AURORA CANNABIS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended December 31, 2015 and 2014
(In Canadian Dollars)

AURORA CANNABIS INC.

(the "Company")

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and six months ended December 31, 2015 and 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The management of Aurora Cannabis Inc. is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed consolidated interim financial statements and are in accordance with IAS 34 - Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

February 29, 2016

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
(In Canadian Dollars)

	Notes	December 31, 2015	June 30, 2015
		$	$
Assets			
Current			
Cash and cash equivalents		543,638	315,853
GST recoverable		116,476	628,247
Inventory	4	998,753	-
Biological assets	5	2,219,696	25,409
Prepaid expenses and deposits	14(c)	104,205	91,086
		3,982,768	1,060,595
Property, plant and equipment	6	11,063,228	10,785,521
Note receivable	7	1,714,839	1,680,506
Investment in a joint venture	7	-	-
		16,760,835	13,526,622
Liabilities			
Current			
Accounts payable and accrued liabilities	14(c)	1,590,586	1,323,224
Short term loans	8, 14(c)	6,118,888	4,787,388
Convertible notes	9(b)	271,698	1,291,192
		7,981,172	7,401,804
Convertible notes	9(a), 14(c)	-	274,008
Long term loans	8, 14(c)	3,000,000	2,018,000
		10,981,172	9,693,812
Shareholders' equity			
Share capital	10	14,053,787	11,432,977
Reserves		3,830,065	3,741,737
Deficit		(12,104,189)	(11,341,904)
		5,779,663	3,832,810
		16,760,835	13,526,622

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Notes 8(c) - 8(e), 9(b), 17)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
Three and six months ended December 31, 2015 and 2014
(In Canadian Dollars)

	Notes	Three months ended December 31, 2015	Three months ended December 31, 2014	Six months ended December 31, 2015	Six months ended December 31, 2014
		$	$	$	$
Unrealized gain on changes in fair value of biological assets		2,219,696	-	2,219,696	-
Expenses					
General and administration	11 & 14(a)	727,787	333,722	1,243,317	873,700
Marketing and promotion	12	263,890	134,260	388,617	374,064
Research and development		109,067	84,770	205,627	111,405
Depreciation	6	129,595	541,439	292,903	541,439
Share-based payments	10(d)(e)	315,763	91,515	598,042	209,985
		1,546,102	1,185,706	2,728,506	2,110,593
Income (loss) from operations		673,594	(1,185,706)	(508,810)	(2,110,593)
Other income (expenses)					
Interest and other income		32,172	18,500	46,389	18,500
Finance and other costs	13	(112,839)	(36,119)	(313,820)	(36,389)
RTO listing and compensation expense		-	(5,060,932)	-	(5,060,932)
		(80,667)	(5,078,551)	(267,431)	(5,078,821)
Income (loss) before income tax		592,927	(6,264,257)	(776,241)	(7,189,414)
Deferred tax recovery		-	11,607	-	207,708
Net income (loss) and comprehensive income (loss)		592,927	(6,252,650)	(776,241)	(6,981,706)
Net income (loss) per share					
Basic and diluted		-	(0.11)	(0.01)	(0.15)
Weighted average number of shares outstanding					
Basic		125,130,133	57,577,378	123,230,174	46,540,124
Diluted		136,642,050	57,577,378	123,230,174	46,540,124

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
Six months ended December 31, 2015 and 2014
(In Canadian Dollars)

		Share Capital		Reserves						
	Notes	Common Shares	Amount	Obligation to issue shares	Share-based Payments	Warrants	Convertible Notes	Total	Deficit	Total
		#	$	$	$	$	$	$	$	$
Balance, June 30, 2014		80,000,000	3,368,640	-	-	224,110	-	224,110	(1,823,535)	1,769,215
Comprehensive loss for the period		-	-	-	-	-	-	-	(6,981,706)	(6,981,706)
Equity component of convertible loans	9	-	-	-	-	-	798,878	798,878	-	798,878
Deferred tax on convertible notes		-	-	-	-	-	(207,708)	(207,708)	-	(207,708)
Shares of Prescient on RTO	3	42,000,471	-	-	-	-	-	-	-	-
Eliminate shares of AMI	3	(80,000,000)	-	-	-	-	-	-	-	-
Shares issued to shareholders of AMI	3	60,000,000	6,192,077	2,322,000	-	-	-	2,322,000	-	8,514,077
RTO finders' fees	3	3,000,000	348,300	-	-	-	-	-	-	348,300
Revaluation of warrants on RTO	3, 10(e)	-	-	-	-	509,759	-	509,759	-	509,759
Share-based payments		-	-	-	209,985	-	-	209,985	-	209,985
Balance, December 31, 2014		105,000,471	9,909,017	2,322,000	209,985	733,869	591,170	3,857,024	(8,805,241)	4,960,800
Comprehensive loss for the year		-	-	-	-	-	-	-	(2,536,663)	(2,536,663)
Conversion of notes	9(a)	8,072,000	934,426	-	-	-	(375,438)	(375,438)	-	558,988
Shares issued for services	10(b)(v)	30,000	12,600	-	-	-	-	-	-	12,600
Exercise of stock options	10(b)(iii)	2,725,667	243,499	-	(185,616)	-	-	(185,616)	-	57,883
Exercise of warrants	10(b)(iv)	2,966,000	333,435	-	-	(216,835)	-	(216,835)	-	116,600
Share-based payments		-	-	-	356,984	305,618	-	662,602	-	662,602
Balance, June 30, 2015		118,794,138	11,432,977	2,322,000	381,353	822,652	215,732	3,741,737	(11,341,904)	3,832,810
Comprehensive loss for the period		-	-	-	-	-	-	-	(776,241)	(776,241)
Conversion of notes	9(a)	3,928,000	464,576	-	-	-	(182,696)	(182,696)	-	281,880
Private placement	10(b)(i)	3,250,755	1,722,900	-	-	-	-	-	-	1,722,900
Share issue costs		-	(79,703)	-	-	27,551	-	27,551	-	(52,152)
Exercise of stock options	10(b)(iii)	2,842,913	456,637	-	(340,613)	-	-	(340,613)	-	116,024
Exercise of warrants	10(b)(iv)	564,000	56,400	-	-	-	-	-	-	56,400
Forfeited options		-	-	-	(13,956)	-	-	(13,956)	13,956	-
Share-based payments		-	-	-	371,793	226,249	-	598,042	-	598,042
Balance, December 31, 2015		129,379,806	14,053,787	2,322,000	398,577	1,076,452	33,036	3,830,065	(12,104,189)	5,779,663

