AURORA CANNABIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine month periods ended March 31, 2016 and 2015

Dated as of May 26, 2016

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

Below are the addresses of the Company:

Head office and Sales:	Suite 1500 - 1199 West Hastings Street, Vancouver, British Columbia V6E 3T5
Registered office:	Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7
Facility:	4439 TWP Road 304, Cremona, Alberta T0M 0R0
Corporate:	14613 - 134 Avenue, Edmonton, Alberta T5L 4S9

This Management's Discussion and Analysis ("MD&A") reports on the unaudited operating results and financial condition of the Company for the three and nine month periods ended March 31, 2016 and is prepared as of May 26, 2016. The MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine month periods ended March 31, 2016 and 2015 ("Interim Financial Statements") and the audited consolidated financial statements for the years ended June 30, 2015 and 2014.

The MD&A and Interim Financial Statements were prepared in accordance with International Financial Reporting Standards (the "IFRS").

The accompanying Interim 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.

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

The Company's continuous disclosure documents 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. 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. 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.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- the Company's expansion plans as outlined under "Business Overview";
- its expectations regarding production capacity and production yields; and
- the expected demand for products and corresponding forecasted increase in revenues.

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the yield from marijuana growing operations, product demand, changes in prices of required commodities, competition, government regulations and other risks as set out under "Risk Factors" below.

BUSINESS OVERVIEW

On December 9, 2014, the Company completed the reverse takeover of Prescient pursuant to a Share Exchange Agreement dated September 9, 2014 ("RTO"). See note 3 to the Company's Interim Financial Statements.

ACE is licensed to produce and sell medical marijuana under the provisions of the *Marihuana for Medical Purposes Regulations* ("MMPR"). ACE received its license to produce and sell medical cannabis on February 19, 2015 and November 27, 2015, respectively. On February 16, 2016, the Company received its license to produce cannabis oil products.

The Company's operations are located in a state-of-the-art, 55,200 square feet of expandable licensed production space (the "Facility"). The Facility is of pharmaceutical production grade quality with hydroponic greenhouse high pressure sodium lighting and nutrient delivery equipment which is capable of producing over 8,000 kilograms of medical cannabis per year. It is located off Highway 22 and situated on approximately 154 acres of land in Mountain View County near Cremona, Alberta. It is nestled in the foothills of the Rocky Mountains which allows for a never-ending supply of clean, pure, mountain-fed water, an ideal location for security, tax benefits, shipping, farm credit eligibility and product growth.

The Facility cost approximately $10.8 million as of March 31, 2016. MNP LLP conducted a valuation of the Company's Facility in accordance with Canadian Uniform Standards of Professional Appraisal Practice propagated by the Appraisal Institute of Canada and determined that as of March 1, 2015, the fair

market value of the Facility, which includes the land that has yet to be acquired, building, site improvements, fixture and equipment, to be between $11.6 million and $12.6 million.

The Company's primary focus is to bring the Facility to full production. Other immediate goals are to accelerate its business growth and expansion plans including procuring or constructing an additional production facility in Canada, acquiring distressed facilities that failed to obtain licenses, creating alliances throughout the cannabis space with doctors, scientists, pharmacies, retail, etc., and securing an import and export license under the MMPR. In addition, ACI seeks to be an active participant in the U.S. cannabis market by way of acquiring dispensary process and production licenses in legal US jurisdictions and developing exclusive partnerships with North American cannabis companies.

Operations Update

The Company currently has over 2,000 registered patients over its first four months of product sales. Aurora launched its comprehensive website, www.AuroraMJ.com, and started patient registrations on January 5, 2016. As of March 31, 2016, Aurora had registered over 1,000 patients occurring less than three months after commencing product sales.

The Company is currently reviewing a number of options to increase its production capacity in order to sufficiently supply both the projected future demand in the medical cannabis market, as well as the eventual non-medical consumer market. The Canadian government's announcement of its intent to introduce legislation in spring 2017 to legalize the recreational use of marijuana creates an additional opportunity that licensed producers and early movers such as Aurora are well positioned to capitalize on.

The Company has recently launched same-day delivery of medical cannabis orders to registered customers in Calgary and surrounding communities, an area encompassing a population of 1.2 million people.

Effective immediately, medical cannabis patients who are registered with Aurora can now order products Monday to Friday by noon Mountain Time (MT), and have their order delivered by or before 8 p.m. MT the same day. This service is offered to patients in the city of Calgary, as well as Airdrie, High River, Okotoks, Strathmore and Cochrane, and comes at no cost to Aurora customers. In June, 2016, Aurora will extend same-day delivery to Edmonton and surrounding municipalities including Nisku, Sherwood Park, St. Albert, Spruce Grove and Fort Saskatchewan, as well as Red Deer.

Launching the same-day delivery service required Aurora's information technology team to develop and build customized software -- unique to Aurora -- that integrates with the company's existing enterprise resource planning (ERP) software, to ensure seamless order processing, inventory management and secure delivery protocols.

