

AURORA CANNABIS INC.

Condensed Interim Consolidated Financial Statements (Unaudited)

**For the three months ended September 30, 2016 and 2015
(In Canadian Dollars)**

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

September 30, 2016 and 2015

(In Canadian Dollars)

	Notes	September 30, 2016	June 30, 2016
		\$	\$
Assets			
Current			
Cash and cash equivalents		23,194,490	169,579
Restricted cash	8(a)	-	89,494
Accounts receivable		488,921	86,170
Inventory	3	2,077,374	2,317,216
Biological assets	4	1,025,716	1,845,108
Other current assets	11(c)	242,561	736,308
		27,029,062	5,243,875
Property, plant and equipment	5	11,788,771	11,370,484
Note receivable	6	1,846,019	1,782,186
Investment in a joint venture	6	-	-
Goodwill	7	16,104,931	-
		56,768,783	18,396,545
Liabilities			
Current			
Accounts payable and accrued liabilities	11(c)	1,639,449	1,686,794
Deferred revenue		507,930	27,629
Short term loans	8, 11(c)	1,669,009	6,047,408
Derivative liabilities	8(d), 9(b)	-	233,444
		3,816,388	7,995,275
Convertible notes	9	11,856,597	1,280,531
Long term loans	8	-	3,158,569
		15,672,985	12,434,375
Shareholders' equity			
Share capital	10	56,068,747	17,147,878
Reserves		7,534,759	5,730,300
Deficit		(22,507,708)	(16,916,008)
		41,095,798	5,962,170
		56,768,783	18,396,545

Nature of Operations (Note 1)

Subsequent Events (Notes 8(c), 9(a), 10(b)(xi) and 14)

Commitments and Contingencies (Note 12)

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

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

	Notes	2016	2015
		\$	\$
Revenue		3,071,422	-
Unrealized loss on changes in fair value of biological assets		1,262,281	-
Inventory expense to cost of sales		481,643	-
Production costs		1,241,233	-
Cost of sales		2,985,157	-
Gross margin		86,265	-
Expenses			
General and administration	11(a)	1,212,060	515,530
Sales and marketing		1,570,491	124,727
Research and development		39,912	96,560
Depreciation	5	158,662	163,308
Share-based payments	10(d)(e)	379,818	282,279
		3,360,943	1,182,404
Loss from operations		(3,274,678)	(1,182,404)
Other income (expenses)			
Interest and other income		27,743	14,217
Finance and other costs		(3,039,488)	(200,981)
		(3,011,745)	(186,764)
Loss before income taxes		(6,286,423)	(1,369,168)
Income tax recovery			
Current		7,640	-
Deferred		665,977	-
		673,617	-
Net loss and comprehensive loss		(5,612,806)	(1,369,168)
Net loss per share			
Basic and diluted		(0.03)	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		183,610,213	121,330,214

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)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

