AURORA CANNABIS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and nine months ended March 31, 2016 and 2015
(In Canadian Dollars)

AURORA CANNABIS INC.

(the "Company")

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three and nine months ended March 31, 2016 and 2015

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.

May 26, 2016

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(In Canadian Dollars)

	Notes	March 31, 2016	June 30, 2015
		$	$
Assets			
Current			
Cash and cash equivalents		342,718	315,853
Accounts receivable	4	85,529	628,247
Inventory	5	3,750,749	-
Biological assets	6	4,419,770	25,409
Other current assets	7, 16(c)	606,899	91,086
		9,205,665	1,060,595
Property, plant and equipment	8	11,375,411	10,785,521
Note receivable	9	1,738,870	1,680,506
Investment in a joint venture	9	-	-
		22,319,946	13,526,622
Liabilities			
Current			
Accounts payable and accrued liabilities	16(c)	953,067	1,323,224
Short term loans	10, 16(c)	5,887,343	4,787,388
Convertible notes	11(b)	-	1,291,192
		6,840,410	7,401,804
Convertible notes	11(a), 16(c)	-	274,008
Long term loans	10, 16(c)	4,000,000	2,018,000
		10,840,410	9,693,812
Shareholders' equity			
Share capital	12	17,031,276	11,432,977
Reserves		3,968,571	3,741,737
Deficit		(9,520,311)	(11,341,904)
		11,479,536	3,832,810
		22,319,946	13,526,622

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 19)

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 nine months ended March 31, 2016 and 2015
(In Canadian Dollars)

	Notes	Three months ended March 31, 2016	Three months ended March 31, 2015	Nine months ended March 31, 2016	Nine months ended March 31, 2015
		$	$	$	$
Revenue		219,230	-	219,230	-
Unrealized gain on changes in fair value of biological assets		(4,808,248)	-	(7,027,944)	-
Inventory expense to cost of sales		110,440	-	110,440	-
Production costs		725,852	-	725,852	-
Cost of sales (recovery)		(3,971,956)	-	(6,191,652)	-
Gross margin		4,191,186	-	6,410,882	-
Expenses					
General and administration	13 & 16(a)	691,864	266,731	1,935,180	1,140,431
Sales and marketing	14	460,591	152,332	849,208	526,396
Research and development		109,176	112,458	314,803	223,863
Depreciation	8	149,897	(143,519)	442,800	397,920
Share-based payments	12(d)(e)	111,266	301,458	709,308	511,443
		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)
Other income (expenses)					
Interest and other income		13,166	-	59,555	18,500
Finance and other costs	15	(191,269)	(83,718)	(505,089)	(120,107)
RTO listing and compensation expense	3	-	-	-	(5,060,932)
		(178,103)	(83,718)	(445,534)	(5,162,539)
Income (loss) before income taxes		2,490,289	(773,178)	1,714,049	(7,962,592)
Income tax recovery					
Current		36,553	-	36,553	-
Deferred		-	-	-	207,708
		36,553	-	36,553	207,708
Net income (loss) and comprehensive income (loss)		2,526,842	(773,178)	1,750,602	(7,754,884)
Net income (loss) per share					
Basic		0.02	-	0.01	(0.12)
Diluted		0.02	-	0.01	(0.12)
Weighted average number of shares outstanding					
Basic		134,120,998	105,378,949	126,834,046	65,866,745
Diluted		145,498,212	105,378,949	138,211,260	65,866,745