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Six months ended December 31, 2015 and 2014
(In Canadian Dollars)

	2015	2014
	$	$
Cash was provided by (used in)		
Operating activities		
Net loss for the period	(776,241)	(6,981,706)
Adjustments for non-cash items		
Unrealized gain on changes in fair value of biological assets	(2,219,696)	-
Depreciation	292,903	541,439
Deferred tax recovery	-	(207,708)
Accrued interest	95,090	9,753
Accretion expense	26,023	23,050
Financing fees	55,098	-
Share-based payments	598,042	209,985
RTO listing and compensation expense	-	5,060,932
Changes in non-cash working capital accounts		
GST recoverable	511,771	(280,548)
Inventory	(998,753)	-
Biological assets	-	-
Prepaid expenses and deposits	(13,119)	(1,500)
Accounts payable and accrued liabilities	498,997	(604,293)
	(1,929,885)	(2,230,596)
Investing activities		
Bank indebtedness assumed on RTO of Prescient	-	(1,686)
Purchase of property, plant and equipment	(911,841)	(5,906,022)
	(911,841)	(5,907,708)
Financing activities		
Shares issued for cash	1,895,324	1,950
Share issue costs	(52,152)	-
Share subscriptions	-	87,750
Pre-RTO loans from Prescient	-	5,010,000
Proceeds (repayment) of convertible notes	(1,087,101)	2,750,000
Proceeds from short term loans	2,722,123	20,550
Repayment of short term loans	(1,390,683)	-
Receivable from shareholders	-	2,530
Proceeds from long term loans	982,000	-
	3,069,511	7,872,780
Increase (decrease) in cash and cash equivalents	227,785	(265,524)
Cash and cash equivalents, beginning of period	315,853	916,767
Cash and cash equivalents, end of period	543,638	651,243
Supplementary information:		
Property, plant and equipment in accounts payables and accrued liabilities	529,312	880,398

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

1. Nature of Operations and Going Concern

Aurora Cannabis Inc. (the "Company" or "Aurora"), formerly Prescient Mining Corp. ("Prescient") was incorporated under the *Business Corporations Act* (British Columbia) on December 21, 2006. The Company's shares are traded on the Canadian Securities Exchange (the "Exchange") under the symbol "ACB."

The head office and principal address of the Company are located at Suite 1500 - 1199 West Hastings Street, Vancouver, BC, Canada, V6E 3T5. The Company's registered and records office address is located at Suite 1500 - 1055 West Georgia Street, Vancouver, BC V6E 4N7.

Aurora Cannabis Enterprises Inc. ("ACE"), a wholly owned subsidiary of the Company, is licensed to produce and sell medicinal marijuana under the *Marihuana for Medical Purposes Regulations* ("MMPR") issued pursuant to the *Controlled Drugs and Substances Act* (Canada). ACE received its license to produce medical cannabis on February 19, 2015 and on November 27, 2015, Health Canada granted ACE its license to sell medical cannabis under the provisions of the MMPR.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company had financed its working capital requirements primarily through equity and debt financings. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate funds therefrom and raise additional financing in order to meet current and future obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms. These conditions combined with the accumulated losses to date indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of presentation

These condensed interim consolidated 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") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended June 30, 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on February 29, 2016.

(b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Aurora Marijuana Inc. ("AMI"), Aurora Cannabis Enterprises Inc. ("ACE"), 1769474 Alberta Ltd. ("1769474") and Australis Capital Inc. ("ACI"). All significant intercompany balances and transactions were eliminated on consolidation.

(c) Basis of measurement

The condensed interim consolidated financial statements have been on a historical cost basis except for certain financial instruments which were measured at fair value.