	Notes	Share Capital		Reserves						Deficit	Total
		Common Shares	Amount	Obligation to issue shares	Share-based Payments	Warrants	Related Party Loans	Convertible Notes	Total		
		#	\$	\$	\$	\$	\$	\$	\$	\$	\$
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		-	-	-	-	-	-	-	-	(1,369,168)	(1,369,168)
Conversion of notes	9(a)	3,928,000	452,253	-	-	-	-	(171,089)	(171,089)	-	281,164
Exercise of stock options		1,760,000	193,616	-	(184,016)	-	-	-	(184,016)	-	9,600
Exercise of warrants		321,000	32,100	-	-	-	-	-	-	-	32,100
Share-based payments		-	-	-	152,994	129,285	-	-	282,279	-	282,279
Balance, September 30, 2015		124,803,138	12,110,946	2,322,000	350,331	951,937	-	44,643	3,668,911	(12,711,072)	3,068,785
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(4,354,338)	(4,354,338)
Equity component of convertible notes		-	-	-	-	-	-	269,619	269,619	-	269,619
Deferred tax on convertible notes		-	-	-	-	-	-	(70,102)	(70,102)	-	(70,102)
Compensation options on convertible notes		-	-	-	90,144	-	-	-	90,144	-	90,144
Private placement	10(b)(xi)	9,091,670	4,818,585	-	-	-	-	-	-	-	4,818,585
Share issue costs		-	(246,252)	-	-	45,555	-	-	45,555	-	(200,697)
Exercise of stock options		1,215,829	321,799	-	(170,500)	-	-	-	(170,500)	-	151,299
Exercise of warrants		243,000	24,300	-	-	-	-	-	-	-	24,300
Forfeited options		-	-	-	(104,759)	-	-	-	(104,759)	104,759	-
Shares issued for compensation		22,728	12,500	12,500	-	-	-	-	12,500	-	25,000
Shares issued for convertible notes	9(b)	200,000	106,000	-	-	-	-	-	-	-	106,000
Convertible notes settled in cash		-	-	-	-	-	-	(44,643)	(44,643)	44,643	-
Fair value of below market and amended related party loans	8(b),8(e)	-	-	-	-	-	1,403,156	-	1,403,156	-	1,403,156
Share-based payments		-	-	-	533,455	96,964	-	-	630,419	-	630,419
Balance, June 30, 2016		135,576,365	17,147,878	2,334,500	698,671	1,094,456	1,403,156	199,517	5,730,300	(16,916,008)	5,962,170
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(5,612,806)	(5,612,806)
Shares issued for acquisition	10(b)(i)	17,875,000	11,440,000	-	-	-	-	-	-	-	11,440,000
Performance shares	10(b)(iii)	20,000,000	2,322,000	(2,322,000)	-	-	-	-	(2,322,000)	-	-
Transfer from derivative liabilities		-	-	-	-	98,444	-	-	98,444	-	98,444
Private placement	10(b)(ii)	57,500,000	23,000,000	-	-	-	-	-	-	-	23,000,000
Share issue costs	10(b)(ii)	-	(3,192,004)	-	1,387,995	-	-	-	1,387,995	-	(1,804,009)
Warrant issued for amendment of convertible debentures	9(b)	-	-	-	-	876,501	-	-	876,501	-	876,501
Conversion of notes	10(b)(v)	5,674,542	2,215,845	-	-	-	-	(199,517)	(199,517)	-	2,016,328
Equity component of convertible notes	9(a)	-	-	-	-	-	-	2,561,449	2,561,449	-	2,561,449
Deferred tax on convertible notes	9(a)	-	-	-	-	-	-	(665,977)	(665,977)	-	(665,977)
Shares issued for loan	10(b)(iv)	50,000	23,500	-	-	-	-	-	-	-	23,500
Shares issued for compensation	10(b)(vi)	25,510	12,500	(12,500)	-	-	-	-	(12,500)	-	-
Exercise of stock options	10(b)(vii)	264,583	156,007	-	(71,632)	-	-	-	(71,632)	-	84,375
Exercise of warrants	10(b)(viii)	4,004,161	2,582,123	-	-	(116,872)	-	-	(116,872)	-	2,465,251
Exercise of compensation options	10(b)(ix)	464,150	360,898	-	(90,144)	-	-	-	(90,144)	-	270,754
Forfeited options		-	-	-	(21,106)	-	-	-	(21,106)	21,106	-
Share-based payments	10(d)	-	-	-	379,818	-	-	-	379,818	-	379,818
Balance, September 30, 2016		241,434,311	56,068,747	-	2,283,602	1,952,529	1,403,156	1,895,472	7,534,759	(22,507,708)	41,095,798

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)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

	2016	2015
	\$	\$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(5,612,806)	(1,369,168)
Adjustments for non-cash items		
Unrealized loss on changes in fair value of biological assets	1,262,281	-
Depreciation	158,662	163,308
Deferred tax recovery	(665,977)	-
Accrued interest	9,042	84,177
Accretion expense	911,446	19,125
Financing fees	1,578,114	32,473
Share-based payments	379,818	282,279
Changes in non-cash working capital		
GST recoverable	(13,392)	528,033
Biological assets	-	25,409
Accounts receivable	(389,359)	-
Inventory	(203,048)	(314,358)
Prepaid expenses and deposits	493,747	34,839
Deferred revenue	480,301	-
Accounts payable and accrued liabilities	736,190	8,583
	(874,981)	(505,300)
Investing activities		
Acquisition of CanvasRx	(3,400,000)	-
Bank indebtedness assumed on the acquisition of CanvasRx	(18,421)	-
Purchase of property, plant and equipment	(629,357)	(290,842)
	(4,047,778)	(290,842)
Financing activities		
Shares issued for cash	25,820,830	41,700
Share issue costs	(1,804,009)	-
Proceeds of convertible notes	15,000,000	-
Proceeds from short term loans	-	1,692,000
Repayment of short term loans	(5,548,645)	(1,541,529)
Repayment of long term loans	(4,000,000)	-
Financing fees	(610,000)	-
Proceeds from long term loans	-	982,000
	28,858,176	1,174,171
Increase in cash and cash equivalents	23,935,417	378,029
Cash and cash equivalents, beginning of period	259,073	315,853
Cash and cash equivalents, end of period	23,194,490	693,882
Supplementary information:		
Property, plant and equipment in accounts payable	279,727	949,073

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

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

1. Nature of Operations

Aurora Cannabis Inc. (the “Company” or “Aurora”) is a public company listed on the TSX Venture Exchange under the symbol “ACB”, and was incorporated in British Columbia, Canada.

The Company is in the business of producing and distributing medical marijuana pursuant to the *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”). Aurora Cannabis Enterprises Inc., a wholly owned subsidiary of the Company, received its license to produce and sell medical cannabis on February 17, 2015 and November 27, 2015, respectively.

On December 9, 2014, the Company completed the reverse take-over of Prescient Mining Corp. (the “RTO”) by way of a Share Exchange Agreement (the “Agreement”). Pursuant to the Agreement, the Company acquired all of the issued and outstanding shares of Aurora Marijuana Inc. in exchange for securities of the Company.

The head office and principal address of the Company is 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.

2. Significant Accounting Policies

(a) Basis of presentation

These condensed interim consolidated financial statements (“Interim Financial Statements”) have been prepared in accordance with International Accounting Standards 34, “*Interim Financial Reporting*” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Interim 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 Interim Financial Statements are the same as those applied in the Company’s annual consolidated financial statements as at and for the year ended June 30, 2016.

