AURORA®

MANAGEMENT DISCUSSION & ANALYSIS

Aurora Cannabis Inc.
Fourth Quarter 2016 | Fiscal 2016

FISCAL 2016
INVESTOR HIGHLIGHTS

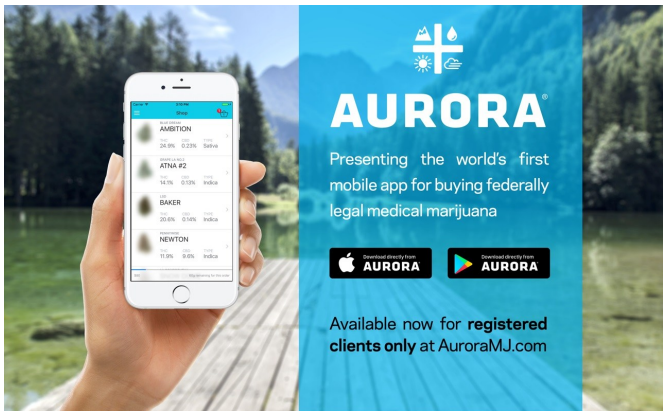
	Q4 2016	Q3 2016	Fiscal 2016
Active registered patients	4,500	1,000	4,500
Revenue	1,220,041	219,230	1,439,271
Grams sold	200,310	56,770	257,080

November 30, 2015 Received Health Canada license to sell dried cannabis

February 17, 2016 Received Health Canada license to produce cannabis oils

Strengthened operational and tactical capabilities with key senior management hires and board appointments

SUBSEQUENT AND RECENT DEVELOPMENTS



Significantly strengthened balance sheet with up to approx. $68 million in new capital

Commenced trading on the TSX-V effective October 5, 2016

9,000 active registered patients as at October 27, 2016

Currently generating > $1 million in gross monthly revenues

Stockpiling cannabis oil in preparation for receipt of sales license

Announced 650,000 square foot state-of-the-art facility expansion with capacity to produce up to an additional 70,000 kg annually

Announced same-day delivery in Edmonton and Calgary

First LP to launch mobile app for ordering medical cannabis

Completed acquisition of CanvasRx, Canada's largest medical cannabis counseling network with over 10,000 registered patients

DEAR SHAREHOLDERS,

Fiscal 2016 and the four subsequent months reflect tremendous progress for Aurora. We significantly strengthened our balance sheet, raising up to approx. $68 million in new capital and established the Company as one of the best capitalized in the medical cannabis space. The Aurora Standard, combining excellence in products, operations and customer service, resulted in a remarkable rate of patient acquisition. Fiscal 2016 and the four subsequent months reflect tremendous progress for Aurora. We significantly strengthened our balance sheet, raising up to approx. $68 million in new capital and established the Company as one of the best capitalized in the medical cannabis space. The Aurora Standard, combining excellence in products, operations and customer service, resulted in a remarkable rate of patient acquisition – the fastest pace of patient registration after start of commercial operations in the history of the sector. Looking ahead, we will continue to build on this elite position through continued innovation, both in how we produce cannabis and how we interact with patients and other stakeholders. While the rapid growth of Canada's medical cannabis system (in excess of 10% per month) has created a significant business opportunity, the pending legalization of consumer use of cannabis will create additional and even larger strategic opportunities. With our financial strength and intended capacity expansion, low cost of production, exceptional product quality and stakeholder interaction, Aurora is in the driver's seat for continued expansion,sustainable growth and anticipated profitability. Looking ahead, we will continue to build on this elite position through continued innovation, both in how we produce cannabis and how we interact with patients and other stakeholders.

While the rapid growth of Canada's medical cannabis system (in excess of 10% per month) has created a significant business opportunity, the pending legalization of consumer use of cannabis will create additional and even larger strategic opportunities

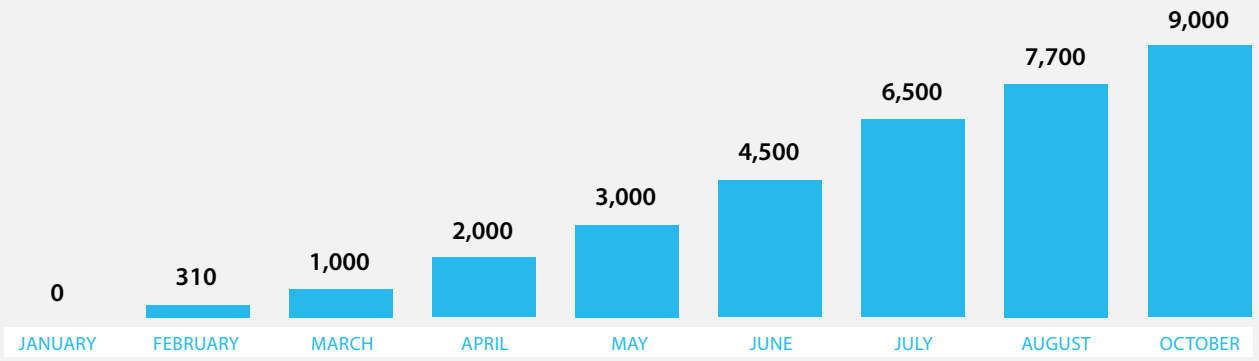
With our financial strength and intended capacity expansion, low cost of production, exceptional product quality and stakeholder interaction, Aurora is in the driver's seat for continued expansion, sustainable growth and anticipated profitability.

Terry Booth
Chief Executive Officer

Edmonton, October 2016

THE INDUSTRY'S FASTEST RATE OF PATIENT REGISTRATION

After commencement of commercial operations



CANVASRX ACQUISITION–A TRANSFORMATIVE TRANSACTION

Largest Network of Medical Cannabis Counseling Centres in Canada

19

Locations in Ontario and Alberta, with plans for at least 6 more across Canada

1,000+

New patients referred to Licensed Producers per month

1 in 4

Of new legal patients in Canada controlled by CanvasRx

10,000+

Total patients referred to Licensed Producers

2,000+

Patients referred to Aurora since February 2016

$25

Fee per patient per month

CANVASRX LOCATIONS

AURORA CANNABIS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2016 and 2015

Dated as of October 27, 2016

AURORA CANNABIS INC.