These interim consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

3. Reverse Take-Over ("RTO")

On December 9, 2014, the Company completed the reverse take-over of Prescient by way of a Share Exchange Agreement dated September 9, 2014, as amended by agreements on September 10, 2014 and October 30, 2014 (the "Agreement"), in exchange for the following securities of the Company:

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

(i) 60,000,000 common shares[(1) (2)] of the Company (Note 10(c));

3. Reverse Take-Over ("RTO") (Continued)

(ii) An aggregate of 21,450,000 warrants ("RTO replacement warrants") as follows: (Note 10(e))

- 11,250,000 warrants[(1) (2)] at $0.02 per share expiring December 9, 2019; and
- 10,200,000 warrants[(2)] at $0.50 per share expiring December 9, 2017.

(iii) 4,000,000 options[(1)] ("RTO replacement options) at a price of $0.001 per share expiring December 1, 2019. These options vest as to 1,600,000 on December 21, 2014, 1,600,000 on June 21, 2015 and 800,000 on December 21, 2015. (Note 10(d))

(b) Issuance of the following performance shares and warrants:

(i) 20,000,000 common shares[(1) (2)] shall be issued on completion of performance milestones (Note 10(f)); and

(ii) 3,750,000 warrants[(1) (2)] at $0.02 per share for a term of 5 years shall be issued on completion of funding milestones. On April 21, 2015, these warrants were cancelled as the funding milestones were not met (Note 10(f)).

[(1)] Subject to escrow. (Note 10(c))

[(2)] Subject to Right of First Refusal (ROFR) for a period of three years expiring December 9, 2017, whereby if the holder of the securities receives an offer from a third party to purchase all or any of the securities, the Company or its nominees or assignees shall have the right to acquire such securities of the Company.

The Company issued 3,000,000 common shares as finders' fees with respect to the acquisition. (Note 10(b)(vi))

On closing of the RTO, the shareholders of AMI held approximately 57% of the issued and outstanding shares of the Company. As a result, the shareholders of AMI controlled the Company and the acquisition constituted a reverse take-over of Prescient by AMI. AMI's assets, liabilities and operations since incorporation were included in these Condensed Interim Consolidated 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 Condensed Interim Consolidated Financial Statements.

Since Prescient did not meet the definition of a business under IFRS 3, *Business Combinations* ("IFRS 3"), the acquisition was accounted for as the purchase of Prescient's assets by AMI. The consideration paid was determined as equity settled share-based payment under IFRS 2, *Share-based Payments* ("IFRS 2"), at the fair value of the equity of AMI retained by the shareholders of Prescient based on the fair value of the AMI's common shares on the date of closing of the RTO.

3. Reverse Take-Over ("RTO") (Continued)

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 notional number of shares AMI would have to issue to transfer 40% of the Company to Prescient shareholders would be 53,334,000. Based on the share price of the private placement closed by AMI prior to the RTO of $0.116 per share, the consideration received by the shareholders of Prescient amounted to $6,192,077.

The 20,000,000 performance shares issuable to the shareholders of AMI have been recognized as part of RTO listing expense and obligation to issue shares reserves at the fair value of AMI shares.

The 11,250,000 RTO replacement warrants exercisable at $0.02 were issued to consultants and therefore were revalued at the time of the RTO. The estimated fair value in excess of the fair value estimated at the grant date was then allocated between the RTO listing expense and post RTO share-based payments expense based on the relative proportions of the vesting period.

RTO replacement options were similarly revalued at the time of the RTO, however the estimated fair value varied insignificantly from the grant date estimated fair value and therefore had no impact on the RTO listing expense.

The terms of the 10,200,000 RTO replacement warrants, exercisable at $0.50 were subscribed for by shareholders in conjunction with a private placement in the prior period, were not modified as a result of the RTO, therefore no revaluation was required.

The Company recorded a listing expense of $5,060,932 in the consolidated statement of comprehensive loss, the details of which are as follows:

	$
Fair value of consideration:	
53,334,000 notional common shares of AMI @ $0.116 per share	6,192,077
Estimated fair value of net assets of Prescient acquired by AMI	(4,425,090)
	1,766,987
Other transaction costs:	
20,000,000 performance shares @ $0.116 per share	2,322,000
Revaluation of warrants exchanged	509,759
3,000,000 common shares for finder's fees	348,300
Transaction costs (legal, audit and filing fees)	113,886
RTO listing expense	5,060,932

4. Inventory

	December 31, 2015	June 30, 2015
	$	$
Harvested cannabis	828,939	-
Supplies and consumables	169,814	-
	998,753	-

5. Biological Assets

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	$
Balance, June 30, 2015	25,409
Transferred to inventory upon harvest	(25,409)
Changes in fair value less cost to sell due to biological transformation	2,219,696
Balance, December 31, 2015	2,219,696

The significant assumptions used in determining the fair value of biological assets include:
(a) Expected yield by plant;
(b) Wastage of plants;
(c) Percentage of costs incurred as of this date compared to the total costs expected to be incurred;
(d) Percentage of costs incurred for each stage of plant growth; and
(e) Selling price of product.

As at June 30, 2015, the Company has not received its license to sell under the MMPR. As a result, the Company's biological assets of $25,409 as at June 30, 2015 were recorded at cost and no change in the fair value of biological assets was recognized.