These Interim Financial Statements were approved by the Board of Directors of the Company on November 28, 2016.

(b) Basis of consolidation

These 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”), Australis Capital Inc. (“ACI”) and CanvasRx Holdings Inc. (“CanvasRx”). All significant intercompany balances and transactions were eliminated on consolidation.

3. Inventory

	September 30, 2016	June 30, 2016
	\$	\$
Harvested cannabis	1,940,725	2,230,496
Supplies and consumables	136,649	86,720
	2,077,374	2,317,216

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

3. Inventory (Continued)

During the three months ended September 30, 2016, inventory recognized as an expense in cost of sales amounted to \$481,643(2015 - \$Nil). As at September 30, 2016, included in inventory was a provision of \$442,900 to reduce inventory to net realizable value. The adjustment to net realizable value took into account the compassionate pricing for qualifying low income patients.

4. 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:

	September 30, 2016	June 30, 2016
	\$	\$
Balance, June 30, 2016 and 2015	1,845,108	25,409
Changes in fair value less cost to sell due to biological transformation	3,966,778	6,196,939
Transferred to inventory upon harvest	(4,786,170)	(4,377,240)
Balance, September 30, 2016 and June 30, 2016	1,025,716	1,845,108

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.

5. Property, Plant and Equipment

	Building & Improvements	Production & Other Equipment	Computer Software & Equipment	Furniture and Fixtures	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Cost:						
Balance, June 30, 2015	10,269,065	439,407	343,026	38,819	-	11,090,317
Additions	562,015	581,080	101,018	70,173	-	1,314,286
Balance, June 30, 2016	10,831,080	1,020,487	444,044	108,992	-	12,404,603
Additions	238,750	200,380	152,910	41,061	12,000	645,101
Balance, September 30, 2016	11,069,830	1,220,867	596,954	150,053	12,000	13,049,704

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

5. Property, Plant and Equipment (Continued)

	Building & Improvements	Production & Other Equipment	Computer Software & Equipment	Furniture and Fixtures	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Accumulated depreciation:						
Balance, June 30, 2015	201,366	54,926	44,622	3,882	-	304,796
Depreciation	414,927	182,486	117,129	14,781	-	729,323
Balance, June 30, 2016	616,293	237,412	161,751	18,663	-	1,034,119
Depreciation	107,105	70,042	42,887	6,330	450	226,814
Balance, September 30, 2016	723,398	307,454	204,638	24,993	450	1,260,933
Net Book Value:						
June 30, 2016	10,214,787	783,075	282,293	90,329	-	11,370,484
September 30, 2016	10,346,432	913,413	392,316	125,060	11,550	11,788,771

During the three months ended September 30, 2016, included in production costs was depreciation of \$68,152 (2015 - \$nil).

6. Investment in a Joint Venture

ACI entered into a Limited Liability Partnership Agreement with AJR Builders Group LLC ("AJR") 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. During the three months ended September 30, 2016, the Company accrued interest of \$10,365 (2015 - \$10,365) related to this loan. 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.

The following table summarizes the financial information of AHL:

(a) Statement of Financial Position:

	September 30, 2016	June 30, 2016
	US\$	US\$
Cash and cash equivalents	17,762	7,203
Other current assets	500	500
Total current assets	18,262	7,703
Property, plant and equipment	2,300,000	2,300,000
Total assets (100%)	2,318,262	2,307,703

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

6. Investment in a Joint Venture (Continued)

	September 30, 2016	June 30, 2016
	US\$	US\$
Total current liabilities	122,766	82,766
Long term loans	2,398,989	2,378,336
Total equity	(203,493)	(153,399)
Total liabilities and equity (100%)	2,318,262	2,307,703

(b) Statement of Loss and Comprehensive Loss:

Net loss and comprehensive loss (100%)	50,094	122,260
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7. Acquisition of CanvasRx

On August 17, 2016, the Company completed the acquisition of all of the issued and outstanding shares of CanvasRx pursuant to a Share Purchase Agreement (the "Agreement") dated August 9, 2016, as amended and restated on August 16, 2016 (the "Acquisition"). CanvasRx is a counseling and outreach service provider with over 17 physical locations in the province of Ontario, Canada.

The transaction was accounted for as a business combination. In consideration of the Acquisition, the Company paid \$1,575,000 on closing. In addition, the Company paid \$1,575,000 and issued 17,875,000 common shares of the Company at a deemed price of \$0.40 per share related to the achievement of two patient performance milestones. The shares were accounted for at their fair value at the date of issuance. In addition, upon signing of the Letter of Intent, the Company extended a loan to CanvasRx of \$450,000. This loan formed part of the purchase consideration on closing of the Acquisition. Pursuant to the Agreement, the Company also paid \$250,000 relating to legal expenses of former CanvasRx's shareholders.