Management's Discussion & Analysis
For the years ended June 30, 2016 and 2015

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 currently traded on the TSX Venture Exchange (the "Exchange") under the symbol "ACB."

Below are the addresses of the Company:

Head office:	Suite 1500 - 1199 West Hastings Street, Vancouver, British Columbia V6E 3T5
Registered office:	Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7
Corporate:	14613 - 134 Avenue, Edmonton, Alberta T5L 4S9
Client Care Centre:	14th Floor, 609 Granville Street, Vancouver, British Columbia V7Y 1H4
Facility:	4439 TWP Road 304, Cremona, Alberta T0M 0R0

This Management's Discussion and Analysis ("MD&A") reports on the consolidated financial condition and operating results of the Company for the year ended June 30, 2016 and is prepared as of October 27, 2016. The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2016 and 2015 ("Financial Statements"). The Financial Statements were prepared in accordance with International Financial Reporting Standards (the "IFRS").

The accompanying Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Aurora Marijuana Inc. ("AMI"), Aurora Cannabis Enterprises Inc. ("ACE"), 1769474 Alberta Ltd. ("1769474") and Australis Capital Inc. ("ACI"). All significant intercompany balances and transactions were eliminated on consolidation.

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

The Company's continuous disclosure documents are available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and

unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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

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

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

BUSINESS OVERVIEW

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

ACE is licensed to produce and sell medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). ACE received its license to produce and sell medical cannabis on February 17, 2015 and November 27, 2015, respectively. On February 16, 2016, the Company received its license to produce cannabis oil products.

The Company's operations are located in a state-of-the-art, 55,200 square feet of expandable licensed production space (the "Facility"). The Facility is of pharmaceutical production grade quality with hydroponic greenhouse high pressure sodium lighting and nutrient delivery equipment which is capable of producing over 7,000 kilograms of medical cannabis per year. It is located off Highway 22 and situated on approximately 154 acres of land in Mountain View County near Cremona, Alberta. It is nestled in the foothills of the Rocky Mountains which allows for a never-ending supply of clean, pure, mountain-fed water, an ideal location for security, low power costs, tax benefits, shipping, farm credit eligibility and product growth.

The Facility cost approximately $10.2 million as of June 30, 2016. MNP LLP conducted a valuation of the Company's Facility in accordance with Canadian Uniform Standards of Professional Appraisal Practice propagated by the Appraisal Institute of Canada and determined that as of March 1, 2015, the fair market value ("FMV") of the Facility, which includes the land that has yet to be acquired (FMV of $750,000), building, site improvements, fixture and equipment, to be between $11.6 million and $12.6 million.

The Company's strategic priorities are to leverage its strong financial position, build on and accelerate its rapid market penetration and revenue growth trajectory since beginning commercial operations in January, 2016. Furthermore, the Company intends to transition its Facility operations to full capacity production, further enhance its increasing revenues by attaining its license to sell cannabis oils in the near term, begin construction of its new state-of-the-art 650,000 square foot greenhouse expansion in Alberta, identify opportunities for accretive acquisitions, seek exclusive partnerships in international jurisdictions, and transition to profitable operations and positive earnings per share.

Investor Highlights

	Q4 2016	Q3 2016
Active registered patients [(1)]	4,500	1,000
Revenue	1,220,041	219,230
Grams sold	200,310	56,770
Adjusted gross margin	(184,819)	(617,062)
Working capital	(2,751,400)	2,365,255
Investment in capital assets	278,414	1,606,419

[(1)] As of the date hereof, the Company has 9,000 active registered patients.

Recent and Significant Developments

Developments occurring subsequent to June 30, 2016:

- Significantly strengthened its balance sheet with up to $68 million in new financings as follows;
  - $23 million in completed brokered subscription receipt equity financing;
  - $15 million in completed private placement of 10% unsecured convertible debentures; 0
  - up to $25 million in additional 8% unsecured convertible debentures announced on October 11, 2016 and expected to close on or about November 1, 2016; and
  - Generated approximately $4.7 million in additional gross cash proceeds from exercise of warrants, stock and compensation options.
- The Company has approximately $25 million in additional gross cash proceeds available to it from unexercised warrants, stock and compensation options, all of which continue to remain in-the-money to security holders;
- Paid approximately $9.2 million in high interest short-term and long-term loans outstanding as at June 30, 2016 in full;
- Converted approximately $2.2 million in convertible notes as at June 30, 2016 into common shares;
- On October 4, 2016, announced that the Company accelerated the expiry of 5,658,479 private placement common share purchase warrants and 112,300 finder warrants issued in connection with a private placement which closed on December 31, 2015 and January 19, 2016. Assuming all warrants are exercised, the Company will receive gross cash proceeds of approximately $3.8 million;
- On October 20, 2016, announced that the Company elected to exercise its right under the indenture to convert all its $15 million, 10% convertible notes into common shares effective November 23, 2016;
- Commenced trading on the TSX-V effective October 5, 2016;

- Achieved 9,000 active registered patients and currently generating > $1 million in gross monthly revenues;
- Acquired CanvasRx, representing Canada's largest medical cannabis counseling network with over 10,000 registered patients;
- Announced 650,000 square foot state-of-the-art facility expansion with capacity to produce up to an additional 70,000 kg. annually; and
- Announced that all resolutions presented to the Company's shareholders at its Annual General Meeting, which was held August 26, 2016, were passed.

