company's management. If additional financing is raised by issuing Company shares, control may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating.

Speculative Nature of Investment

An investment in the Company common shares carries a high degree of risk and should be considered as a speculative investment by purchasers. The Company has no history of earnings, limited cash reserves, a limited operating history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The Company is in the development and planning phases of its business and has not started commercialization of its products and services. The Company's operations are not yet sufficiently established such that the Company can mitigate the risks associated with the Company planned activities.

Market Risk for Securities

The market price for the common shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the CSE.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility

The Company's shares are listed for trading on the CSE. As such, external factors outside of the Company's control such as actual or anticipated fluctuations of quarterly operating results, changes in the economic performance or market valuations of companies in the industry in which the Company operates and sentiments toward the medical marijuana sector stocks may have a significant impact on the market price of the Company's shares.

Global stock markets, including the CSE, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. Accordingly, the market price of the common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the common shares may be materially adversely affected.

Significant Ownership Interest of Management and Directors

The Company's management, directors, co-founders and employees own a substantial number of the outstanding common shares (on a fully diluted basis). As a group, these individuals could exercise substantial control or influence over matters requiring shareholder approval, such as election of directors, approval of transactions, determination of significant corporate actions and changes to share structure. In addition, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders. Until further rounds of financing are completed, other shareholders may be limited in their ability to exercise control over important corporate decisions.

Increased Costs of Being a Publicly-Traded Company

As the Company has publicly-traded securities, the Company will incur significant legal, accounting and filing fees not presently incurred by Aurora. Securities legislation and the rules and policies of the CSE require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material compliance costs.

RESULTS OF OPERATIONS

Six months ended December 31, 2014 as compared to the period from September 11, 2013 (date of incorporation) to June 30, 2014

During the six months ended December 31, 2014, the Company reported a net loss of $37,042,177 as compared to a net loss of $1,823,535 during the year ended June 30, 2014. The increase in net loss of $35,218,642 for the six months ended December 31, 2014 mainly resulted from the Company's RTO listing expense of $33,898,336. In addition, there were increases in amortization of $541,439, general and administration of $427,420 and sales and marketing expense of $174,920 offset by decrease in share-base payments of $40,931.

Revenues for the period of $18,500 relate to the sale of hay which was cultivated on the unused portion of the leased land.

During the six months ended December 31, 2014, the Company completed the acquisition of AMI and recorded RTO listing expenses of $33,898,336. See "*Acquisition of Aurora Marijuana Inc*." above.

During the six months ended December 31, 2014, the Company recorded aggregate share-based payments of $1,022,775 for warrants issued for services and stock options granted and vested during the period, including RTO replacement options. The share-based payments of $1,063,706 recorded during the prior period relate to AMI's acquisition of Aurora Cannabis.

Amortization of property, plant and equipment for the six months ended December 31, 2014 amounted to $541,439 compared to $nil for the comparative period. The property, plant and equipment only became available for use during the second quarter as it anticipates the commencement of its principal business operations.

The increase in general and administration ("G&A") of $427,420 during the period resulted from the Company's hiring of additional management and staff for operations and G&A. The Company also incurred other G&A costs with respect to the RTO transaction, regulatory compliance, reporting requirements and other public company expenditures. In addition, the Company started paying management fees to its CEO and President during the period. One month of fees or salaries were paid to the CEO and President in the prior period. Other G&A costs include audit fees related to the RTO, rent and travel, promotion and entertainment expenses.

Sales and marketing expenses for the six months ended December 31, 2014 increased by $174,920 as a result of hiring of sales and marketing personnel, marketing costs related to the building of the Company's brand and other marketing programs and initiatives.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no revenue generating operations from which it can internally generate funds. The Company has financed its operations and met its capital requirements primarily through the issuance of capital stock by way of private placements, convertible loans and third party and related party loans.

The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. The Company reported working capital of $5,002,620 at December 31, 2014 as compared to working capital of $1,352,655 at June 30, 2014, representing an increase in working capital by $3,149,527.