6. Property, Plant and Equipment

	Building & Improvements	Production & Other Equipment	Computer Software & Equipment	Furniture and Fixtures	Total
	$	$	$	$	$
Cost:					
Balance, June 30, 2014	4,201,324	-	36,723	-	4,238,047
Additions	6,067,741	439,407	306,303	38,819	6,852,270
Balance, June 30, 2015	10,269,065	439,407	343,026	38,819	11,090,317
Additions	333,000	237,861	(16,340)	52,102	606,623
Balance, December 31, 2015	10,602,065	677,268	326,686	90,921	11,696,940
Accumulated depreciation:					
Balance, June 30, 2014	-	-	-	-	-
Depreciation	201,366	54,926	44,622	3,882	304,796
Balance, June 30, 2015	201,366	54,926	44,622	3,882	304,796
Depreciation	204,480	68,505	49,942	5,989	328,916
Balance, December 31, 2015	405,846	123,431	94,564	9,871	633,712
Net Book Value:					
June 30, 2015	10,067,699	384,481	298,404	34,937	10,785,521
December 31, 2015	10,196,219	553,837	232,122	81,050	11,063,228

7. Investment in a Joint Venture

On April 7, 2015, ACI entered into a Limited Liability Partnership Agreement with AJR Builders Group LLC and formed Australis Holdings LLP ("AHL"), a Washington Limited Liability Partnership. Each of ACI and AJR holds a 50% interest in AHL.

AHL purchased two parcels of land totaling approximately 24.5 acres (the "Property") in Whatcom county, Washington for USD$2,300,000 to construct a new marijuana production and processing facility.

Pursuant to a promissory note dated April 10, 2015, the Company through ACI loaned CAD$1,644,831 to AHL to fund the purchase of the Property. The note bears interest at a rate of 5% per annum and matures on October 31, 2017. In the event of a default, interest will be charged at 12% per annum. The note is secured by a first mortgage on one parcel of the Property and a second mortgage on the other title as well as a general security agreement granting ACI security over all present and after acquired property of AHL.

7. Investment in a Joint Venture (Continued)

The following table summarizes the financial information of AHL:

(a) Statement of Financial Position:

	December 31, 2015
	US$
Cash and cash equivalents	98
Other current assets	500
Total current assets	598
Property, plant and equipment	2,300,000
Total assets (100%)	2,300,598
Total current liabilities	39,386
Long term loans	2,350,348
Total equity	(89,136)
Total liabilities and equity (100%)	2,300,598

(b) Statement of Loss and Comprehensive Loss:

	Six months ended December 31, 2015
	US$
Net loss and comprehensive loss (100%)	57,997

8. Short and Long Term Loans

Type of Loan		Interest per Annum	Maturity	December 31, 2015	June 30, 2015
				$	$
Short term					
Unsecured term loan	(a)	8%	Aug. 27, 2015	349,567	421,715
Secured demand loan	(b)	19.8%	Jan. 4, 2016	-	974,827
Unsecured loans from related parties	(c)	See below	See below	2,599,726	2,549,316
Unsecured advances from related parties	(d)	-	-	1,522,974	841,530
Secured mortgage loan	(e)	12%	October 1, 2016	1,646,621	-
				6,118,888	4,787,388
Long term					
Unsecured loans from related parties	(f)	See below	See below	3,000,000	2,018,000

8. Short and Long Term Loans (Continued) parent of a former director and CEO

(a) Prior to the RTO, the Company entered into a loan agreement dated June 27, 2014, as amended, in the principal amount of $500,000 maturing December 27, 2014. In consideration for the loan, the Company issued 714,000 common shares (the "Shares") to the lender. On September 30, 2014, the Company made a partial principal payment of $100,000 (prior to the RTO) towards the loan. During the six months ended December 31, 2015, the Company accrued interest of $17,296 (2014 - $15,898) on this loan. The lender granted an extension to the term of the loan to August 27, 2015.

On November 25, 2015, a claim was commenced by the lender seeking repayment of the loan plus interests, legal costs and other relief. The Shares are in dispute as the Company believes that it constituted interest and that the fair market value of the Shares was approximately equivalent to the outstanding balance of the loan. On December 2, 2015, $89,444 has been remitted under a garnishment order issued by the court.

(b) Pursuant to a loan agreement dated April 4, 2015, the Company obtained a $1,000,000 secured demand loan, payable on the earlier of demand or nine months from the date of the loan agreement. Interest was compounded and payable monthly and the principal amount was due at the end of the term. The Company paid a facility fee of $40,000, being 4% of the principal amount of the loan, legal fees of $6,500 and due diligence fees of $7,500. In addition, the Company paid a monitoring fee of $2,500 per month.

The proceeds from this loan were advanced to AHL through ACI by way of a promissory note dated April 10, 2015. (Note 7)

During the six months ended December 31, 2015, the Company paid interest of $54,200 and monitoring fees of $7,500 on this loan. On September 30, 2015, the loan was repaid in full.

(c) The Company signed unsecured promissory notes with companies controlled by the CEO and the President of the Company dated April 1, 2015, as amended, in the principal amount of $2,500,000. Previously, the loans bore interest at 8% per annum, compounded annually, and principal and accrued interests were due on demand on or before April 1, 2016. During the six months ended December 31, 2015, the Company accrued $50,410 in interest on these loans.

On October 1, 2015, the terms of these loans were amended such that they mature on the later of: (i) the Company reporting two consecutive profitable quarters; and (ii) August 1, 2016. No interest shall be paid on the loans until the Company reports a positive cash flow quarter and at such time, the loans will bear interest at 4% per annum, compounded annually.