Developments occurring during the year ended June 30, 2016:

- On November 30, 2015, announced that its wholly-owned subsidiary, Aurora Cannabis Enterprises Inc., was granted a license from Health Canada to sell medicinal cannabis pursuant to the ACMPR;
- On February 17, 2016, announced that its wholly-owned subsidiary, Aurora Cannabis Enterprises Inc., received approval from Health Canada to produce derivative cannabis products through a Section 56 exemption to the Controlled Drugs and Substances Act ("CDSA");
- On June 6, 2016, announced that the Company entered into a non-binding agreement for a draw-down equity facility with Alumina Partners LLC, a New York-based private equity firm of up to $5,000,000. Although the Company has not drawn down on this facility, it provides additional financial leverage available for potential strategic opportunities if, and when required;
- Further strengthened operating and tactical capabilities with key senior management hires and several new board of director additions with deep industry experience.

Operations Update

The Company currently has achieved 9,000 active registered patients in less than 10 months of product sales, which management believes to be the fastest rate of patient registration for a Licensed Producer after the launch of commercial operations. Note that Aurora uses the metric of active registered patients (i.e. not counting patients who have not placed an order for the previous four months), as opposed to total registered patients.

On August 10, 2016, Aurora signed a definitive agreement to acquire all the issued and outstanding shares of CanavasRx Holdings Inc. With 19 locations in Ontario and Alberta, having registered more than 10,000 patients, CanvasRx is the largest medical cannabis counseling and outreach service in Canada. The acquisition of CanvasRx significantly expands Aurora's footprint in the cannabis sector, and provides Aurora with access to valuable aggregate data on patient use of medical cannabis, as well the ability to jointly develop custom strains tailored to the needs of patients. To date more than 2,000 CanvasRx patients have registered with Aurora.

Aurora announced on August 23, 2016 that it had completed the design, engineering and tender process for a major expansion, and will begin construction shortly on the first phase of a new 650,000 square foot capacity expansion. The new facility is required to satisfy the rapidly increasing demand for medical cannabis under the ACMPR - which reached 91,178 registered patients to the end of August, 2016 and is growing at a pace of more than 10 per cent per month – as well as the projected future adult non-medical market once the Canadian government legalizes the consumer use of marijuana, with respect to which the

government has stated it will introduce legislation in the spring of 2017. Aurora's new facility will be the largest yet constructed or envisioned in the Canadian cannabis sector, and management believes it will represent the most advanced, automated cannabis production facility in the world. Upon completion of the entire expansion, the Company will have the capacity to produce more than 70,000 kilograms of cannabis per year. The first of the two phases of the expansion plan, amounting to an initial 250,000 square feet and 20,000 kilograms of additional production capacity, is fully capitalized.

Aurora has established itself a leader in pioneering service and technological innovation within the cannabis sector. The Company has recently expanded its same-day medical cannabis delivery service for registered patients to include Edmonton and surrounding communities, in addition to the Calgary metropolitan area, a total area representing a population of 2.36 million. Aurora was the first Licensed Producer to offer customers same-day delivery, and remains the only company to offer same-day delivery in two major metropolitan centres. Same-day delivery has been extremely popular with clients in these cities, with 83% of customers in Calgary, and 70% of patients in Edmonton opting for the same-day service.

In addition, in September, 2016, the Company announced another industry first: the launch of the world's first and only mobile application (or "app") allowing for the purchase of legal medical cannabis. The feature-rich app runs on both Apple and Android platforms, and uses data encryption between Aurora's server and consumer devices, to ensure security and patient privacy. The app has been an immediate success, has been downloaded by approximately 13,000 individuals, and during business hours now averages 60 secure system logins per hour from registered Aurora patients.

Director and Officer Appointments

Amy Stephenson

On August 8, 2016, the Company appointed Amy Stephenson as interim CFO. Mrs. Stephenson is a seasoned financial executive with more than 20 years' experience in the capital markets, supporting developing companies through rapid growth phases and the transition to profitability, and advising on M&A strategy.

A CFA Charter holder and Chartered Professional Accountant (CPA, CMA), Mrs. Stephenson possesses a wealth of experience in the Canadian cannabis sector, having served as CFO for Licensed Producer Bedrocan Canada Inc., and as Controller at Canopy Growth Corporation.

Michael Singer

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

Mr. Singer is currently the CFO of privately-held Clementia Pharmaceuticals Inc., a Montreal based clinical stage biopharmaceutical company. Until June 2015, he was CFO of Bedrocan Cannabis Corp., and with the completion of a $12 million private placement, positioned Bedrocan for its successful capital markets launch and TSX-V listing in August 2014. Mr. Singer has held numerous independent director roles in Canadian

public health care companies, and also previously served as CFO and Corporate Secretary for TSX-V listed Thallion Pharmaceuticals Inc., until the company's successful cash sale to BELLUS Health Inc. in July 2013.

Joseph del Moral

On October 6, 2016, the Company appointed Joseph del Moral to the Board of Directors. Mr. del Moral is co-Founder and CEO of Canadian Cannabis Clinics (CCC). He is also a co-founder of CanvasRx Inc., Canada's leading cannabis outreach and counselling service provider, where he served as CEO until its acquisition by Aurora. Prior to his pioneering work in the cannabis industry, Mr. del Moral held several senior positions in the energy industry, including as founder of Newten Home Comfort, before its acquisition by Just Energy in 2010. He holds a B.Comm in Finance from McGill University.

Barry Fishman

On October 12, 2016, the Company appointed Barry Fishman to the Board of Directors. Mr. Fishman, who will sit as an independent Director, is the CEO of international specialty pharmaceutical company Merus Labs, is a Certified Public Accountant (CPA), and has more than 30 years of experience in executive management, marketing and finance.

Prior to his current role with Merus, he served as CEO of both Teva Canada and Taro Canada, and is a past Chair of the Canadian Generic Manufacturers Association. He began his pharmaceutical career at Eli Lilly, where he advanced through several cross-functional leadership roles, including Vice President of Marketing. Mr. Fishman also has critical insights into the development of the cannabis sector, having previously served on the Board of Directors of Canopy Growth Corporation and Bedrocan Cannabis Corp.