Pursuant to the Agreement, the Company may pay up to \$26,750,000 upon achievement of future performance milestones related to new counseling rooms opened, patient accrual and revenue targets, over a period of three years from the date of closing (the "Earn Out payments"). This consideration may be satisfied, at the Company's sole discretion, in cash or common shares at a 15% discount to the market price at the date of issuance, unless the market price of the Company's share is \$0.47 or below, at which point the consideration is convertible into a fixed number of shares. In any case, the issuance of the Company's shares should not result in former CanvasRx shareholders accumulating 50% or more of the Company's shares. If the Earn Out payments cannot be satisfied in cash and the issuance of shares would result in the former shareholders of CanvasRx accumulating 50% or more of the Company's shares, a convertible debenture will be issued.

The Company is indemnified from any tax liability arising from pre-acquisition transactions of CanvasRx through adjustments to purchase consideration.

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

7. Acquisition of CanvasRx Inc. (Continued)

The purchase price was allocated as follows:

	\$
Net liabilities acquired	(1,264,931)
Goodwill	16,104,931
Total purchase price	14,840,000

Fair values of the net liabilities acquired included the following:

	\$
Sales tax receivable	38,592
Accounts receivable	212,793
Total assets	251,385
Bank indebtedness	18,421
Accounts payable and accrued liabilities	108,431
Deferred revenue	939,464
Loans payable	450,000
Total liabilities	1,516,316
Net liabilities acquired	(1,264,931)

Net cash outflow on acquisition of CanvasRx is as follows:

	\$
Cash consideration	3,400,000
Add: bank overdraft	18,421
Net cash outflow	3,418,421

Goodwill arose in the acquisition of CanvasRx because the cost of acquisition included amounts in relation to the benefit of expected revenue growth, future market development and access to equity markets. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition related costs of \$165,291 have been excluded from the consideration transferred and have been recognized as an expense in the current period.

Had the business combination been effected at June 30, 2016, management estimates that the revenue of the Company would be \$735,397 higher and the expenses of the Company would be higher by \$2,120,605, resulting in an increase in net deficit of \$1,385,208.

Management continues to work on refinement of the estimate of the contingent consideration, and the related amounts are subject to change. The purchase price allocation relating to the acquisition is not yet finalized and the allocation of the price to the various assets acquired is subject to change.

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

8. Short and Long Term Loans

Type of Loan		Interest per Annum	Maturity	September 30, 2016	June 30, 2016
				\$	\$
Short term					
Unsecured term loan	(a)	8%	Aug. 27, 2015	-	456,817
Unsecured loans from related parties	(b)&(e)	See below	See below	-	1,089,726
Secured mortgage loan	(c)	12%	October 1, 2016	1,669,009	1,655,657
Secured demand loan	(d)	19.5%	January 25, 2018 or on demand	-	2,845,208
				-	6,047,408
Long term					
Unsecured loans from related parties	(c)&(e)	See below	See below	-	3,158,569

- (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. In consideration for the loan, the Company issued 714,000 common shares (the "Shares") to the lender. A partial principal payment of \$100,000 (prior to the RTO) was made towards the loan and the loan was extended to August 27, 2015.

On November 25, 2015, a claim was commenced by the lender in the Supreme Court of British Columbia seeking repayment of the loan plus interest, legal costs and other relief. The Shares were in dispute as the Company believed 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, the Company paid into court \$89,494 pursuant to a November 27, 2015 garnishment order ("Garnished Funds").

On July 14, 2016, the parties agreed to settle and the Company paid the outstanding loan plus accrued interest of \$458,919 and legal fees of \$4,400. Included in this amount were the Garnished Funds released to the lender.

- (b) 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.

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 cash flow positive quarters; and (ii) August 1, 2016. No interest was to 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 cash flow positive quarters; and (ii) August 1, 2017 ("Extended Loan").

As at June 30, 2016, included in reserves was a fair value adjustment of \$278,925 with respect to the Extended Loan and the recognition of related party contribution related to the interest amendment using a market interest rate of 22%.

On August 18, 2016, the loans were repaid in full.

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

8. Short and Long Term Loans (Continued)

- (c) On September 13, 2015, 1769474 entered into a mortgage financing (the "Mortgage") of \$1,650,000 on its building and related improvements on approximately 154 acres of land located in Cremona, Alberta ("Mortgaged Property").

The Mortgage had an initial term of nine months, 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, a general security agreement and corporate guarantees by the Company, CEO of the Company and a company owned by the CEO and the President of the Company.

Subsequent to September 30, 2016, the Mortgage was renewed to April 1, 2017. During the three months ended September 30, 2016, the Company paid or accrued interest of \$49,500 (2015 - \$542) related to this loan.

- (d) The Company entered into a secured demand loan agreement dated January 22, 2016 in the principal amount of \$3,000,000. As consideration for the loan, the Company paid a structuring fee of \$90,000 (representing 3% of the principal amount of the loan) and legal and due diligence fees of \$30,000.