Director and Officer Appointments

Michael Singer

On May 24, 2016, the Company appointed Michael Singer to the Board of Directors. Mr. Singer, who will sit as an independent Director, has extensive financial management, capital markets and corporate governance experience in the pharmaceutical and medical cannabis industries. He is a Certified Professional Accountant (CPA) and Certified General Accountant (CGA).

Mr. Singer is currently the CFO of privately-held Clementia Pharmaceuticals Inc., a clinical stage biopharmaceutical company that recently completed a US$60 million mezzanine financing to fund the development of Clementia's lead compound. Until June 2015, he was CFO of Bedrocan Cannabis Corp., and with the completion of a $12 million private placement, positioned Bedrocan for its successful capital markets launch and TSX-V listing in August 2014. Mr. Singer previously served as CFO and Corporate Secretary for TSX-V listed Thallion Pharmaceuticals Inc., until the company's successful cash sale to BELLUS Health Inc. in July 2013.

In connection with Mr. Singer's appointment as a new director, the Company granted Mr. Singer stock options to acquire 1.25 million common shares in the capital of the Company, exercisable at $0.46 per share, expiring May 20, 2021. Of these options, 50,000 vest immediately, and 1.2 million shall vest equally every three months over a period of three years.

Cam Battley

On March 14, 2016, the Company appointed Cam Battley as Senior Vice-President of Communications and Medical Affairs. Mr. Battley is responsible for external communications, collaboration with the medical community, business development, government relations, and patient and other stakeholder initiatives.

Mr. Battley is currently the chair of the advocacy committee for the Canadian Medical Cannabis Industry Association (CMCIA), the trade association for licensed producers under Health Canada's MMPR, and was previously Vice-President of Communications and Corporate Development for another leading licensed producer under the MMPR.

As the founder of Health Strategy Group Inc., a health sector management consultancy firm, Mr. Battley is a seasoned health care industry strategist with global experience in developed and emerging markets. He has spent more than 15 years working with international health professional non-governmental organizations, innovative and generic pharmaceutical companies, and biotechnology and medical device companies, developing and executing key initiatives in general management, professional education, brand strategy, marketing, sales, business development, medical affairs, government affairs and communications in North America, Europe, Asia and Africa.

Mr. Battley also served previously as Vice-President, Creative, of Canada's largest health care communications firm and was Director of Communications for Canada with Eli Lilly and Company. He arrived in the health sector after working as legislative assistant to the Canadian Minister of Consumer and Corporate Affairs, where he was responsible for developing legislation and steering it through the House of Commons, as well as negotiating with opposition parties and stakeholder groups.

Pursuant to Mr. Battley's employment agreement, the Company issued 22,728 common shares to Mr. Battley at a deemed price of $0.55 per share. Another $12,500 in common shares will be issued to Mr. Battley at market price on or before June 14, 2016.

Financing

The Company closed a non-brokered private placement (the "Offering") of unsecured convertible debentures in the principal amount of $2,050,000 (the "Debentures").

The Debentures have a term of 18 months and bear interest at 10% per annum, payable semi-annually. The Debentures are convertible into common shares of the Company at a price of $0.53 per share (the "Conversion Price"), at any time during the term, at the holder's option. Forced conversion of the Debentures into common shares will occur if the volume weighted average price of the Company's common shares is equal to or above $1.25 per share for 10 consecutive trading days. ACE has granted the lender an unlimited guarantee of the Company's obligations under the Debentures.

In connection with the Offering, the Company paid to the subscriber (i) a bonus of $120,000 in convertible debentures having the same terms as the Debentures; and (ii) 200,000 common shares at a deemed price of $0.53 per share. In addition, the Company paid an advisory fee of $164,000 and 309,434 compensation options ("Compensation Options"). Each Compensation Option is exercisable into one common share and one-half of one share purchase warrant ("Warrant") of the Company at an exercise price of $0.53 per share expiring two years from the date of issuance of the Compensation Options. Each whole Warrant will entitle the holder to purchase an additional common share of the Company at a price of $0.69 per share expiring two years from the date of issuance of the Warrants.
Within six months of closing of the Offering, if the Company completes an equity financing at a price 15% below the Conversion Price or issues common shares in connection with any acquisition at a price below the Conversion Price, the Company shall pay in cash or additional Debentures an amount equal to the difference between the Conversion Price and the financing or acquisition price.

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 current production and sales licenses from Health Canada (the "Licenses"). The Licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the Licenses or any failure to maintain the Licenses or any failure to renew the Licenses 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 Licenses, there can be no assurance that Health Canada will extend or renew the Licenses 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 Licenses or should they renew the licenses 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 Company's control.

On February 24, 2016, the Federal Court released its decision in the case of Allard et al v. Canada. The impact of this decision could potentially decrease the size of the market for the Company's business, and potentially materially and adversely affect the Company's business, its results of operations and financial condition. However, it is not expected that the changes in MMPR regulations would have an effect on the Company's operations that are materially different than the effect on similar-sized companies in the industry.