Financing

Subsequent to June 30, 2016, the Company entered into the following $5 million draw-down equity facility, raised aggregate gross proceeds of approximately $42.65 million, and announced up to an additional $25 million private placement of unsecured convertible debentures:

Drawdown Equity Facility of up to $5 Million

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 shall 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 from the date of the agreement. 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. As of the date hereof, no drawdown has been taken on the Equity Facility.

$23 Million Brokered Private Placement

On August 17, 2016, the Company closed a brokered private placement of 57,500,000 subscription receipts for aggregate gross proceeds of $23,000,000. Each subscription receipt was converted into units of the

Company upon the satisfaction of the conditions precedent to the acquisition of CanvasRx Inc. 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.

$15 Million Unsecured Convertible Debentures

On September 28, 2016, the Company completed a brokered private placement of unsecured 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.

On October 11, 2016, the Company announced that $10,000,000 of the principal amount of the Convertible Debentures were converted and the Company issued 8,695,652 common shares and paid interest of $54,794.

On October 20, 2016, the Company gave notice to convert into common shares the remaining $5,000,000 principal amount of Convertible Debentures as the volume weighted average price of the Company's common shares for ten consecutive trading days equaled $2.15.

$25 Million Unsecured Convertible Debentures

On October 11, 2016, the Company announced a brokered private placement of unsecured convertible debentures in the aggregate principal amount of up to $25,000,000. The Convertible Debentures will bear interest from the date of closing at 8% per annum, payable semi-annually, and have a maturity of 24 months from the closing date. The convertible debentures are convertible into common shares of the Company at a price of $2.00 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 $3.00 per share for 10 consecutive trading days.

Furthermore, and pursuant to the offering, the Company converted $10 million of pre-existing convertible debentures, bearing interest at 10% per annum, into approximately 8,695,652 additional common shares as noted above.

Closing is expected to occur on or about November 1, 2016.

$4.65 Million on Exercise of Securities

Subsequent to June 30, 2016, the Company raised approximately $4,650,000 on the exercise of warrants, options and compensation options.

Fiscal 2016

During fiscal 2016, the Company closed the following financings and raised gross proceeds of approximately $6.85 million:

$4,818,585 Non-brokered Private Placement

In December 2015 and January 2016, the Company completed 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.

On October 4, 2016, the Company has given notice with respect to the acceleration of the expiry of the unexercised 5,658,479 share purchase warrants exercisable at $0.66 per share and 112,300 finder warrants exercisable at $0.53 per share, as the Company's common shares traded above $1.25 for ten consecutive trading days. The expiry date was accelerated to November 11, 2016 and any warrants unexercised after the accelerated expiry date will be cancelled.

$2,050,000 Unsecured Convertible Debentures

In May 2016, the Company closed a non-brokered private placement of unsecured convertible debentures in the principal amount of $2,050,000. The convertible 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, 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.

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. 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 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.

On July 28, 2016, the Company has reached an agreement with the debenture holders to amend certain aspects of the anti-dilution clause. As consideration for the debenture amendment, the Company reduced the conversion price from $0.53 to $0.40 per common share. In addition, the Company issued an aggregate of 2,712,500 warrants to the debenture holders at a price of $0.55 per common share expiring August 9, 2018. All other terms of the debentures remain unchanged.

In September, 2016, the Company issued an aggregate of 5,674,542 shares on the conversion of all outstanding debentures (principal amount of $2,050,000 plus interests of $99,817) and bonus debentures of $120,000.

RISK FACTORS

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

Reliance on License

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

Regulatory Risks

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

Change in Laws, Regulations and Guidelines

The Company's business is subject to particular laws, regulations, and guidelines. The production and distribution of medical marijuana is a highly regulated field, and although the Company intends to comply with all laws and regulations, there is no guarantee that the governing laws and regulations will not change which will be outside of the Company's control.

On February 24, 2016, the Federal Court released its decision in the case of Allard et al v. Canada. The impact of this decision could potentially decrease the size of the market for the Company's business, and

potentially materially and adversely affect the Company's business, its results of operations and financial condition. However, it is not expected that the changes in ACMPR regulations would have an effect on the Company's operations that are materially different than the effect on similar-sized companies in the industry.

Limited Operating History and No Assurance of Profitability

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

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

Unfavourable Publicity or Consumer Perception

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

Competition

The market for the Company's product does appear to be sizeable and Health Canada has only issued a limited number of licenses under the ACMPR to produce and sell medical marijuana. As of this date, there are approximately 36 licensed producers in Canada. As a result, the Company expects significant competition from other companies due to the recent nature of the ACMPR regime. A large number of companies appear to be applying for production licenses, some of which may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

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

Company's business, its financial condition and operations.

Uninsured or Uninsurable Risk

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

Key Personnel

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

Conflicts of Interest

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

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

Litigation

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

While the Company has insurance that may cover the costs and awards of certain types of litigation, the

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

See a description of current claims in Note 18 to the Financial Statements.

Agricultural Operations

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

Transportation Disruptions

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

Fluctuating Prices of Raw Materials

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

Environmental and Employee Health and Safety Regulations

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

Intellectual Property

The success of the Company's business depends in part on its ability to protect its ideas and technology. Aurora has no patented technology or trademarked business methods at this time nor has it applied to register any patents. AMI has applied to register the trademark "Aurora" and has received an approval notice from the Canadian Intellectual Property Office.

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

Political and Economic Instability

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

Facility Expansion

The construction of the Company's facility is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond our control, including the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by our suppliers, difficulties in integrating new equipment with our existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, or insufficient funding or other resource constraints. Moreover, actual costs for construction may exceed our budgets. As a result of construction delays, cost overruns, changes in market circumstances or other factors, we may not be able to achieve the intended economic benefits from the construction of the new facility, which in turn may materially and adversely affect our business, prospects, financial condition and results of operations.