In addition, the Company 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 there are any unexercised warrants on the maturity date and the fair value of the shares is less than the exercise price, the Company shall pay the lender a top-up fee in cash. The Company shall also pay a top up fee for any unexercised unexpired warrants upon completion of a successor entity or going private event if the fair value of the share consideration is less than the exercise price.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the share purchase warrants were evaluated as a derivative in nature. The warrants were valued upon initial recognition at fair value using a Monte Carlo simulation. Subsequent to initial recognition, the derivative is re-measured at fair value at each reporting date. The warrants were initially valued at \$105,526 and recorded as a derivative liability and debt issuance cost, amortized over the term of the loan. The warrant derivative was subsequently adjusted to fair value at June 30, 2016 of \$98,444.

In July 2016, the Company obtained an additional loan of \$1,000,000. Prepayments are subject to a minimum interest and fees of \$640,529. As consideration for the additional loan, the Company paid a structuring fee of \$60,000 and an equity fee of 50,000 common shares at a fair value of \$23,500. On closing, the Company paid legal and due diligence fees of \$60,000.

On September 28, 2016, the loan was repaid in full.

- (e) On June 26, 2015 and October 1, 2015, the Company entered into unsecured promissory notes, as amended, 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 cash flow positive 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. As at June 30, 2016, the Company recognized a related party contribution with respect to the interest free loan and recorded \$210,269 in reserves using a market interest rate of 22%.

AURORA CANNABIS INC.

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8. Short and Long Term Loans (Continued)

On December 1, 2015, the term of the loans was amended such that they mature on the later of: (i) the Company reporting two consecutive cash flow positive quarters; and (ii) August 1, 2017. Included in reserves as at June 30, 2016, was a fair value of adjustment of \$913,963 related to the loan modification calculated at a market interest rate of 22% for the rest of the extended term.

During the three months ended September 30, 2016, the loans were repaid in full.

9. Convertible Notes

- (a) On September 28, 2016, the Company closed a brokered private placement (the "Private Placement") of unsecured convertible debentures ("Convertible Debentures") in the aggregate principal amount of \$15,000,000.

The Convertible Debentures bear interest at 10% per annum, payable semi-annually, and mature on March 28, 2018. The Convertible Debentures are convertible into common shares of the Company at a price of \$1.15 per share, at any time during the term, at the option of the holder. Forced conversion of the principal amount of the Convertible Debentures into common shares will occur if the volume weighted average price of the Company's common shares equals or exceeds \$2.00 per share for 10 consecutive trading days ("Forced Conversion").

On closing, the Company paid \$600,000, representing 4% of the gross proceeds of the Private Placement, and legal fees and expenses of \$37,700 to the Agent.

On October 18, 2016, the Company issued 8,695,652 common shares on the conversion of \$10,000,000 of the principal amount of the Convertible Debentures and paid interest of \$54,794. Note 14(a)

On October 20, 2016, the Company gave notice to convert the remaining \$5,000,000 Convertible Debentures into common shares, as the volume weighted average price of the Company's common shares for ten consecutive trading days exceeded \$2.00. On November 23, 2016, 4,414,532 common shares were issued on the conversion of the \$5,000,000 Convertible Debentures and interests of \$76,712.

- (b) In May 2016, the Company completed a non-brokered private placement (the "Offering") of unsecured convertible debentures in the principal amount of \$2,050,000 (the "Debentures").

The Debentures had a term of 18 months and bore interest at 10% per annum, payable semi-annually. The Debentures were 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 were to 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 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 ("Bonus Debentures") having the same terms as the Debentures; and (ii) 200,000 common shares at a deemed price of \$0.53 per share as an incentive fee. In addition, the Company paid an advisory fee of \$164,000 and 309,434 compensation options ("Compensation Options") at a fair value of \$90,144. Each Compensation Option is exercisable into one common share and one-half of one share purchase 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 is exercisable into one 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.

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9. Convertible Notes (Continued)

The fair value of the Compensation Options at the date of grant was estimated as \$0.19 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.55%; Dividend yield - 0.00%; and Expected life - 2 years.

Within six months of closing of the Offering, if the Company issues common shares in connection with a financing or a business acquisition at a price that is 15% or 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 ("Anti-Dilution Clause").

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the Debentures are considered to contain an embedded derivative relating to the Anti-Dilution Clause. The Anti-Dilution Clause was measured at fair value upon initial recognition using a Monte Carlo simulation and was separated from the debt component of the debentures. The debt component of the debentures was measured upon initial recognition, based on the present value of the cash flows associated with the debentures. Subsequent to initial recognition, the embedded derivative component is re-measured at fair value at each reporting date while the debt component is accreted to the face value of the debentures using the effective interest rate through periodic charges to finance expense over the term of the debentures.

On July 28, 2016, the Company reached an agreement with the Debenture holders to amend certain aspects of the Anti-Dilution Clause. As consideration for the amendment, the Company reduced the Conversion Price from \$0.53 to \$0.40 per common share and issued an aggregate of 2,712,500 warrants at a fair value of \$876,501 to the Debenture holders. The warrants are exercisable into common shares of the Company at a price of \$0.55 per common share expiring August 9, 2018.

The fair value of the warrants at the date of grant was estimated as \$0.32 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.49%; Dividend yield - 0.00%; and Expected life - 2 years.

In September, 2016, the Company issued an aggregate of 5,674,542 shares on the conversion of the Debentures (principal amount of \$2,050,000 plus interests of \$99,817) and Bonus Debentures of \$120,000. \$217,000 was reclassified from derivative liability to share capital on the conversion of these Debentures.