Net cash and cash equivalents on hand decreased by $265,524 from $879,419 as at June 30, 2014 to $651,243 as at December 31, 2014. The decrease in cash was mainly attributable to the cash used from operating activities of $797,729, purchase of property, plant and equipment of $4,889,895 offset by cash received from financing activities of $5,423,786.

Operating Activities

For the six months ended December 31, 2014, cash flow used from operating activities was $797,729 compared to $965,106 for the year ended June 30, 2014. The increase in cash flow used from operating activities was primarily due to a $427,420 increase in general and administration expenditures.

Investing Activities

For the six months ended December 31, 2014, the Company had net cash outflows relating to investing activities of $4,891,581 as compared to $2,421,522 for the year ended June 30, 2014. The increase in investing activities was primarily related to construction costs of the facility and the purchase of furniture and equipment of $4,889,895 incurred during the period.

Financing Activities

Cash flows provided by financing activities for the six months ended December 31, 2014 were $5,423,786 as compared to $4,303,395 for the year ended June 30, 2014. The increase of $1,120,391 was from the

proceeds received from equity financings, convertible loans and third party and related party loans as follows:

(a) Non-brokered private placement of 6,500,000 common shares at a price of $0.10 per share for gross proceeds of $650,000. The Company paid finder's fees of $52,000 and 520,000 share purchase warrants at a fair value of $340,871. Each finder's warrant entitles the finder to purchase a common share of the Company at a price of $0.10 per share expiring July 15, 2016.

(b) Non-brokered private placement of 8,000,000 common shares at a price of $0.25 per share for gross proceeds of $2,000,000. The Company paid finder's fees of $98,920 on a portion of the private placement.

(c) Non-brokered private placement of 1,176,471 common shares at a price of $0.85 per share for gross proceeds of $1,000,000.

(d) A secured, interest bearing $1,250,000 convertible loan note (the "Note"). The Note has a term of one year and bears interest at 8% per annum. The lenders may, at its option, convert at any time during the term of the Note, all or any part of the amount outstanding into common shares of the Company at a price of $1.01 per common share.

(e) An unsecured, non-interest bearing, 5 year convertible loan note of $1,500,000. The lender may, at its option, convert at any time during the term of the Note, all or any part of the amount outstanding into common shares of the Company at a price of $0.125 per common share.

(f) A loan from an arm's length party (the "Lender") in the principal amount of $500,000. The loan is unsecured, bears interest at 8% per annum and matures on December 27, 2014. In consideration for the loan, the Company issued 714,000 common shares to the Lender at a fair value of $99,960. During the six months ended December 31, 2014, the Company made a partial payment of $100,000 and paid or accrued $15,898 in interest on this loan. Subsequent to December 31, 2014, the Lender agreed to extend the loan to Mach 31, 2015.

(g) Related party advances of $1,432,210. The advances are unsecured, non-interest bearing and have no fixed terms of repayment.

Commitments

The Company has an office lease agreement for approximately $4,600 per month expiring on January 31, 2020:

Contractual Obligation	Total	1-3 years	After 3 years
Lease commitment	$289,868	$135,964	$153,904

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of share purchase warrants and vested stock options (See "*Summary of Outstanding*

Share Data"). However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by an material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company needs to raise additional capital to fund its operating, development and expansion plans throughout 2015. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTION WITH RELATED PARTIES

The Company has entered into certain transactions with related parties during the three and six months ended December 31, 2014. A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Six months ended December 31, 2014	Year ended June 30, 2014
		$	$
W.L. Macdonald Law Corporation, a company controlled by an officer of the Company	RTO listing expense; legal fees	75,656	-
Superior Safety Code, a company owned by directors and officers of the Company	Office, rent and administration	122,005	-
Terry Booth, CEO and a director of the Company	Management fees	50,000	-
ICC Enterprises, A company controlled by a director of the Company	Management fees	50,000	-
Marc Levy, former CEO and a director of the Company	Management fees	5,000	-

During the six months ended, the Company capitalized $187,734 (2014 - $330,742) of building costs, $5,183 (2014 - $5,616) of computer software and $2,224 (2014 - $4,941) of computer equipment for

property, plant and equipment purchased from companies owned by directors and officers of the Company.