Market Risk for Securities

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

Global Economy Risk

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

Dividend Risk

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

Share Price Volatility

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

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

RESULTS OF OPERATIONS

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

During the twelve months ended June 30, 2016, the Company focused its efforts and operational spending on the following:

- Application with Health Canada for a license to sell dried medical cannabis and a license to produce cannabis derivatives (oil products);
- Setting up of its corporate offices and customer care centre in Vancouver and hiring of employees for finance, operations and the customer care centre;
- Revamping and launching of its comprehensive website;
- Registration of patients;

- Increasing production to meet anticipated increase in product demand;
- Adding key senior management new hires;
- Expanding its board of directors with experienced, independent new members; and
- Exploring new equity and debt financings.

During the twelve months ended June 30, 2015, the Company completed the RTO and commenced its listing on the CSE. During this period, the Company's operations were focused on securing its production license, completing construction of the Facility, hiring of key employees for its operations and completing the RTO.

Selected Annual Information

	Three months ended June 30,		Twelve months ended June 30,	
	2016	2015	2016	2015
	$	$	$	$
Revenue	1,220,041	-	1,439,271	-
Gross margin, including the unrealized gain on changes in fair value of biological assets	(4,208,646)	-	2,202,236	-
Operating expenses	2,541,639	1,567,123	6,792,938	4,367,176
Income (loss) from operations	(6,750,285)	(1,567,123)	(4,590,702)	(4,367,176)
Net income (loss) and comprehensive income (loss)	(7,474,107)	(1,763,485)	(5,723,506)	(9,518,369)
Weighted average number of shares outstanding – basic and diluted	135,498,359	76,936,375	128,988,266	76,936,375
Net income (loss) per share – basic and diluted	(0.05)	(0.02)	(0.04)	(0.12)

Revenue

Revenues for the three and twelve months ended June 30, 2016 were $1,220,041 and $1,439,271, respectively, as compared to $nil in 2015. Revenue consisted of the sale of dried medical cannabis. Total product sold for the period was 257,080 grams ($nil in 2015) at an average selling price of $5.60 per gram. The Company received its license from Health Canada to sell medical cannabis under the ACMPR on November 27, 2015 and generated its first product sale on January 5, 2016. As part of the Company's product launching, it offered a number of initial benefits and other promotions such as a welcome package to each of its first 420 clients totalling $89,100 and a $50 credit for first time customers. Aurora's strains are currently priced at $8 per gram with compassionate pricing set at $5 per gram. There was no revenue prior to January 2016.

From July 1, 2016 to date, the Company has sold a total of 555,990 grams of medical cannabis at an average selling price of $6.32 per gram.

Cost of Sales

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

The net recovery to cost of sales resulted primarily from the unrealized gain on changes in the fair value of biological assets during the year ended June 30, 2016 of $3,004,117.

Gross Margin

Gross margin was $2,202,236 for the twelve months ended June 30, 2016. The gross margin in excess of sales was primarily due to the unrealized gain on changes in the fair value of biological assets. This resulted from the initial build-up of plants in production as the Company focuses its efforts on increasing product inventories and strains available for its growing number of registered patients. As at June 30, 2016, Aurora had over 4,500 registered patients in less than six months after its first product sale.

For the three months ended June 30, 2016, accounting treatment of the fair value recognition of biological asset has resulted in a negative gross margin of $4.2 million.

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

General and Administration

	Three months ended June 30,		Twelve months ended June 30,	
	2016	2015	2016	2015
	$	$	$	$
Consulting fees	40,484	52,912	258,636	67,282
Insurance	6,823	(13,238)	36,507	27,026
Investor and shareholder relations	103,741	-	103,741	-
Management fees	133,257	12,700	302,757	17,700
Office and administration	28,892	67,795	179,138	178,779
Professional fees	364,025	183,350	789,040	330,802
Production costs	-	359,257	-	359,257
Regulatory and transfer agent fees	(543)	12,391	49,521	31,916
Rent and utilities	30,737	38,904	193,490	174,180
Travel and accommodation	65,643	51,448	284,965	51,448
Wages and benefits	307,260	229,726	817,704	497,212
	1,080,319	995,245	3,015,499	1,735,602

General and administration costs increased by $85,074 and $1,279,897 for the three and twelve months ended June 30, 2016, respectively. The over-all increase was primarily attributable to the increase in

Consulting fees decreased during the three and twelve months ended June 30, 2016, as in the prior fiscal year, the Company retained the services of consulting firms to initially create and develop its website and certain branding initiatives. During the current year, maintenance and basic updates of the website were transitioned in-house. Also included in consulting fees in the current year were a number of key branding initiatives.

During the twelve months ended June 30, 2016, the Company engaged the services of the following firms/agencies in connection with investor and media relations:

- A news media consulting agency which provided a news media feature article on the Company.
- A creative agency and media network firm dedicated to the legal marijuana industry in the U.S., to provide a US financial media campaign consisting of a video segment, article coverage and email distribution of news releases thereby generating exposure and presence for the Company within the public markets of the North American legal cannabis industry.

The amount reflected in the three months ended June 30, 2016 was a reclassification from sales and marketing to general and administration of investor and shareholder relations costs.

During the three and twelve months ended June 30, 2016, the Company began to incur selling, marketing and promotion and client care expenses upon receipt of its license to sell medical cannabis in January 2016. These expenditures consisted of client care operational costs, promotional items and information materials, sales fees and commissions, shipping costs, and payment processing fees. No such expenses were incurred in the prior fiscal year.

Travel and accommodation decreased during the three and twelve months ended June 30, 2016, as extensive travels were required in the prior period as the Company was developing its website and undertaking various branding and marketing strategies and other related initiatives.
Wages and benefits increased as the Company hired 4 and 16 client care, public affairs and compliance staff during the three and twelve months ended June 30, 2016, respectively.

During the three and twelve months ended June 30, 2015, the Company engaged the services of certain marketing agencies and consulting firms with respect to the Company's website and branding initiatives as follows:

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

During the three and twelve months ended June 30, 2016, website and branding decreased as the Company has completed the design and creation of the website and certain aspects of branding. Costs during the current period included support and maintenance related to branding. The Company also continued to retain the services of marketing agencies with respect to the SEO and certain services on other items indicated on 2 above.