- (c) On August 29, 2014, the Company issued unsecured, non-interest bearing, 5-year term, convertible notes for aggregate gross proceeds of \$1,500,000 (the "Notes1") to companies controlled by the CEO and the President of the Company. The Notes1 were convertible 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 year ended June 30, 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. \$171,089 was reclassified from reserves to share capital on the conversion of the notes.

AURORA CANNABIS INC.

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9. Convertible Notes (Continued)

- (d) 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 year ended June 30, 2016, the Notes2 plus interest and expenses of \$171,089 were repaid in full.

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

	Long term (a)	Long term (b)	Long term (c)	Short term (d)
	\$	\$	\$	\$
Balance, June 30, 2015	-	-	274,008	1,291,192
Issued	-	2,170,000	-	-
Equity portion	-	(269,619)	-	-
Derivative liability	-	(217,000)	-	-
Conversion	-	-	(281,880)	-
Repayment	-	-	-	(1,359,349)
Financing fees	-	(437,613)	-	-
Accretion	-	34,719	7,872	18,151
Accrued interest	-	44	-	50,006
Balance, June 30, 2016	-	1,280,531	-	-
Issued	15,000,000	-	-	-
Equity portion	(2,561,449)	-	-	-
Conversion	-	(1,881,328)	-	-
Repayment	-	(2,292)	-	-
Financing fees	(596,667)	437,613	-	-
Accretion	6,648	63,368	-	-
Accrued interest	8,065	102,108	-	-
Balance, September 30, 2016	11,856,597	-	-	-

10. Share Capital and Reserves

(a) Authorized

Unlimited number of common voting shares without par value;
 Unlimited number of Class “A” Shares with a par value of \$1.00 each; and
 Unlimited number of Class “B” Shares with a par value of \$5.00 each.

(b) Issued and outstanding

At September 30, 2016, there were 241,434,311 (June 30, 2016 - 135,576,365) issued and fully paid common shares.

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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10. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

On July 13, 2016, the Company entered into an agreement for a drawdown equity facility of up to \$5,000,000 (the "Equity Facility"). Under the Equity Facility, the Company may sell, on a private placement basis, units of the Company of between \$100,000 to \$500,000 per tranche, at a discount of 25% to the market price or such lesser discounts as allowed by the Exchange, over a period of eighteen months. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a 25% premium to the market price for a period of 5 years from the date of issuance. To date, the Company has not drawn down on this Equity Facility.

- (i) On August 17, 2016, 17,875,000 common shares were issued pursuant to the acquisition of CanvasRx. (Note 7)
- (ii) In conjunction with the acquisition of CanvasRx (Note 7), the Company completed a brokered private placement of 57,500,000 subscription receipts for aggregate gross proceeds of \$23,000,000 (the "Offering"). Each subscription receipt was converted into units of the Company at a price of \$0.40 per unit upon the satisfaction of the conditions precedent to the Acquisition. Each unit consisted of one common share and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.55 per share expiring August 9, 2018. A portion of the net proceeds from the Offering was used to satisfy the cash component of the Acquisition.

Total cash share issue costs with respect to the Offering amounted to \$1,804,009 which consisted of agent's commission of \$1,472,550, agent's legal, advisory fees and expenses of \$219,381, transfer agent fees of \$15,989 and legal fees of \$96,089.

In addition, the Company issued aggregate compensation warrants of 3,868,625 to the agents at a fair value of \$1,387,995. Each compensation warrant is exercisable into one common share and one-half of one share purchase warrant of the Company at an exercise price of \$0.40 per share expiring August 9, 2018. Each whole warrant is exercisable into one additional common share of the Company at a price of \$0.55 per share expiring August 9, 2018. The fair value of the compensation warrants at the date of grant was estimated as \$0.38 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.49%; Dividend yield - 0.00%; and Expected life - 2 years.

- (iii) During the three months ended September 30, 2016, 20,000,000 common shares were issued upon achievement of performance milestones pursuant to the RTO. The amount of \$2,322,000 was reclassified from reserves to share capital on the issuance of these shares.
- (iv) During the three months ended September 30, 2016, 50,000 common shares were issued at a fair value of \$23,500 for financing fees. Note 8(d)
- (v) During the three months ended September 30, 2016, an aggregate of 5,674,542 (June 30, 2016 - 3,928,000) common shares were issued on the conversion of \$2,269,817 (June 30, 2016 - \$491,000) convertible notes. Note 9(b)
- (vi) During the three months ended September 30, 2016, the Company issued 25,510 (June 30, 2016 - 22,728) common shares to an employee of the Company at a fair value of \$12,500 (June 30, 2016 - \$12,500) pursuant to the officer's employment agreement.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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10. Share Capital and Reserves (Continued)