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)
Nine months ended March 31, 2016 and 2015
(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		-	-	-	-	-	-	-	(7,754,884)	(7,754,884)
Equity component of convertible loans	11	-	-	-	-	-	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, 12(e)	-	-	-	-	509,759	-	509,759	-	509,759
Shares issued for services	12(b)(v)	30,000	12,600	-	-	-	-	-	-	12,600
Exercise of stock options	12(b)(iii)	597,333	49,164	-	(19,297)	-	-	(19,297)	-	29,867
Exercise of warrants	12(b)(iv)	473,000	162,086	-	-	(114,786)	-	(114,786)	-	47,300
Share-based payments		-	-	-	310,111	201,332	-	511,443	-	511,443
Balance, March 31, 2015		106,100,804	10,132,867	2,322,000	290,814	820,415	591,170	4,024,399	(9,578,419)	4,578,847
Comprehensive loss for the year		-	-	-	-	-	-	-	(1,763,485)	(1,763,485)
Conversion of notes	11(a)	8,072,000	934,426	-	-	-	(375,438)	(375,438)	-	558,988
Exercise of stock options	12(b)(iii)	2,128,334	194,335	-	(166,319)	-	-	(166,319)	-	28,016
Exercise of warrants	12(b)(iv)	2,493,000	171,349	-	-	(102,049)	-	(102,049)	-	69,300
Share-based payments		-	-	-	256,858	104,286	-	361,144	-	361,144
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		-	-	-	-	-	-	-	1,750,602	1,750,602
Conversion of notes	11(a)	3,928,000	452,253	-	-	-	(171,089)	(171,089)	-	281,164
Private placement	12(b)(i)	9,091,670	4,818,585	-	-	-	-	-	-	4,818,585
Share issue costs		-	(243,342)	-	-	42,645	-	42,645	-	(200,697)
Warrants issued for loan		-	-	-	-	71,090	-	71,090	-	71,090
Exercise of stock options	12(b)(iii)	2,973,746	514,403	-	(354,129)	-	-	(354,129)	-	160,274
Exercise of warrants	12(b)(iv)	564,000	56,400	-	-	-	-	-	-	56,400
Forfeited options		-	-	-	(26,348)	-	-	(26,348)	26,348	-
Convertible notes settled in cash		-	-	-	-	-	(44,643)	(44,643)	44,643	-
Share-based payments		-	-	-	483,059	226,249	-	709,308	-	709,308
Balance, March 31, 2016		135,351,554	17,031,276	2,322,000	483,935	1,162,636	-	3,968,571	(9,520,311)	11,479,536

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)
Nine months ended March 31, 2016 and 2015
(In Canadian Dollars)

	2016	2015
	$	$
Cash provided by (used in)		
Operating activities		
Net profit (loss) for the period	1,750,602	(7,754,884)
Adjustments for non-cash items		
Unrealized gain on changes in fair value of biological assets	(7,027,944)	-
Depreciation	442,800	397,920
Deferred tax recovery	-	(207,708)
Accrued interest	32,609	34,411
Accretion expense	25,307	61,640
Financing fees	91,647	-
Share-based payments	709,308	511,443
RTO listing and compensation expense	-	5,060,932
Changes in non-cash working capital		
GST recoverable	585,157	(314,414)
Accounts recoverable	(42,439)	-
Inventory	(1,117,166)	-
Prepaid expenses and deposits	(515,813)	(1,500)
Accounts payable and accrued liabilities	(27,971)	(1,538,777)
	(5,093,903)	(3,750,937)
Investing activities		
Bank indebtedness assumed on RTO of Prescient	-	(1,686)
Purchase of property, plant and equipment	(1,606,419)	(6,618,149)
	(1,606,419)	(6,619,835)
Financing activities		
Shares issued for cash	5,035,259	77,167
Share issue costs	(200,697)	-
Share subscriptions	-	90,000
Pre-RTO loans from Prescient	-	5,010,000
Proceeds (repayment) of convertible notes	(1,087,101)	2,750,000
Proceeds from short term loans	4,650,000	1,667,373
Repayment of short term loans	(2,491,024)	-
Financing fee	(161,250)	-
Receivable from shareholders	-	2,530
Proceeds from long term loans	982,000	-
	6,727,187	9,597,070
Increase (decrease) in cash and cash equivalents	26,865	(773,702)
Cash and cash equivalents, beginning of period	315,853	916,767
Cash and cash equivalents, end of period	342,718	143,065
Supplementary information:		
Property, plant and equipment in accounts payables and accrued liabilities	336,404	828,729

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.