Research and Development

Research and development for the twelve ended June 30, 2016 were $565,140 compared to $432,384 for the twelve months ended June 30, 2015, respectively. The increase in research and development was a largely attributable to experimental research and subsequent development of cannabis oils for future commercialization. In the prior period, research and development expenditures primarily related to research, development and documentation of the cannabis grow process and genetics of various cannabis strains.

Depreciation

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

Share-based Payments

During the twelve months ended June 30, 2016, the Company recorded share-based payments of $912,698 for stock options and warrants granted and vested compared to $872,587 during the twelve months ended June 30, 2015.

Finance and Other Costs

Finance and other costs for the twelve months ended June 30, 2016 were $1,443,500, compared to $325,608 for the twelve months ended June 30, 2015.

Finance and other costs in the prior fiscal year related to interest expense and interest accretion on the $500,000 unsecured loan and $1,250,000 secured convertible loans ("Secured Convertibles") from arm's length parties. These loans bore interest at 8% per annum. The related party long term loans, convertible loans and advances during the prior fiscal year of $4,359,530 were non-interest bearing.
Finance and other costs increased during the year as a result of additional interest and accretion related to new loans totaling $6,700,000. Commencing October 1, 2015, no interest was calculated on $2,500,000 of the related party loans pursuant to an amendment to the promissory notes. The remainder of the finance costs relate to interest expense and interest accretion on outstanding loans.

The Company repaid approximately $3,600,000 of the loans during the year.

Listing Expense

During the year ended June 30, 2015, the Company recorded a one-time listing expense of $5,060,932 with respect to the RTO.

Income Tax Recovery

During the twelve months ended June 30, 2016 and 2015, the Company recorded deferred tax recoveries of $70,102 and $207,708, respectively. These amounts related to the issuance of aggregate convertible notes of $2,170,000 in fiscal 2016 and $2,750,000 in fiscal 2015. During the current fiscal year, the Company recovered taxes of $78,735 related to SR&ED claims.

EBITDA and Adjusted EBITDA

	Three months ended June 30,		Years ended June 30,	
	2016	2015	2016	2015
	$	$	$	$
EBITDA	(6,386,032)	(1,651,108)	(3,724,094)	(8,887,965)
Adjusted EBITDA	(2,158,815)	(1,289,964)	(5,815,513)	(8,015,378)

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

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

SUMMARY OF QUARTERLY RESULTS

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

Quarter ended	Revenue	Income (Loss)	Earnings (Loss) per share
	$	$	$
June 30, 2016	1,220,041	(7,474,107)	(0.05)
March 31, 2016	219,230	2,526,842	0.02
December 31, 2015	-	592,927	-
September 30, 2015	-	(1,369,168)	(0.01)
June 30, 2015	-	(546,743)	(0.01)
March 31, 2015	-	(773,178)	(0.01)
December 31, 2014	-	(7,273,291)	(0.09)
September 30, 2014	-	(925,157)	(0.01)

The Company was incorporated in 2013, began commercial operations in January 2016 and began generating revenues from the sale of medical cannabis in January 2016. The net loss for the quarter ended June 30, 2016 was attributable to a decrease in unrealized gain on changes in fair value of biological assets and increased expenditures due to increased corporate activities related to the acquisition of CanvasRx and various financings. The net income for the quarters ended March 31, 2016 and December 31, 2015 was primarily attributable to the unrealized gain on the changes in fair value of biological assets. The increase

construction of the Facility, development of its medical cannabis operations, branding and product development, and RTO transaction. During the quarter ended December 31, 2014, the Company recorded listing costs of $5,060,932 with respect to the RTO.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, the Company has generated revenues of $1,439,271 from operations and has financed its operations and met its capital requirements primarily through debt and equity financings. The Company's objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company's operating and working capital requirements. During the year, the Company completed various equity and debt financings to meet its current and anticipated future obligations.

As at June 30, 2016, the Company had a working capital deficiency of $2,751,400 compared to a working capital deficiency of $6,341,209 at June 30, 2015. The increase in working capital of $3,589,809 was primarily attributable to increases in inventory of $2,317,216 and biological assets of $1,845,108. The increases in inventory and biological assets were mainly due to their fair value measurements under IFRS as inventories were built up to meet increasing product demand. As at June 30, 2015, the Company had not yet obtained its license to sell medical cannabis and as a result, did not maintain any inventory for sale and recorded biological assets of $25,409 at cost.

Net cash and cash equivalents on hand decreased by $56,780 from $315,853 as at June 30, 2015 to $259,073 as at June 30, 2016. The decrease in cash was mainly attributable to cash used for operating activities of $6,771,479 and investing activities of $1,884,833 offset by cash inflows from financing activities of $8,599,532.

Subsequent to June 30, 2016, the Company significantly strengthened its balance sheet and liquidity position with up to $68 million in new financings as further described in "Recent and Significant Developments" above. Furthermore, the Company also generated approximately $4.7 million in additional gross cash proceeds from exercise of warrants, stock and compensation options. The Company anticipates that it has sufficient liquidity and capital resources to meet all its planned expenditures for the next twelve months.

Operating Activities

For the year ended June 30, 2016, cash flow used for operating activities was $6,771,479 compared to $3,324,178 for the year ended June 30, 2015. The increase in cash flow used for operations of $3,447,301 was primarily due to increases in operating expenses of $2,097,231 and finance and other costs of $629,510, a negative gross profit margin of $801,881 and an increase in non-cash working capital of $259,318.

Investing Activities

For the year ended June 30, 2016, the Company had net cash outflows related to investing activities of $1,884,833 as compared to $7,835,298 for the year ended June 30, 2015. Investing activities during the year relate to building improvements and the purchase of production equipment, computers and furniture. Investing activities during the prior year were mainly from the construction of the Facility of approximately $6,000,000, purchases of production equipment, computers and furniture, and website design and creation.

