AURORA CANNABIS INC.

Condensed Interim Consolidated Financial Statements
(Unaudited)

For the three and six months ended December 31, 2016 and 2015
(In Canadian Dollars)

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)
December 31, 2016 and June 30, 2016
(In Canadian Dollars)

	Notes	December 31, 2016	June 30, 2016
		$	$
Assets			
Current			
Cash and cash equivalents		55,846,287	169,579
Restricted cash	9(a)	-	89,494
Accounts receivable	15(c)	1,670,205	86,170
Inventory	3	3,005,236	2,317,216
Biological assets	4	2,713,150	1,845,108
Other current assets		1,277,743	736,308
		64,512,621	5,243,875
Property, plant and equipment	5	15,702,495	11,370,484
Note receivable	6	1,898,512	1,782,186
Investment in a joint venture	6	-	-
Goodwill	7	16,104,931	-
		98,218,559	18,396,545
Liabilities			
Current			
Accounts payable and accrued liabilities	12(c)	2,050,503	1,686,794
Deferred revenues		726,565	27,629
Finance lease	8	17,469	-
Short term loans	9, 12(c)	1,657,630	6,047,408
Derivative liabilities	9(d), 10(c)	-	233,444
		4,452,167	7,995,275
Finance lease	8	99,622	-
Convertible notes	10	18,841,831	1,280,531
Long term loans	9, 12(c)	-	3,158,569
		23,393,620	12,434,375
Shareholders' equity			
Share capital	11	89,323,022	17,147,878
Reserves		9,284,273	5,730,300
Deficit		(23,782,356)	(16,916,008)
		74,824,939	5,962,170
		98,218,559	18,396,545

Nature of Operations (Note 1)
Subsequent Events (Notes 7, 12(c), 13(a)(ii), 13(b) and 15)
Commitments and Contingencies (Note 13)

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

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)
Three and Six months ended December 31, 2016 and 2015
(In Canadian Dollars)

	Notes	Three months ended December 31, 2016	2015	Six months ended December 31, 2016	2015
		$	$	$	$
Revenues		3,884,462	-	6,955,884	-
Unrealized gain on changes in fair value of biological assets		(2,880,522)	(2,219,696)	(1,618,241)	(2,219,696)
Inventory expensed to cost of sales		1,056,611	-	1,538,254	-
Production costs		1,348,013	-	2,589,246	-
Cost of sales (recovery)		(475,898)	(2,219,696)	2,509,259	(2,219,696)
Gross Profit		4,360,360	2,219,696	4,446,625	2,219,696
Expenses					
General and administration	12(a)	1,553,558	727,787	2,765,618	1,243,317
Sales and marketing		2,410,701	263,890	3,981,192	388,617
Research and development		99,087	109,067	138,999	205,627
Depreciation		163,178	129,595	321,840	292,903
Share-based payments	11(d)	2,510,075	315,763	2,889,893	598,042
		6,736,599	1,546,102	10,097,542	2,728,506
Income (loss) from operations		(2,376,239)	673,594	(5,650,917)	(508,810)
Other income (expenses)					
Interest and other income		99,124	32,172	126,867	46,389
Finance and other costs		(1,801,183)	(112,839)	(4,840,671)	(313,820)
		(1,702,059)	(80,667)	(4,713,804)	(267,431)
Income (loss) before income taxes		(4,078,298)	592,927	(10,364,721)	(776,241)
Income tax recovery					
Current		11,364	-	19,004	-
Deferred		1,389,130	-	2,055,107	-
		1,400,494	-	2,074,111	-
Net income (loss) and comprehensive income (loss)		(2,677,804)	592,927	(8,290,610)	(776,241)
Net income (loss) per share					
Basic and diluted		(0.01)	-	(0.04)	(0.01)
Weighted average number of shares outstanding					
Basic		263,865,017	125,130,133	223,737,570	123,230,174
Diluted		263,865,017	136,642,050	223,737,570	123,230,174

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

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)
Six months ended December 31, 2016 and 2015
(In Canadian Dollars)