Limited Operating History and No Assurance of Profitability

Aurora was incorporated in 2013, began operations in 2015 and started generating revenues from the sale of medical cannabis in January 2016. The Company is subject to all of the business risks and uncertainties associated with any early-staged enterprise, including under-capitalization, cash shortages, limitation with respect to personnel, financial and other resources, and lack of revenues.

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

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

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. As of this date, there are approximately 31 licensed producers in Canada. As a result, the Company expects significant competition from other companies due to the recent nature of the MMPR regime. A large number of companies 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 in order for the Company 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 and execute on the Company's business strategies and manage its ongoing operations, and on the Company's ability to attract and retain key quality assurance, scientific, sales, public relations and marketing staff or consultants now that production and selling operations have begun. The loss of any key personnel 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.

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

See a description of current claims in Note 17 to the Interim Financial Statements.

Agricultural Operations

Since the Company'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 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

The Company will depend on fast, cost-effective and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier service used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

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. AMI has applied to register the trademark "Aurora" and the application has proceeded to advertisement. AMI hopes to receive an approval notice from the Canadian Intellectual Property Office shortly.

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 and early operations stage. The Company will likely operate at a loss until its business becomes established and therefore may require additional financing in order to fund its

ongoing and future operations and its intended 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 experience 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 plans or cease some or all of its operations.

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 directors, founders, management and key 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.

RESULTS OF OPERATIONS

In January 2016, the Company started generating revenue from the sale of medical cannabis.

During the nine months ended March 31, 2016, the Company focused its efforts and spending on the following:

- Application with Health Canada for a license to sell dried medical cannabis and a license to produce cannabis derivatives (oil products);
- Application to have one more building licensed to produce and thereby having the Company's entire facility licensed under the MMPR;
- Setting up of its corporate offices and customer care centre in Vancouver and hiring of employees for finance, operations and the customer care centre;
- Revamping and launching of its comprehensive website;
- Registration of patients; and
- Equity and debt financings.

During the nine month period ended March 31, 2015, the Company completed the RTO and commenced its listing on the CSE. During this period, the Company's operations were focused on securing its

production license, completing construction of the Facility, hiring of key employees for its operations and completing the RTO.

Selected Quarterly Information

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Revenue	219,230	-	219,230	-
Gross margin, including the unrealized gain on changes in fair value of biological assets	4,191,186	-	6,410,882	-
Operating expenses	1,522,794	689,460	4,251,299	2,800,053
Income (loss) from operations	2,668,392	(689,460)	2,159,583	(2,800,053)
Net income (loss) and comprehensive income (loss)	2,526,842	(773,178)	1,750,602	(7,754,884)
Weighted average number of shares outstanding – basic	134,120,998	105,378,949	126,834,046	65,866,745
Net income (loss) per share – basic	0.02	-	0.01	(0.12)
Weighted average number of shares outstanding – diluted	145,498,212	105,378,949	138,211,260	65,866,745
Net income (loss) per share – diluted	0.02	-	0.01	(0.12)

Revenue

Revenue for the three months ended March 31, 2016 was $219,230 as compared to $nil in 2015. Revenue consisted of the sale of dried medical cannabis. Total product sold for the period was 56,770 grams ($nil in 2015) at an average selling price of $3.86 per gram. The Company received its license from Health Canada to sell medical cannabis under the MMPR on November 27, 2015 and made its first product sale on January 5, 2016. As part of the Company's product launching, it offered a number of initial benefits and other promotions such as a welcome package to each of its first 420 clients totalling $89,100 and a $50 credit for first time customers. Aurora's strains are currently priced at $8 per gram with compassionate pricing set at $5 per gram. There was no revenue prior to January 2016.

Cost of Sales

Included in cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. Cost to sell primarily include shipping costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offset against the unrealized gain on biological assets. Production costs are expensed through cost of sales.

The net recovery to cost of sales resulted primarily from the unrealized gain on changes in the fair value of biological assets during the three and nine month periods ended March 31, 2016 of $4,808,248 and $7,027,944, respectively.

Gross Margin

Gross margin was $4,191,186 and $6,410,882 for the three and nine month periods ended March 31, 2016, respectively. The gross margin in excess of sales was primarily due to the unrealized gain on changes in the fair value of biological assets. This resulted from the build up of plants in production as the Company focuses its efforts on increasing product inventories and strains available for its growing number of registered patients. As at March 31, 2016, Aurora had over 1,000 registered patients in less than three months after its first product sale.

During the prior period, the Company did not generate any revenue from operations as the Company had not commenced sales of medical cannabis.

Non-IFRS Measures

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Adjusted cost of sales	836,292	-	836,292	-
Adjusted gross margin (loss)	(617,062)	-	(617,062)	-
Total production, grams	411,250	-	531,110	-
Production costs per gram	2.03	-	1.57	-

The Company uses Adjusted Cost of Sales, Adjusted Gross Margin, and Production Costs per Gram as additional non-IFRS financial measures within MD&A. These are not defined terms under IFRS to assess performance. Management believes that these measures provide useful supplemental information to investors and are computed on a consistent basis for each reporting period.