Financing Activities

Net cash flows provided by financing activities for the twelve months ended June 30, 2016 were $8,599,532 compared to $10,558,562 for the twelve months ended June 30, 2015. During the year, the Company raised aggregate cash proceeds of $12,517,187 as follows:

- private placement of units for net proceeds of $4,617,888;
- unsecured convertible debentures in the principal amount of $2,050,000;
- short and long term loans of $5,632,000; and
- exercise of warrants and options for proceeds of $217,299.

See a full description of the financings closed by the Company during fiscal 2016 under "*Operations Update – Financing* ". The cash proceeds were offset by financing fees paid on the debentures of $316,125 and repayments of loans totalling $2,351,530 consisting of related party loans of $510,000, related party advances of $841,530 and a third party secured loan of $1,000,000.

Subsequent to June 30, 2016, the Company carried out various equity and debt financings and raised approximately $42.65 million. See a full disclosure on these financings under "*Operations Update – Financing* ".

On October 11, 2016, the Company announced a brokered private placement of unsecured convertible debentures in the aggregate principal amount of up to $25,000,000. Closing is expected to occur on or about November 1, 2016.

Capital Resource Measures

The Company's major capital expenditures in fiscal 2017 will mainly consist of the construction of phase 1 of a 650,000 square foot fully automated greenhouse in Alberta, Canada. See "Operations Update". The Company anticipates that the aforementioned financing proceeds will be sufficient to fund the Company's operations to meet its planned growth and to fund development activities for fiscal 2017.

Contractual Obligations

As of June 30, 2016, the Company had the following financial commitments:

Contractual Obligation	Total	Less than 1 year	1.5 - 3 years	After 3 years
	$	$	$	$
Short-term loans [(1)]	6,047,408	6,047,408	-	-
Long-term loans [(2)]	3,158,569	-	3,518,569	-
Operating lease	202,500	60,000	120,000	22,500
Convertible notes [(3)]	1,280,531	-	1,280,531	-
Office lease [(4)]	558,734	144,084	292,308	142,342

(1) Of these loans, $4,391,751 were paid subsequent to June 30, 2016.
(2) These loans were repaid in full subsequent to June 30, 2016.
(3) The convertible notes were converted into common shares subsequent to June 30, 2016.

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

Contingencies

The Company is subject to certain claims outlined in Note 18 to the Company's Financial Statements.

Investment in Australis Holdings LLP

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

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

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

The Company is focusing its expansion projects in the Canadian market and currently constructing the first phase of its greenhouse in Alberta. As a result, the Company has decided to defer its development in Bellingham.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Related Party Transactions

The Company entered into certain transactions with related parties during the years ended June 30, 2016 and 2015 as follows:

Name and Relationship to Company	Transaction	2016	2015
		$	$
W.L. Macdonald Law Corporation, a company controlled by William Macdonald, a former Secretary of the Company	RTO listing expense and legal fees	3,102	71,120
Delcon Industries Ltd, a company controlled by Dale Lesack, a director of ACE	Consulting fees	150,000	150,000
Dale Lesack is paid $12,500 per month for his services as the Company's Production Facilitator.			
Evolve Concrete, a company controlled by Chris Mayerson, a director of ACE	Consulting fees	150,000	150,000
Chris Mayerson was paid $12,500 per month for his services as Chief Cultivator of the Company.			
Inspire Consulting Services Ltd., a company controlled by John Bean, CFO of the Company	Management fees Share-based payments	43,200 -	16,200 59,842
Lola Ventures Inc., a company controlled by Terry Booth, CEO of the Company	Management fees	125,000	-
1771472 Alberta Ltd., a company controlled by Steve Dobler, President of the Company	Management fees	75,000	-
Jason Dyck, a director of the Company	Director's fees Consulting fees [(1)] Share-based payments	9,500 59,338 57,495	1,500 - 11,729
[(1)] Consulting fees paid for scientific research and development services.			
Adam Szweras, a director of the Company	Director's fees Share-based payments	25,500 32,474	- -

Name and Relationship to Company	Transaction	2016	2015
		$	$
Chuck Rifici, a director of the Company	Director's fees Share-based payments	24,500 34,688	- -
Michael Singer, a director of the Company	Director's fees Share-based payments	11,273 56,430	- -
8115966 Canada Inc., a Company controlled by Michael Singer, a director of the Company	Financial advisory services	8,248	-
Superior Safety Codes ("Superior"), a company controlled by Terry Booth, CEO and Steve Dobler, President of the Company	Rent, accounting and administration	156,958	211,031
Rent for corporate offices in Edmonton and Calgary as well as accounting and administrative support at these offices pursuant to an Administrative Services and Office Space agreement dated January 1, 2016.			
Avarone Metals Inc. ("Avarone"), a company controlled by Marc Levy, a former director and officer of the Company	Rent, accounting and administration	15,000	158,275
The Company terminated the services of Avarone effective August 1, 2015.			

Related Party Balances

As at June 30, 2016, the following related party amounts were included in (a) accounts payable and accrued liabilities, (b) prepaid expenses and deposits, (c) convertible notes, (d) short term loans and (e) long term loans, (f) note receivable:

	2016	2015
	$	$
(a) Accounts payable and accrued liabilities		
Companies controlled by directors and officers of the Company	101,765	59,946
Directors of the Company	35,545	17,717
(b) Prepaid expenses and deposits		
Avarone	1,500	1,500
(c) Convertible notes		
1771472 Alberta Ltd. ("1771472"), a company controlled by Steve Dobler, a director and officer of the Company	-	274,008
(d) Short-term loans		
Lola Ventures Inc. ("Lola"), a company controlled by Terry Booth, CEO & director	539,863	1,274,658
1771472	549,863	1,274,658

	1,089,726	2,549,316
Superior	-	841,530
(e) Long-term loans		
Lola	1,579,285	1,500,000
1771472	1,579,284	518,000
	3,158,569	2,018,000
(f) Note receivable		
Australis Holdings LLP	1,782,186	1,680,506
See Note 9 to the Company's Financial Statements.		