Subsequent to December 31, 2015, the Company repaid an aggregate of $500,000 towards these loans.

On February 1, 2016, the term of $1,000,000 of these loans was extended to expire on the later of: (i) the Company reporting two consecutive profitable quarters; and (ii) August 1, 2017. As a result, subsequent to December 31, 2015, $1,000,000 of these loans has been reclassified to long term.

8. Short and Long Term Loans (Continued)

(d) Of these amounts, $1,072,123 (June 30, 2015 - $Nil) was owing to the CEO of the Company and $450,851 (June 30, 2015 - $841,530) to a company controlled by the CEO and the President of the Company. The advances were unsecured, non-interest bearing and had no fixed terms of repayment. Subsequent to December 31, 2015, these advances were repaid in full.

(e) In September 2015, 1769474 entered into a mortgage financing (the "Mortgage") of $1,650,000 on its production facility on approximately 154 acres of land located in Cremona, Alberta ("Mortgaged Property").

The Mortgage has a term of six months maturing April 1, 2016, renewable every six months at a renewal fee of 1.5% of the principal amount of the loan. The Mortgage bears interest at a rate of 12% per annum, calculated and compounded monthly, and is secured by a first mortgage on the Mortgaged Property and corporate guarantees by the Company, CEO of the Company and a company owned by the CEO and the President of the Company. 1769474 shall pay $16,500 towards interest during the duration of the term. On closing, 1769474 paid a brokerage fee of $41,250 (being 2.5% of the principal amount of the loan) which is amortized over the term of the loan and legal and other expenses of $4,516.

During the six months ended December 31, 2015, the Company paid or accrued interests of $50,246 on this loan.

Subsequent to December 31, 2015, the Mortgage has been renewed to October 1, 2016, and the Company shall pay a renewal fee of $24,750 which will be amortized over the term of the loan.

(f) The Company issued unsecured promissory notes dated June 26, 2015 and October 1, 2015, in the amounts of $2,018,000 and $982,000, respectively, with companies controlled by the CEO and the President of the Company. The loans mature on the later of: (i) the Company reporting two consecutive profitable quarters; and (ii) August 1, 2016. No interest shall be paid on the loans until the Company reports a positive cash flow quarter and at such time, the loans will bear interest at 4% per annum, compounded annually.

On December 1, 2015, the term of these loans was extended to expire on the later of: (i) the Company reporting two consecutive profitable quarters; and (ii) August 1, 2017.

9. Convertible Notes

(a) On August 29, 2014, the Company issued unsecured, non-interest bearing convertible notes for aggregate proceeds of $1,500,000 (the "Notes1") to companies controlled by the CEO and the President of the Company. The Notes1 have a term of five years maturing August 29, 2019. The lenders may, at their option, convert all or any portion of the outstanding amount of the Notes1 into common shares of the Company at a price of $0.125 per share.

9. Convertible Notes (Continued)

During the year ended June 30, 2015, the lenders assigned an aggregate of $1,009,000 of the Notes1 (the "Assigned Notes") to arm's length parties and the Company issued an aggregate of 8,072,000 common shares on the conversion of the Assigned Notes. $375,438 was reclassified from reserves to share capital on the conversion of these notes.

During the six months ended December 31, 2015, the lenders assigned the remaining $491,000 of the Notes1 and 3,928,000 common shares were issued on conversion of the Assigned Notes. $182,696 was reclassified from reserves to share capital on the conversion of the notes.

(b) On November 24, 2014 and December 1, 2014, the Company issued secured convertible notes for $1,000,000 and $250,000, respectively (the "Notes2"). The Notes2 have a term of one year and bear interest at a rate of 8% per annum, payable on conversion or maturity. The lenders may, at their option, convert all or any part of the outstanding amount of the Notes2 into common shares of the Company at a price of $1.01 per share.

During the six months ended December 31, 2015, the $1,000,000 convertible note plus interests and expenses of $92,101 were repaid in full. Subsequent to December 31, 2015, the remaining $250,000 plus interests and expenses of $73,748 were repaid in full.

The liability component of the Notes1 and Notes2 was valued using Company specific interest rates assuming no conversion features existed. The debt component is accreted to its fair value over the term to maturity as a non-cash interest charge and the equity component is presented in convertible notes reserve as a separate component of shareholders' equity.

	Long Term (a)	Short Term (b)
	$	$
Balance, June 30, 2014	-	-
Issued	1,500,000	1,250,000
Equity portion	(754,235)	(44,643)
Conversion	(558,989)	-
Accretion	87,232	26,492
Accrued interest	-	59,343
Balance, June 30, 2015	274,008	1,291,192
Conversion	(281,880)	-
Repayment	-	(1,087,101)
Accretion	7,872	18,151
Accrued interest	-	49,456
Balance, December 31, 2015	-	271,698

10. Share Capital and Reserves

(a) Authorized

The Company is authorized to issue an unlimited number of common voting shares without par value.

(b) Issued and outstanding

At December 31, 2015, there were 129,379,806 issued and fully paid common shares (June 30, 2015 - 118,794,138).