Adjusted cost of sales and adjusted gross margin were calculated by removing the effects of the IFRS non-cash unrealized gain on changes in fair value of biological assets. Management believes that this measure provides useful information as it represents the gross margin based on the cost to produce inventory sold.

Production costs per gram are calculated based on cash production costs excluding fair value adjustments divided by the total net grams produced during the period.

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Consulting fees	(32,083)	2,700	171,840	327,005
Insurance	5,955	425	29,684	40,264
Management fees	121,300	-	169,500	5,000
Office and administration	48,434	76,293	150,246	110,984
Professional fees	286,977	(7,766)	425,015	147,452
Project evaluation costs	-	-	46,312	-
Regulatory and transfer agent fees	13,655	15,559	50,064	19,525
Rent	22,355	41,648	161,322	99,511
Travel and accommodation	80,670	-	219,322	-
Utilities	1,431	54,574	1,431	123,204
Wages and benefits	143,170	83,298	510,444	267,486
	691,864	266,731	1,935,180	1,140,431

G&A amounted to $691,864 and $1,935,180 for the three and nine month periods ended March 31, 2016, respectively, compared to $266,731 and $1,140,431 for the three and nine month periods ended March 31, 2015, respectively. The over-all increase in G&A was primarily attributable to the increase in corporate and general administrative activities of the Company as it went public and transitioned to a fully licensed producer.

Consulting fees decreased during the three and nine month periods ended March 31, 2016 as in the prior period, the Company hired project managers and incurred other consulting costs with respect to the construction of the Facility. No such expenses were incurred during the period as the construction of the Facility was completed in early 2015. In addition, the Company retained the services of consultants who assisted in its Health Canada production and sales license applications under the MMPR and all related processes such as compliance and other regulatory requirements. These costs decreased during the current period as the Company obtained its license to produce in the prior period and license to sell during the current period. The expense recovery during the three month period ended March 31, 2016 resulted from a termination of services of a consultant and reversal of expense accruals of approximately $47,000 pursuant to the termination agreement. The consultant assisted in identifying opportunities in the U.S. related to potential acquisitions, joint ventures, investments, licensing, financing and other business related transactions.

The increase in management fees resulted from:

- management fees paid to the CEO and the President of the Company effective January 1, 2016. No fees were paid to the CEO and the President prior to this date;
- CFO fees;
- directors' fees consisting of monthly fees paid to two independent directors as well as fees for their attendance to board and committee meetings; and
- fees paid to one of the directors for scientific related services.

In the prior period, the Company paid or accrued $5,000 to a former director and officer of the Company.

The increase in office and administration by $39,262 resulted from expenditures related to the new corporate offices in Vancouver. General office expenses increased in connection with the setting up and maintenance of the new office, consisting mainly of IT costs, telephone, courier and postage, printing and office supplies.

Professional fees increased by $294,743 and $277,563 during the three and nine month periods ended March 31, 2016, respectively. The increase was primarily attributable to legal fees as the Company carried out various equity and debt financings, entered into various sales contracts, employment agreements, business and other contracts and related due diligence requirements. In addition, the Company is party to an ongoing litigation, mediation and/or arbitration. See note 17 to the Company's Interim Financial Statements. During the prior period, legal fees incurred were mainly related to the Company's RTO.

The Company incurred projection evaluation costs of $46,312 related to an exclusivity or lock-up fees paid with respect to a potential asset acquisition.

Rent increased during the nine months ended March 31, 2016, as the Company entered into a new office lease for its corporate offices in Vancouver. The office premises are currently being shared with the client care centre.

Travel and accommodation increased by $219,322 due to travel, meals and accommodation costs incurred related to the directors', managers' and employees' travels between the Company's offices located in Vancouver and Edmonton and the Facility located in Cremona, Alberta. The Company also incurred travel expenditures related to the following corporate and business activities:

- Set up and maintenance of the Company's infrastructure and IT systems in Cremona, Edmonton and Vancouver.
- Annual general meeting of shareholders held in Edmonton.
- Meetings of the board, committees and management as certain directors and officers are based in Toronto, Vancouver and Edmonton.
- Trainings held related to the Company's inventory and sales application software and other job trainings.
- Project evaluation and due diligence.
- Various tradeshows and investment and business conferences.

In addition, the Company incurred travel costs as it evaluated potential joint ventures, asset acquisitions and other various projects. The Company also shouldered the cost of travel for certain consultants, representatives of investment and lending firms in connection with Company's financings and other transactions.

In the three and nine month periods ended March 31, 2015, included in G&A were utilities of $54,574 and $123,204, respectively. Production costs including utilities were charged to G&A in the prior period as at that time, the Company had not yet started commercial production and sales of medical cannabis.

Wages and benefits increased by $242,958 during the nine month period ended March 31, 2016, primarily due to the hiring of 3 key personnel for the operations, finance and corporate departments consisting of the Chief Brand Officer, Senior Vice-President of Communications and Medical Affairs and Controller and Corporate Secretary as well as 4 support staff, of which 1 key employee and 2 support staff were hired in

the three month period ended March 31, 2016. The finance and corporate department was formed to support the Company's increasing corporate activities including financial reporting, compliance, and other regulatory requirements. During the prior period, the Company completed the RTO and subcontracted the accounting and corporate related functions to a company controlled by a former director of the Company.