(b) Issued and outstanding

- (vii) During the three months ended September 30, 2016, 264,583 stock options (June 30, 2016 - 2,975,829) were exercised for gross proceeds of \$84,375 (June 30, 2016 - \$160,899). Non-cash compensation charges of 71,632 (June 30, 2016 - \$354,516) were reclassified from reserves to share capital on the exercise of these options.
- (viii) During the three months ended September 30, 2016, 4,004,161 (June 30, 2016 - 564,000) warrants were exercised for gross proceeds of \$2,465,251 (June 30, 2016 - \$56,400). Non-cash compensation charges of \$116,872 (June 30, 2016 - \$nil) were reclassified from reserves to share capital on the exercise of these warrants.
- (ix) During the three months ended September 30, 2016, 464,150 (June 30, 2016 - Nil) compensation options were exercised for gross proceeds of \$270,754 (June 30, 2016 - \$Nil). Non-cash compensation charges of \$90,144 (June 30, 2016 - \$nil) were reclassified from reserves to share capital on the exercise of these compensation options.
- (x) During the year ended June 30, 2016, the Company issued an aggregate of 200,000 common shares at a fair value of \$106,000 as incentive fees. Note 9(b)
- (xi) During the year ended June 30, 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 at a fair value of \$45,555. The warrants are 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. The fair value of these warrants at the date of grant was estimated as \$0.29 per warrant based on the following weighted average assumptions: Stock price volatility - 87%; Risk-free interest rate - 0.41%; Dividend yield - 0.00%; and Expected life - 2 years.

On October 4, 2016, the Company gave notice with respect to the acceleration of the expiry date to November 11, 2016, of the unexercised 5,658,479 share purchase warrants at \$0.66 per share and 112,300 finder warrants at \$0.53 per share, as the Company's common shares traded above \$1.25 for ten consecutive trading days. All of these warrants were exercised on or before the new expiry date.

(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. 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.

AURORA CANNABIS INC.

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10. Share Capital and Reserves (Continued)

(c) Escrow securities (continued)

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 ⁽¹⁾
	#	#	#
Balance, June 30, 2015	47,887,500	2,400,000	9,000,00
Issued (Exercised)	2,400,000	(2,400,000)	-
Released	(20,475,000)	-	-
Balance, June 30, 2016	29,812,500	-	9,000,000
Issued (Note 10(b)(iii))	20,000,000	-	-
Released	-	-	-
Balance, September 30, 2016	49,812,500	-	9,000,000

⁽¹⁾ See Note 12(b)

(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, 2015	4,504,000	0.17
Granted	4,877,500	0.39
Exercised	(2,975,829)	0.05
Forfeited	(1,095,837)	0.49
Balance, June 30, 2016	5,309,834	0.37
Granted	1,665,000	1.17
Exercised	(264,583)	0.32
Forfeited	(125,000)	0.60
Balance, September 30, 2016	6,585,251	0.58

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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10. Share Capital and Reserves (Continued)

(d) Stock options (continued)

The following table summarizes the stock options that remain outstanding as at September 30, 2016:

Exercise Price	Options Outstanding	Expiry Date	Options Exercisable
\$	#		#
0.15	144,000 ⁽¹⁾	October 29, 2017	144,000
0.295	450,000	June 2, 2020	450,000
0.295	250,000	August 26, 2020	83,333
0.30	350,000	August 10, 2020	116,664
0.30	783,751	August 14, 2020	257,058
0.30	350,000	September 1, 2020	116,664
0.30	200,000	September 8, 2018	66,600
0.30	12,500	September 8, 2018	12,500
0.34	150,000	May 23, 2020	150,000
0.40	350,000	March 10, 2019	350,000
0.46	1,250,000	May 20, 2021	150,000
0.55	80,000	February 8, 2021	26,666
0.58	300,000	March 14, 2021	112,500
0.69	250,000	November 26, 2017	208,333
0.66	350,000	August 8, 2021	-
1.30	1,315,000	September 23, 2021	55,553
	6,585,251		2,299,871

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

During the three months ended September 30, 2016, the Company recorded aggregate share-based payments of \$379,818 (2015 - \$282,279) for all stock options granted and vested during the period.

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	0.52%	0.53%
Expected Annual Dividend Yield	0%	0%
Expected Stock Price Volatility	87.0%	80.0%
Expected Life of Options	2.64 years	3.75 years
Forfeiture rate	5%	5%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

The weighted average fair value of stock options granted during the three months ended September 30, 2016 was \$0.68 (2015 - \$0.18) per option. As at September 30, 2016, stock options outstanding have a weighted average remaining contractual life of 4.01 years.

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10. Share Capital and Reserves (Continued)

(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, 2015	20,014,000	0.28
Issued	9,550,590	0.65
Exercised	(564,000)	0.10
Expired	(250,000)	1.01
Balance, June 30, 2016	28,750,590	0.40
Issued	31,462,500	0.55
Exercised	(4,004,161)	0.62
Balance, September 30, 2016	56,208,929	0.47

The following table summarizes the warrants that remain outstanding as at September 30, 2016:

Exercise Price	Warrants	Expiry Date
\$	#	
0.02	9,000,000 ⁽¹⁾	December 9, 2019
0.50	9,300,000	December 9, 2017
0.53	52,280	December 31, 2017
0.53	60,020	January 19, 2018
0.55	50,000	January 25, 2020
0.55	2,712,500	July 27, 2018
0.55	28,750,000	August 9, 2018
0.66	1,443,397	December 31, 2017
0.66	4,840,732	January 19, 2018
	56,208,929	

⁽¹⁾ These warrants remain subject to a dispute as the Company believes that the vesting conditions of the warrants were not met. See note 12(b).