Included in prepaid expenses is a rent deposit and prepaid rent of $1,500 (June 30, 2014 - $nil) paid to companies having a director in common.

Included in accounts payable and accrued liabilities was $116,667 (June 30, 2014 - $16,667) payable to companies controlled by directors and an officer of the Company.

Included in accounts payable and accrued liabilities was $17,967 (June 30, 2014 - $2,530) payable to a director of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements include accruals and provisions, valuation of property, plant and equipment, share purchase warrants and share-based payments.

NEW ACCOUNTING PRONOUNCEMENTS

The following IFRS standard has been recently issued by the IASB or the IFRIC. The Company is assessing the impact of this new standard, but does not expect it to have a significant effect on the financial statements. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein.

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, "*Financial Instruments*" ("**IFRS 9**"), which will replace IAS 39, "*Financial Instruments: Recognition and Measurement*" ("**IAS 39**"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018; however, early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the consolidated financial statements as the classification and measurement of the Company's consolidated financial instruments is not expected to change given the nature of the Company's operations and the types of financial instruments that it currently holds.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB has replaced IAS 18, *Revenue* in its entirety with IFRS 15 - *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, subscription receivable, accounts payable and accrued liabilities, loans payable, convertible loan and advances from a related party. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:
Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at fair value at December 31, 2014 and 2013 at fair value.

	Fair value as at December 31, 2014	Basis of measurement	Financial instruments
Financial Assets			
Cash and cash equivalents	$651,243	Carrying value	Loans and receivables
Financial Liabilities			
Accounts payable	$949,324	Carrying value	Other financial liabilities

Loans payable	$402,718	Carrying value	Other financial liabilities
Convertible loan [(1)]	$1,983,925	Fair value / Carrying value	Other financial liabilities
Advances from a related party	$1,432,210	Carrying value	Other financial liabilities

[(1)] The fair value of the convertible loan includes both the debt and equity components.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) 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 Company is subject to credit risk on the cash balances at the bank, its short-term bank Guaranteed Investment Certificates ("GICs"), and interest receivable. Cash and cash equivalents consisting of GICs have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Management considers that risks related to credit are minimal.

(ii) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2014, the Company had cash and cash equivalents of $651,243 to settle accounts payable of $949,324 which are considered short term and settled within 30 days. Other current liabilities amount to $3,054,393 which consisted of loans payable of $402,718, convertible debenture of $1,219,465 and advances from related party of $1,432,210.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financings to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company. See note 1 to the Company's interim consolidated financial statements for the six months ended December 31, 2014.

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The

interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

SUMMARY OF OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had the following common shares and options outstanding:

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and fully paid

As at February 27, 2015, there were 105,294,471 common shares issued and outstanding.

(c) Warrants outstanding as at February 27, 2015:

Warrants	Exercise Price	Expiry Date
#	$	
760,000	$0.10	June 27, 2016
520,000	$0.10	July 15, 2016
250,000	$1.01	September 18, 2015
11,250,000	$0.02	December 9, 2019
10,200,000	$0.50	December 9, 2017

(d) Stock options and charitable options outstanding as at February 27, 2015:

Options	Exercise Price	Expiry Date	Exercisable
#	$		#
473,333	0.05	March 22, 2015	473,333
503,334	0.05	October 29, 2017	503,334
144,000[(1)]	0.15	October 29, 2017	144,000
250,000	0.07	September 2, 2019	62,500
1,000,000	1.01	September 18, 2019	375,000
4,000,000	0.001	December 1, 2019	1,600,000
65,000	0.05	April 1, 2020	65,000
120,000	0.05	May 31, 2021	120,000
183,333	0.05	March 19, 2024	183,333

(1) These options were granted to two charitable organizations.