(i) On December 31, 2015, the Company closed the first tranche of a non-brokered private placement consisting of 3,250,755 units at a price of $0.53 per unit for gross proceeds of $1,722,900. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the company at a price of $0.66 per common share for a period of two years. The expiry date of the warrants may be accelerated by the Company if its shares trade above $1.25 for 10 consecutive trading days.

The Company paid finders' fees of $52,152 and issued finders' warrants of 98,400 exercisable into common shares at a price of $0.53 per share until December 31, 2017, subject to the same acceleration provision above.

(ii) During the six months ended December 31, 2015, an aggregate of 3,928,000 (year ended June 30, 2015 - 8,072,000) common shares were issued on the conversion of $491,000 (year ended June 30, 2015 - $1,009,000) of the convertible notes. (Note 9(a))

(iii) During the six months ended December 31, 2015, 2,842,913 stock options (year ended June 30, 2015 - 2,725,667) were exercised for gross proceeds of $116,024 (year ended June 30, 015 - $57,883). Non-cash compensation charges of $340,613 (year ended June 30, 2015 - $185,616) were reclassified from reserves to share capital on the exercise of these options.

(iv) During the six months ended December 31, 2015, 564,000 warrants (year ended June 30, 2015 - 2,966,000) were exercised for gross proceeds of $56,400 (year ended June 30, 2015 - $116,600). Non-cash compensation charges of $nil (year ended June 30, 2015 - $216,835) were reclassified from reserves to share capital on the exercise of these warrants.

(v) On January 22, 2015, the Company issued 30,000 common shares at a fair value of $12,600 for consulting services.

(vi) On December 9, 2014, the Company acquired all of the issued and outstanding shares of AMI for 60,000,000 common shares of the Company. The Company issued 3,000,000 common shares at a value of $348,300 for finder’s fees with respect to this transaction. (Note 3)

10. Share Capital and Reserves (Continued)

(c) Escrow securities

Pursuant to an escrow agreement dated September 18, 2014, 60,000,000 common shares of the Company were deposited into escrow with respect to the RTO (Note 3). In addition, warrants at $0.02 per share expiring December 9, 2019 and stock options at $0.001 per share expiring December 1, 2019 were also subject to the escrow agreement.

Under the escrow agreement, 10% of the escrowed common shares were released from escrow on December 9, 2014, the date of closing of the RTO, and 15% are to be released every six months thereafter over a period of thirty-six months. The common shares to be issued and deposited in escrow on the exercise of warrants and options will be subject to the same schedule of release.

A summary of the status of the escrowed securities outstanding follows:

	Shares	Stock Options	Warrants
	#	#	#
Balance, June 30, 2014	-	-	-
Issued	60,000,000	4,000,000	15,000,000
Cancelled	-	-	(3,750,000)
Issued/Exercised	3,850,000	(1,600,000)	(2,250,000)
Released	(15,962,500)	-	-
Balance, June 30, 2015	47,887,500	2,400,000	9,000,000
Issued/Exercised	2,400,000	(2,400,000)	-
Released	(10,537,500)	-	-
Balance, December 31, 2015	39,750,000	-	9,000,000

(d) Stock options

The Company has an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company.

A summary of the status of the options outstanding follows:

10. Share Capital and Reserves (Continued)

(d) Stock options (continued)

	Stock Options	Weighted Average Exercise Price
	#	$
Balance, June 30, 2014	-	-
Prescient options outstanding at RTO	1,528,000	0.05
Granted	2,800,000	0.63
RTO replacement options (Note 3(a)(iii)	4,000,000	0.001
Exercised	(2,725,667)	0.02
Forfeited	(1,098,333)	0.92
Balance, June 30, 2015	4,504,000	0.17
Granted	3,210,000	0.35
Exercised	(2,842,913)	0.04
Forfeited	(525,001)	0.51
Balance, December 31, 2015	4,346,086	0.34

The following table summarizes the stock options outstanding as at December 31, 2015:

Exercise Price	Options Outstanding		Expiry Date	Options Exercisable
$	#			#
0.15	144,000	(i)	October 29, 2017	144,000
0.295	450,000		June 2, 2020	450,000
0.295	250,000		August 26, 2020	20,833
0.30	350,000		August 10, 2020	29,166
0.30	877,084		August 14, 2020	65,834
0.30	350,000		September 1, 2020	29,166
0.30	200,000		September 8, 2018	-
0.30	150,000		September 8, 2018	37,500
0.32	125,000		September 21, 2020	-
0.34	150,000		May 23, 2020	25,000
0.34	250,000		October 9, 2016	-
0.39	300,000		March 16, 2020	225,000
0.40	350,000		March 10, 2019	131,250
0.425	50,002		February 27, 2020	-
0.68	100,000		December 7, 2020	-
0.69	250,000		November 26, 2017	-
	4,346,086			1,157,749

(i) These stock options were granted to two charitable organizations.

10. Share Capital and Reserves (Continued)

(d) Stock options (continued)

During the six months ended December 31, 2015, the Company recorded aggregate share-based payments of $371,793 (2014 - $209,985) for all stock options granted and vested during the period, of which, $23,612 relates to the RTO replacement options.