The Company is in the business of producing and distributing medical marijuana pursuant to the *Marihuana for Medical Purposes Regulations* ("MMPR"). Aurora Cannabis Enterprises Inc. ("ACE"), a wholly owned subsidiary of the Company, received its license to produce and sell medical cannabis on February 19, 2015 and November 27, 2015, respectively.

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.

2. Significant Accounting Policies (Continued)

(a) Basis of presentation (continued)

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company on May 26, 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 12(c));

(ii) An aggregate of 21,450,000 warrants ("RTO replacement warrants") as follows: (Note 12(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 12(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 12(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 12(f)).

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

(1) Subject to escrow. (Note 12(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 12(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.

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.

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

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. Accounts receivable

	March 31, 2016	June 30, 2015
	$	$
Trade receivables	42,439	-
GST recoverable	43,090	628,247
	85,529	628,247

5. Inventory

	March 31, 2016	June 30, 2015
	$	$
Harvested cannabis	3,701,671	-
Supplies and consumables	49,078	-
	3,750,749	-

During the three months ended March 31, 2016, inventory recognized as an expense in cost of sales amounted to $110,440 (2015 - $Nil). There were no inventory write-downs during the period.

6. Biological Assets

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

	$
Balance, June 30, 2015	25,409
Changes in fair value less cost to sell due to biological transformation	7,037,813
Transferred to inventory upon harvest	(2,643,452)
Balance, March 31, 2016	4,419,770

The significant assumptions used in determining the fair value of biological assets include:

(a) Expected yield by plant;
(b) Wastage of plants;
(c) Duration of the production cycle;
(d) Percentage of costs incurred as of this date compared to the total costs expected to be incurred;
(e) Percentage of costs incurred for each stage of plant growth; and
(f) Market values.

As at June 30, 2015, the Company had 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.

7. Other current assets

	March 31, 2016	June 30, 2015
	$	$
Prepaid expenses	89,237	89,586
Deposits and advances	517,662	1,500
	606,899	91,086

8. 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	511,065	461,966	66,829	68,433	1,108,293
Balance, March 31, 2016	10,780,130	901,373	409,855	107,252	12,198,610
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	309,529	118,051	80,525	10,298	518,403
Balance, March 31, 2016	510,895	172,977	125,147	14,180	823,199
Net Book Value:					
June 30, 2015	10,067,699	384,481	298,404	34,937	10,785,521
March 31, 2016	10,269,235	728,396	284,708	93,072	11,375,411

9. 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. Accrued interest of $30,981 for the nine months ended March 31, 2016 is included in note receivable.

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.

9. Investment in a Joint Venture (Continued)

The following table summarizes the financial information of AHL:

(a) Statement of Financial Position:

	March 31, 2016
	US$
Cash and cash equivalents	5,971
Other current assets	500
Total current assets	6,471
Property, plant and equipment	2,300,000
Total assets (100%)	2,306,471
Total current liabilities	57,766
Long term loans	2,366,331
Total equity	(117,626)
Total liabilities and equity (100%)	2,306,471

(b) Statement of Loss and Comprehensive Loss:

	Nine months ended March 31, 2016
	US$
Net loss and comprehensive loss (100%)	86,487

10. Short and Long Term Loans

Type of Loan		Interest per Annum	Maturity	March 31, 2016	June 30, 2015
				$	$
Short term					
Unsecured term loan	(a)	8%	Aug. 27, 2015	356,534	421,715
Secured demand loan	(b)	19.8%	Jan. 4, 2016	-	974,827
Unsecured loans from related parties	(c)	See below	See below	1,039,726	2,549,316
Unsecured advances from related parties	(d)	-	-	-	841,530
Secured mortgage loan	(e)	12%	October 1, 2016	1,667,622	-
Secured demand loan	(f)	19.5%	See below	2,823,461	-
				5,887,343	4,787,388
Long term					
Unsecured loans from related parties	(c) & (g)	See below	See below	4,000,000	2,018,000

10. Short and Long Term Loans (Continued)

(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. The lender granted an extension to the term of the loan to August 27, 2015. During the nine months ended March 31, 2016, the Company accrued interest of $24,314 (2015 - $26,244) on this loan.