Sales and Marketing

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Consulting fees	24,674	23,784	34,674	76,043
Investor and media relations	65,340	-	214,600	-
Selling and client care expenses	97,494	-	110,856	-
Tradeshow and conferences	38,689	-	59,612	-
Travel and accommodation	26,621	79,942	48,320	142,882
Wages and benefits	148,393	30,000	246,327	90,000
Website and branding	59,380	18,606	134,819	217,471
	460,591	152,332	849,208	526,396

Sales and marketing were $460,591 and $849,208 for the three and nine month periods ended March 31, 2016, respectively, compared to $152,332 and $526,396 for the three and nine month periods ended March 31, 2015, respectively.

Consulting fees decreased during the three and nine month periods ended March 31, 2016, as in the prior period, the Company retained the services of consulting firms to assist in the development of its website and certain branding initiatives. The Company still continues to use the services of certain consultants for website and brand updates and improvements.

During the three and nine month periods ended March 31, 2016, the Company engaged the services of the following firms/agencies in connection with investor and media relations:

1. A news media consulting agency which provided a news media feature article on the Company.
2. An investment dealer which provided market making services in line with the policies of the Exchange and applicable Canadian securities laws.
3. A creative agency and media network firm dedicated to the legal marijuana industry in the U.S., to provide a US financial media campaign consisting of a video segment, article coverage and email distribution of news releases thereby generating exposure and presence for the Company within the public markets of the North American legal cannabis industry.

During the three month period ended March 31, 2016, the Company started incurring selling and client care expenses upon receipt of its license to sell medical cannabis in January 2016. These expenditures consisted of client care operational costs, sales fees and commissions, shipping costs, and payment processing fees. Prior to January 2016, the Company incurred initial set up costs for the client care centre.

Travel and accommodation decreased during the three and nine month periods ended March 31, 2016, as extensive travels were required in the prior period as the Company was developing its website and undertaking various branding and marketing strategies and other related initiatives.

Wages and benefits increased as the Company hired 3 and 9 client care staff during the three and nine month periods ended March 31, 2016, respectively. During the three month period ended March 31, 2016, the Company also hired 2 personnel under public affairs and compliance.

During the nine month period ended March 31, 2015, the Company engaged the services of certain marketing agencies and consulting firms with respect to the Company's website and branding initiatives as follows:

1. Brand creation and design including the design of Aurora's corporate identity, website, logos, banners and other promotional and corporate presentation materials.
2. Search engine optimization (SEO), social media, marketing, reputation management and web analytics. This helped improve the Company's visibility on search engine results pages and brand awareness.

During the nine month period ended March 31, 2016, website and branding decreased as the Company has completed the design and creation of the website and certain aspects of branding. Costs during the current period included support and maintenance related to branding (1 above). The Company also continued to retain the services of marketing agencies with respect to the SEO and certain services on other items indicated on 2 above.

Research and Development ("R&D")

R&D for the three and nine month periods ended March 31, 2016 were $109,176 and $314,803, respectively, compared to $112,458 and $223,863 for the three and nine month periods ended March 31, 2015, respectively. The increase in R&D was a result of researches, development and documentation of certain aspects relating to the cannabis grow process, genetics of various cannabis strains and client registration process. In the prior period, R&D expenditures related to the cannabis grow process.

Depreciation

Depreciation of property, plant and equipment ("PP&E") increased during the period mainly due to the purchase of computers and production equipment as well as additional leasehold improvements.

Share-based Payments

During the three and nine month periods ended March 31, 2016, the Company recorded share-based payments of $111,266 and $709,308, respectively, for stock options and warrants granted and vested during the period compared to $301,458 and $511,443, respectively, during the three and nine month periods ended March 31, 2015.

Finance and Other Costs

Finance and other costs for the three and nine month periods ended March 31, 2016 were $192,269 and $505,089, respectively, compared to $83,718 and $120,107 for the three and nine month periods ended March 31, 2015.

Finance and other costs in the prior period related to interest expense and interest accretion on the $500,000 unsecured loan and $1,250,000 secured convertible loans ("Secured Convertibles") from arm's length parties. These loans bore interest at 8% per annum. The related party convertible loans and advances during the prior period of $2,932,210 were non-interest bearing.

Finance and other costs increased during the period as a result of additional interest related to new loans totaling $5,650,000, of which, $1,000,000 having been repaid during the period. Starting October 1, 2015, no interest was calculated on $2,500,000 of the related party loans pursuant to an amendment to the promissory note. The rest of the finance costs relate to interest expense and interest accretion on outstanding loans as outlined in the preceding paragraph. The Secured Convertibles were fully repaid during the nine months ended March 31, 2016.

Listing Expense

During the nine month period ended March 31, 2015, the Company recorded a listing expense of $5,060,932 with respect to the RTO.