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the Financial Statements relate to going concern assumptions, the estimated useful lives and depreciation of property, plant and equipment, valuation of convertible instruments and share-based payments and fair value measurements for inventory and biological assets.

NEW ACCOUNTING PRONOUNCEMENTS

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

IFRS 7 Financial instruments: Disclosure

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

IFRS 9 Financial instruments

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

In May 2014, the IASB issued amendments to this Standard, incorporated into the Handbook by the AcSB in July 2014, to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those

principles that conflict with the guidance in IFRS 11. The amendments apply to the acquisition of an interest in a joint operation on its formation, unless the formation of the joint operation coincides with the formation of the business, and the acquisition of additional interests in the same joint operation.

These amendments should be applied prospectively for annual periods beginning on or after January 1, 2016, with earlier application permitted.

IFRS 15 Revenue from contracts with Customers

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

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

IAS 1 Presentation of Financial Statements

During December 2014, the IASB issued amendments to IAS 1, Presentation of Financial Statements, which clarify the concept of materiality as it applies to information disclosed in the financial statements. The

amendments also provide guidance on the presentation of subtotals, the structure of the notes to the financial statements, and the disclosure of significant accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2016. The Company does not expect this amendment to have a material impact on its financial statements.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture

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

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

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

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

IAS 28 (Revised) Investments in Associates and Joint Ventures (Amendment)

In September 2014, the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 (Revised). The amendments address an inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the sale or contribution of a subsidiary by an investor to an associate or joint venture. The amendments require sales or contributions of assets that constitute a business to be accounted for in accordance with the requirements of IFRS 10 (i.e. full gain or loss recognition). All other sales or contributions of assets would be accounted for in accordance with the requirements of IAS 28 (i.e. gain or loss recognition limited to the extent of the unrelated investors' interests in the associate or joint venture).

These amendments should be applied prospectively for annual periods beginning on or after January 1, 2016, with early application permitted.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, note receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as at June 30, 2016.

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

	Fair value at June 30, 2016	Basis of measurement	Financial instruments
	$		
Financial Assets			
Cash and cash equivalents	259,073	Carrying value	Loans and receivables
Financial Liabilities			
Accounts payable	1,686,794	Carrying value	Other financial liabilities
Deferred revenue	27,629	Carrying value	Other financial liabilities
Short term loans[1]	6,047,408	Fair value / Carrying value	Other financial liabilities
Derivative liabilities	233,444	Fair value	Fair Value through Profi and Loss
Long term loans[1]	3,158,569	Fair value / Carrying value	Other financial liabilities
Convertible debentures[1]	1,280,531	Fair value / Carrying value	Other financial liabilities

(1) The fair values of the short-term loans, long term loans and convertible notes include both the debt and equity components.

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

The Company determines the fair value of its derivative liabilities (See Notes 10(f), 11(a) of the Company's Financial Statements) using a Monte Carlo simulation approach. Monte Carlo simulation approaches are a class of computational algorithms that rely on repeated random sampling to compute their results. The Company's share price paths were developed using a mathematical formula based on a stochastic process with mean reversion to a long-term trend line incorporating current Company stock prices and stock volatility, both observable data points. Assumptions regarding requirements for future financings are unobservable and accordingly the derivatives are classified in Level 3 of the fair value hierarchy.

Changes in liabilities measured at fair value and included in level 3 of the fair value hierarchy were as follows:

	2016	2015
	$	$
Opening balance	-	-
Initial recognition	322,526	-
Gain / loss on remeasurement to fair value at period end	(89,082)	-

Ending balance	233,444	-

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

(i) Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated Canadian financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates. Trade and other receivables primarily consist of trade accounts receivable and goods and services taxes recoverable ("GST").

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but has limited risk as the majority of sales are transacted with credit cards.

As at June 30, 2016, the Company's aging of receivables was approximately as follows:

	2016	2015
	$	$
0 – 60 days	-	-
61 – 120 days	83,613	-
	83,613	-

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. Subsequent to June 30, 2016, the Company has reduced its current exposure to liquidity risk through the completion of certain private placement financings for aggregate gross proceeds of $38,000,000.

In addition to the commitments outlined in Note 18, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 -5 years
	$	$	$	$
Accounts payable and accrued liabilities	1,686,794	1,686,794	-	-
Deferred revenue	27,629	27,629	-	-
Loans [1]	9,205,977	6,047,408	3,158,569	-
Convertible notes [2]	1,280,531	-	1,280,531	-
	12,200,931	7,761,831	4,439,100	-

[1] Of this amount, an aggregate of $7,552,915 plus interest and penalties were repaid subsequent to June 30, 2016. (Notes 10(a), 10(c), 10(f) & 10(g)).
[2] Subsequent to June 30, 2016 common shares were issued on the conversion of the convertible notes. (Note 11(a).

(iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. The Company's short-term loans and convertible loans are either non-interest bearing or have fixed rates of interest and expose the Company to a limited interest rate risk.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the year ended June 30, 2016.

SUMMARY OF OUTSTANDING SHARE DATA

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

Securities [1]	October 27, 2016
	#
Shares	254,423,422
Options	6,464,919
Warrants	54,205,551
Compensation options	2,558,625
Convertible debentures	4,347,826

[1] See the Company's Financial Statements for a detailed description of these securities.

BOARD OF DIRECTORS

Terry Booth
Dr. Jason Dyck
Steve Dobler
Barry Fishman
Joseph del Moral
Chuck Rifici
Michael Singer
Adam Szweras

Capital Summary	October 27, 2016
TSX-V listed, ticker symbol	ACB
Securities	
Issued & Outstanding Shares	254,423,422
Warrants	54,205,551
Options	6,464,919
Compensation options	2,558,625
Convertible debentures shares reserved for issuance	$4,347,826
Fully Diluted	322,000,343

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