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 9)

During the nine months ended March 31, 2016, 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 entered into 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 nine months ended March 31, 2016, 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.

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, during the nine months ended March 31, 2016, $1,000,000 of these loans has been reclassified to long term. Note 10(g)

Subsequent to March 31, 2016, the term of the short term loans was amended to expire on the later of the Company reporting two consecutive cash flow positive quarters and August 1, 2016.

During the nine months ended March 31, 2016, the Company repaid an aggregate of $560,000 towards these loans.

10. Short and Long Term Loans (Continued)

(d) Advances from a related party are owing to a company controlled by the CEO and the President of the Company. The advances are unsecured, non-interest bearing and have no fixed terms of repayment.

(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 nine 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, compounded and payable 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. 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.

The Mortgage was renewed to October 1, 2016, and the Company paid a renewal fee of $24,750 which is amortized over the term of the loan.

During the nine months ended March 31, 2016, the Company paid interests of $100,122 on this loan.

(f) The Company entered into a secured demand loan agreement dated January 22, 2016 in the amount of $3,000,000. The loan bears interest at 19.5% per annum, compounded and payable monthly, 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.

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 $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 pursuant to the loan agreement.

During the nine months ended March 31, 2016, the Company paid interests of $94,644 on this loan.

10. Short and Long Term Loans (Continued)

(g) On June 26, 2015 and October 1, 2015, the Company entered into unsecured promissory notes 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.

Subsequent to March 31, 2016, the term of the loans was amended to expire on the later of the Company reporting two consecutive cash flow positive quarters and August 1, 2017.

11. 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.

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 nine months ended March 31, 2016, 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 nine months ended March 31, 2016, the Notes2 plus interests and expenses of $165,849 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.

11. Convertible Notes (Continued)

	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	-	(1,359,349)
Accretion	7,872	18,151
Accrued interest	-	50,006
Balance, March 31, 2016	-	-

12. 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 March 31, 2016, there were 135,351,554 issued and fully paid common shares (June 30, 2015 - 118,794,138).

(i) During the nine months ended March 31, 2016, the Company closed 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 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 $189,717 and issued finders' warrants of 158,920 exercisable into common shares of the Company at a price of $0.53 per share for a period of two years, subject to the same acceleration provision above.

(ii) During the nine months ended March 31, 2016, 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) convertible notes. (Note 11(a))

(iii) During the nine months ended March 31, 2016, 2,973,746 stock options (year ended June 30, 2015 - 2,725,667) were exercised for gross proceeds of $160,274 (year ended June 30, 015 - $57,883). Non-cash compensation charges of $354,129 (year ended June 30, 2015 - $185,616) were reclassified from reserves to share capital on the exercise of these options.

12. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

(iv) During the nine months ended March 31, 2016, 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)

(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, March 31, 2016	39,750,000	-	9,000,000

12. Share Capital and Reserves (Continued)

(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:

	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	3,627,500	0.37
Exercised	(2,973,746)	0.05
Forfeited	(758,337)	0.46
Balance, March 31, 2016	4,399,417	0.38

The following table summarizes the stock options outstanding as at March 31, 2016:

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	41,666
0.30	350,000		August 10, 2020	58,332
0.30	812,917		August 14, 2020	133,750
0.30	350,000		September 1, 2020	58,332
0.30	200,000		September 8, 2018	22,220
0.30	150,000		September 8, 2018	75,000
0.34	150,000		May 23, 2020	37,500
0.34	125,000		October 9, 2016	-
0.39	300,000		March 16, 2020	300,000
0.40	350,000		March 10, 2019	175,000
0.55	80,000		February 8, 2021	-
0.58	300,000		March 14, 2021	50,000
0.59	37,500		June 6, 2016	37,500
0.68	100,000		December 7, 2020	16,666
0.69	250,000		November 26, 2017	83,332
	4,399,417			1,683,298