Income Tax Recovery

During the the nine months ended March 31, 2015, the Company recorded a deferred tax recovery of $207,708 related to the issuance of aggregate convertible notes of $2,750,000. In the current period, the Company recovered taxes related to its R&D claims.

EBITDA and Adjusted EBITDA

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
EBITDA	2,831,455	(832,979)	2,661,938	(7,444,565)
Adjusted EBITDA	(1,865,527)	(531,521)	(3,656,698)	(1,872,190)

The Company uses Earnings (Loss) Before Interest, Depreciation, Tax and Amortization ("EBIDTA") and adjusted EBITDA as additional GAAP financial measures within MD&A. These are not defined terms under IFRS to assess performance. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

EBITDA is an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, and is calculated as net consolidated earnings adjusted for current and deferred income taxes, debt service costs, depreciation and amortization. Adjusted EBITDA is calculated by eliminating share-based payments, RTO listing expense and the non-cash unrealized gain on changes in fair of biological assets.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information from continuing operations for the most recent eight quarters:

Quarter ended	Revenue	Income (Loss)	Earnings (Loss) per share
	$	$	$
March 31, 2016	219,230	2,526,842	0.02
December 31, 2015	-	592,927	-
September 30, 2015	-	(1,369,168)	(0.01)
June 30, 2015	-	(546,743)	(0.01)
March 31, 2015	-	(773,178)	(0.01)
December 31, 2014	-	(7,273,291)	(0.09)
September 30, 2014	-	(925,157)	(0.01)
June 30, 2014	-	(1,515,300)	(0.10)

The Company was incorporated in 2013, began operations in 2015 and started generating revenues from the sale of medical cannabis in January 2016. The net income for the quarters ended March 31, 2016 and December 31, 2015 was primarily attributable to the unrealized gain on the changes in fair value of biological assets. The increase in net loss each quarter was a result of increased expenditures incurred by the Company with respect to the construction of the Facility, development of its medical cannabis operations, branding and product development, and RTO transaction. During the quarter ended December 31, 2014, the Company recorded listing costs of $5,060,932 with respect to the RTO.

LIQUIDITY AND CAPITAL RESOURCES

As of this date, the Company has generated revenues of $219,230 from operations and has financed its operations and met its capital requirements primarily through debt and equity financings.

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 is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The Company needs to raise additional funds in order to meet current obligations and fund operations in the short term. To meet funding shortfalls, the Company completed a debt financing subsequent to the period. See Financing Activities below.

As at March 31, 2016, the Company had working capital of $2,365,255 compared to working capital deficiency of $6,341,209 at June 30, 2015. The increase in working capital by $8,706,464 was primarily attributable to increases in inventory of $3,750,749 and biological assets of $4,394,361 and decreases in

payables of $370,157 and short-term loans of $191,237. The increases in inventory and biological assets were mainly due to to their fair value measurements under IFRS as inventories were built up to meet increasing product demand. As at June 30, 2015, the Company had not yet obtained its license to sell medical cannabis and as a result, did not maintain any inventory for sale and recorded biological assets of $25,409 at cost.

Net cash and cash equivalents on hand increased by $26,865 from $315,853 as at June 30, 2015 to $342,718 as at March 31, 2016. The increase in cash was mainly attributable to cash inflows from financing activities of $6,727,187 offset by cash used for operating activities of $5,093,903 and cash outflows for investing activities of $1,606,419.

Operating Activities

For the nine month period ended March 31, 2016, cash flow used for operating activities was $5,093,903 compared to $3,750,937 for the nine month period ended March 31, 2015. The increase in cash flow used for operations of $1,371,560 was primarily due to production costs capitalized to inventory in the first quarter of $1,117,166, an advance of $450,000 related to a proposed project offset by a GST refund of $559,393 during the period.

Investing Activities

For the nine month period ended March 31, 2016, the Company had net cash outflows related to investing activities of $1,606,419 as compared to $6,618,149 for the nine month period ended March 31, 2015. Investing activities during the period relate to building improvements and the purchase of production equipment, computers and furniture. Investing activities during the prior period were mainly from the construction of the Facility of approximately $6,000,000, purchases of production equipment, computers and furniture, and website design and creation.

Financing Activities

Net cash flows provided by financing activities for the nine month period ended March 31, 2016 were $6,727,187 compared to $9,597,070 for the nine month period ended March 31, 2015. The funds raised during the prior period were primarily used to fund the construction of the Facility.

During the nine month period ended March 31, 2016, the Company closed the following financings:

1. A non-brokered private placement consisting of 9,091,670 units at a price of $0.53 per unit for gross proceeds of $4,818,585. 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 Company paid finders' fees of $189,717 and issued finders' warrants of 158,920 exercisable into common shares at a price of $0.53 per share for a period of two years.

2. A mortgage financing of $1,650,000 on its production facility on approximately 154 acres of land located in Cremona, Alberta. The Mortgage bears interest at a rate of 12% per annum, calculated and compounded monthly. On closing, 1769474 paid a brokerage fee of $41,250 (being 2.5% of the principal amount of the loan) and legal and other expenses of $4,516.