The fair value of stock options granted during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2015	2014
Risk-Free Annual Interest Rate	0.53%	1.01%
Expected Annual Dividend Yield	0%	0%
Expected Stock Price Volatility	80.0%	80%
Expected Life of Options	3.4 years	1 year
Forfeiture rate	5%	-

The weighted average fair value of stock options granted during the six months ended December 31, 2015 was $0.22 (2014 - $0.115) per option.

As at December 31, 2015, stock options outstanding have a weighted average remaining contractual life of 3.84 years.

(e) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted average exercise price
	#	$
Balance, June 30, 2014	25,200,000	0.21
Prescient warrants outstanding at RTO	1,530,000	0.25
AMI warrants cancelled (Note 3) [(1) (2)]	(25,200,000)	0.21
RTO replacement warrants (Note 3(a)(ii)) [(1) (2)]	25,200,000	0.21
RTO replacement warrants cancelled (Note 3(b)(ii)) [(1)]	(3,750,000)	0.02
Exercised	(2,966,000)	0.04
Balance, June 30, 2015	20,014,000	0.28
Issued	3,349,155	0.66
Exercised	(564,000)	0.10
Expired	(250,000)	1.01
Balance, December 31, 2015	22,549,155	0.33

10. Share Capital and Reserves (Continued)

(e) Share purchase warrants (continued)

(1) The 15,000,000 warrants were initially issued by AMI for consulting services; exercisable for a period of five years from issuance to purchase one Class A share of AMI at a price of $0.02 per share. The Class A warrants vest at the time at which AMI achieves certain performance milestones, estimated to be one year from the date of issuance. The grant date fair value of these warrants was estimated as $0.0043 per warrant based on the following assumptions: Volatility rate - 70%; Risk-free interest rate - 1.67%; Dividend yield rate - 0.00%; Weighted average life - 5 years.

Of the aggregate fair value for the Class A warrants of $64,658, $10,865 was included in share-based payments during the six months ended December 31, 2014.

Effective December 9, 2014, these warrants were cancelled and the Company issued 15,000,000 RTO replacement warrants exercisable at $0.02 per share (Note 3(a)(ii)). During the year ended June 30, 2015, 3,750,000 of these warrants were cancelled (Note 3(b)(ii)). The balance of the warrants was revalued at $0.10 per warrant based on the following assumptions: Volatility rate - 80%; Risk-free interest rate - 1.01%; Dividend yield rate - 0.00%; Weighted average remaining life - 1 year. Of the aggregate incremental estimated fair value of $1,019,519, $509,759 was allocated to the RTO listing expense and $509,760 is to be recognized over the remaining vesting period. During the six months ended December 31, 2015, share-based payments of $129,285 were recognized related to these warrants.

See footnote (3) below.

(2) The 10,200,000 warrants were exercisable for a period of three years from issuance to purchase one Class C share of AMI at a price of $0.50 per share. Effective December 9, 2014, these warrants were cancelled and the Company issued RTO replacement warrants of 10,200,000 at $0.50 per share (Note 3(a)(ii)). As the terms of these warrants were not modified, they were not revalued at the time of the RTO.

The following table summarizes the warrants outstanding as at December 31, 2015:

Exercise Price	Warrants	Expiry Date
$	#	
0.02	9,000,000 (3)	December 9, 2019
0.50	10,200,000	December 9, 2017
0.53	98,400	December 31, 2017
0.66	3,250,755	December 31, 2017
	22,549,155	

(3) These warrants are subject to a dispute as the Company believes that the vesting conditions of the warrants were not met. See note 15(b).

10. Share Capital and Reserves (Continued)

(f) Performance shares and warrants

Pursuant to the RTO, the Company has an obligation to issue the following conditional performance shares and warrants: (Note 3(b))

(i) 20,000,000 common shares shall be issued to the former AMI shareholders upon achievement of performance milestones, being the Company's receipt of production and sales licenses and registration of at least 2,000 patients under the licenses. The fair value of these shares was included in RTO listing expense. (Note 3)

(ii) 3,750,000 five-year term warrants exercisable at $0.02 per share were issued subject to completion of funding milestones. On April 21, 2015, these performance warrants were cancelled as the funding milestones were not met.

11. General and Administration

	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
	$	$	$	$
Consulting fees	130,517	108,691	203,923	324,305
Insurance	17,163	39,839	23,729	39,839
Management fees	28,400	5,000	48,200	5,000
Office and administration	55,716	(8,034)	116,662	34,691
Project evaluation costs	46,312	-	46,312	-
Professional fees	73,088	57,473	138,038	155,218
Regulatory and transfer agent fees	19,321	3,966	36,409	3,966
Rent	47,664	50,359	124,118	126,493
Travel and accommodation	127,051	-	138,652	-
Wages and benefits	182,555	76,428	367,274	184,188
	727,787	333,722	1,243,317	873,700

12. Marketing and Promotion

	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
	$	$	$	$
Website and branding	109,129	84,765	184,954	198,865
Consulting fees	-	52,259	10,000	52,259
Travel and promotion	21,678	(32,764)	21,699	62,940
Investor relations	74,030	-	74,030	-
Wages and benefits	59,053	30,000	97,934	60,000
	263,890	134,260	388,617	374,064

13. Finance and Other Costs

	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
	$	$	$	$
Financing fees	20,625	-	55,098	-
Accretion expense	6,898	23,049	26,023	23,049
Interest expense	83,232	12,461	229,652	12,461
Bank charges	2,084	609	3,047	879
	112,839	36,119	313,820	36,389

14. Related Party Transactions

(a) Related party transactions

The Company incurred the following transactions with related parties during the six months ended December 31, 2015:

14. Related Party Transactions (Continued)

(a) Related party transactions (continued)

	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
	$	$	$	$
Consulting fees paid to directors of ACE	75,000	75,000	150,000	150,000
Office, rent and administration paid or accrued to companies owned by directors and officers and a former director and officer of the Company	54,958	44,513	117,958	122,005
Fees paid to directors and a company controlled by a director of the Company	68,100	-	77,100	-
Professional fees paid or accrued to a former officer of the Company	-	-	3,102	-
	198,058	119,513	348,160	272,005

(b) Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team and management directors.