11. Related Party Transactions

(a) Related party transactions

The Company incurred the following transactions with related parties during the three months ended September 30, 2016:

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11. Related Party Transactions (Continued)

(a) Related party transactions (continued)

	2016	2015
	\$	\$
Consulting fees paid or accrued to directors of ACE	48,750	75,000
Office, rent and administration paid or accrued to companies owned by directors and officers and a former director of the Company	30,000	48,497
Fees paid or accrued to directors and companies controlled by a director and a former director of the Company	78,582	1,500
Operational, administrative and consulting fees paid or accrued to a company controlled by a director of the Company	305,487	-
Professional fees paid or accrued to a former officer of the Company	-	3,102
Share-based payments ⁽¹⁾	94,391	44,187
	557,210	172,289

⁽¹⁾ Share-based payments are the fair value of options granted and vested to non-management directors of the Company under the Company's stock option plan. Note 10(d)

(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.

	2016	2015
	\$	\$
Management fees and wages	167,400	48,300
Share-based payments ⁽¹⁾	7,725	3,289
	175,125	51,589

⁽¹⁾ Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan. Note 10(d)

(c) Related party balances

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

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11. Related Party Transactions (Continued)

(c) Related party balances (continued)

	September 30, 2016	June 30, 2016
	\$	\$
(i) Companies controlled by directors and officers of the Company ⁽¹⁾	259,182	101,765
(i) Directors and a former director of the Company ⁽ⁱ⁾	51,118	35,545
(ii) A company having a former director in common	1,500	1,500
(iii) Companies controlled by directors and officers of the Company (Note 8(b))	-	1,089,726
(iv) Companies controlled by directors and officers of the Company (Notes 8(b) & 8(e))	-	3,158,569
(v) A 50% owned joint venture company (Note 6)	1,846,019	1,782,186

⁽¹⁾ The amounts are unsecured, non-interest bearing and have no specific repayments term.

12. 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 and sublease agreements with respect to three office premises located in Vancouver, British Columbia, expiring December 31, 2017, January 31, 2020 and June 30, 2020, and sublease agreements with respect to clinics located across Canada expiring from August 1, 2019 to December 1, 2021, as follows:

	\$
2017	416,515
2018	522,694
2019	469,600
2020	400,837
2021	141,966
2022	14,416
	1,966,028

The Company has provided notice to the co-tenant and landlord of one of the office premises in Vancouver, BC to cancel its portion of the lease expiring January 31, 2020. The Company is awaiting the final documentation.

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12. Commitments and Contingencies (Continued)

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

In January 2016, this claim was amended to include 3,000,000 performance warrants exercisable at \$0.02 per share, issued pursuant to the RTO. These warrants were cancelled on April 21, 2015 as the funding milestones were not met.

- (c) A certain claim in small claims court has been brought against the Company with respect to certain fees and expenses. Management has contested the validity of the claim and believes that it is without merit.
- (d) The Company commenced a claim against a former director and officer of the Company and his associates relating to breach of contract, abuse of process and unreimbursed expenses. The former director and associates have filed various counterclaims against the Company. The outcome of the various claims is indeterminable at this time.

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.

13. Segment Information

The Company operates in two segments, the production and sale of medical cannabis and patient counseling and outreach service.

	2016	2015
	\$	\$
Sales of medical cannabis	2,752,067	-
Patient counseling	319,355	-
	3,071,422	-

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

14. Subsequent Events

The following events occurred subsequent to September 30, 2016:

- (a) On November 1, 2016, the Company completed a brokered private placement of unsecured convertible debentures in the aggregate principal amount of \$25,000,000. The debentures bear interest at 8% per annum, payable semi-annually and mature on November 1, 2018. The principal amount of the debentures will be convertible into common shares of the Company at a price of \$2.00 per share, at the option of the holder, at any time prior to the maturity date.

Forced conversion of the principal amount of the debentures into common shares will occur if the volume weighted average price of the Company's common shares equals or exceeds \$3.00 per share for 10 consecutive trading days.

AURORA CANNABIS INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Three months ended September 30, 2016 and 2015

(In Canadian Dollars)

14. Subsequent Events (Continued)

Pursuant to the terms of the private placement, the Company converted \$10 million of the 10% convertible debentures at \$1.15 per share (Note 9(a)).

- (b) The Company granted the following stock options to a director, employees and consultants of the Company:

Exercise Price	Options	Expiry Date
\$	#	
2.18	350,000	October 12, 2021
2.25	2,800,000	August 25, 2021

- (c) 312,164 common shares were issued on the exercise of 312,164 options for gross proceeds of \$168,649.
- (d) 14,321,429 common shares were issued on the exercise of 14,321,429 warrants for gross proceeds of \$8,465,794.
- (e) 1,433,000 common shares were issued on the exercise of 1,433,000 compensation options for gross proceeds of \$573,200.