3. An unsecured loan of $982,000 from a company owned by a director and officer of the Company.

4. An aggregate of $216,674 was raised from the exercise of options and warrants.

5. A secured demand loan in the principal amount of $3,000,000. The loan bears interest at 19.5% per annum and matures on January 25, 2018 or on demand. The Company paid a structuring fee of $90,000, legal fees of $93,026 and due diligence fees of $36,341 under the loan agreement.

The combined net financings above raised $10,305,312, net of cash share issue costs and financing fees, and were used to repay the Company's convertible notes of $1,087,101, secured demand loan of $1,649,494 and related party advances of $841,530, to purchase production equipment, computers and furniture and for leasehold improvements totalling $1,606,419 and to fund operational requirements.

Subsequent to March 31, 2016, the Company closed a non-brokered private placement of $2,050,000 principal amount of unsecured convertible debentures. See "*Subsequent Events*". The net proceeds of the Offering will be used primarily for working capital purposes.

The Company's ability to continue as a going concern is dependent upon its ability to commence and generate funds from profitable operations, and raise additional financing in order to meet current and future obligations. The Company is aggressively seeking joint venture partners, mergers, acquisitions or alternative means of financing to meet its ongoing working capital requirements and to support its growth and expansion plans. In addition, as Aurora's medical cannabis strains become available and with its newly secured license to produce medical cannabis oils, the Company believes that it will be able to commence profitable operations and generate funds therefrom in the next nine months.

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.

Contractual Obligations

As of March 31, 2016, the Company had the following commitments:

Contractual Obligation	Total	Less than 1 year	2-3 years	After 3 years
	$	$	$	$
Short-term loans	5,887,343	5,887,343	-	-
Long-term loans	4,000,000	-	4,000,000	-
Operating lease	217,500	60,000	120,000	37,500
Office lease[(1)]	594,611	35,877	289,548	269,186

(1) The Company has given notice to the co-tenant and landlord of one 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.

Contingencies

The Company is subject to certain claims outlined in Note 17 to the Company's Interim Financial Statements.

Investment in Australis Holdings LLP

Each of ACI and its joint venture partner, AJR Builders Group LLC ("AJR"), holds a 50% interest in Australis Holdings LLP ("AHL"), a Washington Limited Liability Partnership.
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 ("Bellingham 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.

As of the date hereof, AHL has completed the initial design of the Bellingham Facility. Except for the purchase of the Property, AHL has not made any other significant expenditures on the project. The next phase of the project will include the completion of the design and engineering of the building. The Company has deferred the construction and development of the Bellingham Facility as it needs to raise additional financing for this project. Estimated cost to construct the Bellingham Facility is between $7 to $10 million.

SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2016:

1. The Company closed $2,050,000 Offering of Debentures. See *"Business Overview, Financing"*

2. 89,583 common shares were issued on the exercise of 89,583 options for gross proceeds of $26,874.

3. 22,728 common shares were issued to an officer of the Company at a deemed price of $0.55 per share. See *"Business Overview, Director and Officer Appointments"*.

4. 1,250,000 stock options were granted to a director of the Company at an exercise price of $0.46 per share expiring May 20, 2021. See *"Business Overview, Director and Officer Appointments"*.

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

Related Party Transactions

The Company entered into certain transactions with related parties during the three and nine month periods ended March 31, 2016 as follows:

Name and Relationship to Company	Transaction	Three months ended March 31,		Nine months ended March 31,	
		2016	2015	2016	2015
		$	$	$	$
W.L. Macdonald Law Corporation, a company controlled by William Macdonald, a former Secretary of the Company	RTO listing expense and legal fees	-	4,972	3,102	16,316
Legal fees related to the Company's RTO listing and other corporate matters.					
Delcon Industries Ltd, a company controlled by Dale Lesack, a director of ACE	Consulting fees	37,500	37,500	112,500	112,500
Dale Lesack is paid $12,500 per month for his services as the Company's Production Facilitator.					
Evolve Concrete, a company controlled by Chris Mayerson, a director of ACE	Consulting fees	37,500	37,500	112,500	112,500
Chris Mayerson is paid $12,500 per month for his services as Chief Cultivator of the Company.					
Inspire Consulting Services Ltd., a company controlled by John Bean, CFO of the Company	Management fees	10,800	-	32,400	-
Lola Ventures Inc., a company controlled by Terry Booth, CEO of the Company	Management fees	62,500	-	62,500	-
1771472 Alberta Ltd., a company controlled by Steve Dobler, President of the Company	Management fees	37,500	-	37,500	-
Jason Dyck, a director of the Company	Director's fees	1,000	-	5,000	-
	Consulting fees	-	-	51,100	-
Consulting fees paid for scientific research and development services.					