	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
	$	$	$	$
Management fees and wages	48,300	5,000	71,600	5,000

14. Related Party Transactions (Continued)

(c) Related party balances

The following related party amounts were included in (i) accounts payable and accrued liabilities, (ii) prepaid expenses and deposits, (iii) convertible notes, (iv) short term loans and (v) long term loans:

		December 31, 2015	June 30, 2015
		$	$
(i)	Companies controlled by directors and officers of the Company [(i)]	108,042	59,946
(i)	Directors of the Company [(i)]	75,010	17,717
(ii)	A company having a former director in common	1,500	1,500
(iii)	A company controlled by a director and officer of the Company (Note 9(a))	-	274,008
(iv)	Companies controlled by directors and officers of the Company (Note 8(c)) [(ii)]	2,599,726	2,549,316
(iv)	Companies controlled by directors and officers of the Company (Note 8(d)) [(iii)]	1,522,974	841,530
(v)	Companies controlled by directors and officers of the Company (Note 8(f))	3,000,000	2,018,000

[(i)] The amounts are unsecured, non-interest bearing and have no specific repayments term.

15. Commitments and Contingencies

(a) The Company entered into the following office and operating leases:

(i) 1769474 has an operating lease on lands located in Cremona, Alberta (the "Lands") for monthly rent payments of $5,000. The lease expires on November 14, 2019, with an option to extend for an additional five-year term. The Company has the option to purchase the Lands during the additional term.

(ii) The Company is committed under lease agreements with respect to two office premises located in Vancouver, British Columbia, expiring January 31, 2020 and June 30, 2020, respectively, as follows:

	$
2016	70,106
2017	144,084
2018	145,464
2019	146,844
2020	122,342
	628,840

15. Commitments and Contingencies (Continued)

The Company has given notice to the co-tenant and landlord of the office premises to cancel effective June 1, 2015, its portion of the lease expiring January 31, 2020. The Company is awaiting final documentation on this.

(b) In December 2015, a claim was commenced against the Company regarding the 9,000,000 warrants at $0.02 per share issued to a consultant prior to the RTO (Note 10(e)[(1)(3)]). These warrants were issued conditional upon the warrantholder completing an equity financing for the Company. As of this date, the warrantholder has failed to meet this condition and, as a result, the Company is in the process of formally cancelling these unvested warrants. The warrantholder is attempting to enforce exercise rights which the Company believes do not exist. The Company intends to defend this claim vigorously.

(c) A certain claim in small claims court has been brought against the Company with respect to fees and expenses. Management has contested the validity of the claim and believes that it is without merit.

These consolidated financial statements do not reflect the adjustments, if any, which may result from these claims as the outcome of either claim is indeterminable at this time. The impact to any outcome will be recorded at the time of settlement or in the period they become known.

16. Segment Information

The Company operates in one segment, the production of medical cannabis.

All of the Company's assets are located in Canada.

17. Subsequent Events

The following events occurred subsequent to December 31, 2015:

(a) On January 19, 2016, the Company closed the second tranche of a non-brokered private placement consisting of 5,840,915 units for gross proceeds of $3,095,685. The Company paid finders' fees of $137,565 and issued finders' warrants to purchase 60,520 common shares of the Company. The private placement has the same terms as outlined in note 10(b)(i).

(b) On January 22, 2016, the Company entered into a secured demand loan agreement in the principal amount of up to $3,000,000. The loan bears interest at 19.5% per annum and matures on January 25, 2018 or on demand. The maturity date of the loan will be accelerated if the Company raises new debt, equity or other forms of financing of a minimum of $7,500,000 ("Accelerated Maturity"). The Accelerated Maturity or any prepayments will be subject to a minimum interest payment of six months.

17. Subsequent Events (Continued)

As consideration for the loan, the Company paid a structuring fee of 3% of the gross proceeds of the loan and issued 300,000 share purchase warrants to the lender. The warrants are exercisable into common shares of the Company at a price of $0.55 per share for a period of four years expiring January 25, 2020. The expiry date of the warrants may be accelerated by the Company if its shares reach an average closing price of at least $1.10 over a period of 30 days. If any of the warrants expire unexercised, the Company shall settle the warrants in cash. In addition, legal fees of $93,026 and due diligence fees of $36,431 were paid to the lender under this loan agreement.

(c) 125,000 common shares were issued on the exercise of 125,000 options for gross proceeds of $42,500.

(d) The Company granted 80,000 stock options to an employee of the Company at an exercise price of $0.55 per share expiring February 8, 2021.