12. Share Capital and Reserves (Continued)

(d) Stock options (continued)

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

During the nine months ended March 31, 2016, the Company recorded aggregate share-based payments of $483,059 (2015 - $310,111) 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:

	2016	2015
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	3.37 years	1 year
Forfeiture rate	5%	-

The weighted average fair value of stock options granted during the nine months ended March 31, 2016 was $0.21 (2015 - $0.65) per option.

As at March 31, 2016, stock options outstanding have a weighted average remaining contractual life of 3.44 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	9,550,590	0.65
Exercised	(564,000)	0.10
Expired	(250,000)	1.01
Balance, March 31, 2016	28,750,590	0.40

12. 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.

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 nine months ended March 31, 2016, share-based payments of $226,249 (2015 - $201,332) 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 March 31, 2016:

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
0.53	60,020	January 19, 2018
0.55	300,000	January 25, 2020
0.66	3,250,755	December 31, 2017
0.66	5,841,415	January 19, 2018
	28,750,590	

(3) These warrants are subject to a dispute as the Company believes that the vesting conditions of the warrants were not met. See note 17(b).

12. 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 ("Performance 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)

The Company received its license to produce and sell medical marijuana under the MMPR on February 19, 2015 and November 22, 2015, respectively, and registered over 2,000 patients in May 2016. Accordingly, the Performance Shares are issuable pursuant to the terms of the RTO.

(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.

13. General and Administration

	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

14. 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

15. Finance and Other Costs

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Accretion expense	(716)	38,591	25,307	61,640
Bank charges	3,347	522	6,394	1,401
Financing fees	36,549	14,500	91,647	14,500
Interest expense	152,089	30,105	381,741	42,566
	191,269	83,718	505,089	120,107

16. Related Party Transactions

(a) Related party transactions

The Company incurred the following transactions with related parties during the nine months ended March 31, 2016:

16. Related Party Transactions (Continued)

(a) Related party transactions (continued)

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Consulting fees paid to directors of ACE	75,000	75,000	225,000	225,000
Office, rent and administration paid or accrued to companies owned by directors and officers and a former director and officer of the Company	24,000	88,113	141,958	210,118
Fees paid to directors and a company controlled by a director of the Company	14,000	-	91,100	-
Professional fees paid or accrued to a former officer of the Company	-	4,972	3,102	4,972
	113,000	168,085	461,160	440,090

(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 March 31,		Nine months ended March 31,	
	2016	2015	2016	2015
	$	$	$	$
Management fees and wages	148,300	-	219,900	5,000

16. 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:

		March 31, 2016	June 30, 2015
		$	$
(i)	Companies controlled by directors and officers of the Company [(i)]	144,189	59,946
(i)	Directors and a former director of the Company [(i)]	43,638	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 11(a))	-	274,008
(iv)	Companies controlled by directors and officers of the Company (Note 10(c))	1,039,726	2,549,316
(iv)	A Company controlled by directors and officers of the Company (Note 10(d))	-	841,530
(v)	Companies controlled by directors and officers of the Company (Notes 10(c) & 10(g))	4,000,000	2,018,000

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

17. 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	35,877
2017	144,084
2018	145,464
2019	146,844
2020	122,342
	594,611

17. 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 12(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.

18. Segment Information

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

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

19. Subsequent Events

The following events occurred subsequent to March 31, 2016:

(a) 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.

19. Subsequent Events (Continued)

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 closing of the Offering.

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.

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

(c) 22,728 common shares were issued to an officer of the Company at a deemed price of $0.55 per share.

(d) 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. 50,000 of the options vest immediately and 1,200,000 shall vest equally every three months over a period of three years.