Name and Relationship to Company	Transaction	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
		$	$	$	$
Adam Szweras, a director of the Company	Director's fees	6,500	-	18,500	-
Chuck Rifici, a director of the Company	Director's fees	6,500	-	16,500	-
Superior Safety Codes ("Superior"), a company controlled by Terry Booth, CEO and Steve Dobler, President of the Company	Rent, accounting and administration	24,000	44,513	141,958	166,518
Rent for corporate offices in Edmonton and Calgary as well as accounting and administrative support at these offices. Effective January 1, 2016, the Company entered into an agreement with Superior pursuant to which the Company will pay Superior $12,000 per month for administrative services ($9,000) and shared office space (2 offices for $3,000).					
Avarone Metals Inc. ("Avarone"), a company controlled by Marc Levy, a former director and officer of the Company	Rent, accounting and administration	-	43,600	15,000	112,275
Shared office space in Vancouver and fees paid for services related to financial reporting and corporate administration. The Company terminated the services of Avarone effective August 1, 2015. The Company has given notice to Avarone and the landlord of the office premises to cancel the lease effective June 1, 2015.					

Related Party Balances

As at March 31, 2016, the following related party amounts were included in (a) accounts payable and accrued liabilities, (b) prepaid expenses and deposits, (c) convertible notes, (d) short term loans and (e) long term loans:

Related party balances	March 31, 2016	June 30, 2015
	$	$
(a) Accounts payable and accrued liabilities		
Companies controlled by directors and officers of the Company	144,189	59,946
Directors of the Company	43,638	17,717
(b) Prepaid expenses and deposits		
Avarone	1,500	1,500
(c) Convertible notes		
1771472 Alberta Ltd. ("1771472"), a company controlled by Steve Dobler, a director and officer of the Company	-	274,008

See Note 11(a) to the Company's Interim Financial Statements.		
(d) Short-term loans		
Lola Ventures Inc. ("Lola"), a company controlled by Terry Booth, CEO & director	489,863	1,274,658
1771472	549,863	1,274,658
	1,039,726	2,549,316
During the nine months ended March 31, 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. In consideration for the extension of the loans and in the absence of compensation arrangements with the CEO and the President from inception to December 31, 2015, the Company repaid an aggregate of $560,000 of these loans, being $250,000 to the President and $310,000 to the CEO.		
Superior	-	841,530
The advances were unsecured, non-interest bearing and had no fixed terms of repayment. The advances were fully repaid in February, 2016.		
(e) Long-term loans		
Lola	2,000,000	1,500,000
1771472	2,000,000	518,000
	4,000,000	2,018,000
See Notes 10(c) and 10(g) to the Company's Interim Financial Statements.		

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
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 the 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 judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the Interim Financial Statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of convertible instruments and share-based payments and fair value measurements for inventory and biological assets.

NEW ACCOUNTING PRONOUNCEMENTS

There were no new standards effective July 1, 2014 that had an impact on the Company's Interim Financial Statements. The following IFRS standards have been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7 Financial instruments: Disclosure

IFRS 7 *Financial instruments: Disclosure,* was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 10 Consolidated Financial Statements

The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if the assets are housed in a subsidiary. Upon adoption, the amendments may impact the Company in respect of future sale or contribution of assets with its joint venture. The amendments are effective for transactions occurring in annual periods beginning on or after January 1, 2016.

IFRS 15 Revenue from contracts with Customers

The IASB 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 January 1, 2017.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

IAS 16 and IAS 41 were amended to bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for as property, plant and equipment and allow entities to measure bearer plants at accumulated cost up until the point of production and subsequently apply either the cost model or revaluation model.

It introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce that is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The scope sections of both standards are amended to clarify that biological assets except for bearer plants are accounted for under IAS 41 while bearer plants are accounted for under IAS 16. The amendments also clarify that produce growing on bearer plants continues to be accounted for under IAS 41.

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, note receivable, accounts payable and accrued liabilities, short-term loans, convertible notes and long term loans. The carrying values of these financial instruments approximate their fair values as at March 31, 2016.

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.

	Fair value at Mar 31, 2016	Basis of measurement	Financial instruments
	$		
Financial Assets			
Cash and cash equivalents	342,718	Carrying value	Loans and receivables
Note receivable	1,738,870	Carrying value	Loans and receivables
Financial Liabilities			
Accounts payable	953,067	Carrying value	Other financial liabilities
Short term loans	5,887,343	Carrying value	Other financial liabilities
Long term loans	4,000,000	Carrying value	Other financial liabilities

There have been no transfers between fair value levels during the year.

(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 and interest receivable. Management considers the risks related to credit are nominal.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. As at March 31, 2016, the Company had cash and cash equivalents of $342,718 and working capital of $2,365,255. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

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 financings will be available on terms acceptable to the Company. See note 1 to the Company's Interim Financial Statements.

Please see the Company's commitments and contractual obligations under "Liquidity and Capital Resources".

(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. Cash and cash equivalents bear interest at market rates. The Company's short-term loans and convertible loans are either non-interest bearing or have fixed rates of interest and these do not expose the Company to interest rates risk.

SUMMARY OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had the following securities issued and outstanding:

Securities [(1)]	May 26, 2016
	#
Shares	135,663,865
Options	5,559,834
Warrants	28,750,590
Compensation options	309,434
Performance shares	20,000,000
	$
Convertible debentures	2,170,000

(1) See the Company's Interim Financial Statements for a detailed description of these securities.