	Notes	Share Capital		Reserves						Deficit	Total
		Common Shares	Amount	Obligation To Issue Shares	Stock Options	Compensation Options/ 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		-	-	-	-	-	-	-	-	(776,241)	(776,241)
Conversion of notes	10(a)	3,928,000	452,253	-	-	-	-	(171,089)	(171,089)	-	281,164
Private placement	11(b)(xi)	3,250,755	1,722,900	-	-	-	-	-	-	-	1,722,900
Share issue costs		-	(79,703)	-	-	27,551	-	-	27,551	-	(52,152)
Exercise of stock options		2,842,913	456,637	-	(340,613)	-	-	-	(340,613)	-	116,024
Exercise of warrants		564,000	56,400	-	-	-	-	-	-	-	56,400
Forfeited options		-	-	-	(13,956)	-	-	-	(13,956)	13,956	-
Share-based payments		-	-	-	371,793	226,249	-	-	598,042	-	598,042
Balance, December 31, 2015		**129,379,806**	**14,041,464**	**2,322,000**	**398,577**	**1,076,452**	**-**	**44,643**	**3,841,672**	**(12,104,189)**	**5,778,947**
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(4,947,265)	(4,947,265)
Equity component of convertible notes		-	-	-	-	-	-	269,619	269,619	-	269,619
Deferred tax on convertible notes		-	-	-	-	-	-	(70,102)	(70,102)	-	(70,102)
Fees on convertible notes		-	-	-	-	90,144	-	-	90,144	-	90,144
Private placement	11(b)(xi)	5,840,915	3,095,685	-	-	-	-	-	-	-	3,095,685
Share issue costs		-	(166,549)	-	-	18,004	-	-	18,004	-	(148,545)
Exercise of stock options		132,916	58,778	-	(13,903)	-	-	-	(13,903)	-	44,875
Forfeited options		-	-	-	(90,803)	-	-	-	(90,803)	90,803	-
Shares issued for compensation		22,728	12,500	12,500	-	-	-	-	12,500	-	25,000
Shares issued for convertible notes	10(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	9(b),9(e)	-	-	-	-	-	1,403,156	-	1,403,156	-	1,403,156
Share-based payments		-	-	-	314,656	-	-	-	314,656	-	314,656
Balance, June 30, 2016		**135,576,365**	**17,147,878**	**2,334,500**	**608,527**	**1,184,600**	**1,403,156**	**199,517**	**5,730,300**	**(16,916,008)**	**5,962,170**
Comprehensive loss for the period		-	-	-	-	-	-	-	-	(8,290,610)	(8,290,610)
Shares issued for acquisition	7	17,875,000	11,440,000	-	-	-	-	-	-	-	11,440,000
Performance shares	11(b)(v)	20,000,000	2,322,000	(2,322,000)	-	-	-	-	(2,322,000)	-	-
Transfer from derivative liabilities		-	-	-	-	98,444	-	-	98,444	-	98,444
Private placement	11(b)(iv)	57,500,000	23,000,000	-	-	-	-	-	-	-	23,000,000
Share issue costs	11(b)(iv)	-	(3,825,987)	-	-	2,021,978	-	-	2,021,978	-	(1,804,009)
Warrants issued on amendment of convertible notes	10(c)	-	-	-	-	876,501	-	-	876,501	-	876,501
Conversion of notes	11(b)(i)(ii)	18,784,726	16,913,462	-	-	-	-	(1,888,278)	(1,888,278)	-	15,025,184
Equity component of convertible notes		-	-	-	-	-	-	7,904,258	7,904,258	-	7,904,258
Deferred tax on convertible notes		-	-	-	-	-	-	(2,055,107)	(2,055,107)	-	(2,055,107)
Shares issued for loan	9(d)	50,000	23,500	-	-	-	-	-	-	-	23,500
Shares issued for compensation	11(b)(ii)	25,510	12,500	(12,500)	-	-	-	-	(12,500)	-	-
Exercise of stock options	11(b)(vii)	620,077	497,058	-	(241,035)	-	-	-	(241,035)	-	256,023
Exercise of warrants	11(b)(viii)	31,501,931	19,354,049	-	-	(1,189,357)	-	-	(1,189,357)	-	18,164,692
Exercise of compensation options/warrants	11(b)(ix)	3,234,434	2,438,562	-	-	(1,104,562)	-	-	(1,104,562)	-	1,334,000
Forfeited options		-	-	-	(21,106)	-	-	-	(21,106)	21,106	-
Reclassification upon repayment of related party loans	9(b), 9(e)	-	-	-	-	-	(1,403,156)	-	(1,403,156)	1,403,156	-
Share-based payments		-	-	-	2,889,893	-	-	-	2,889,893	-	2,889,893
Balance, December 31, 2016		**285,168,043**	**89,323,022**	**-**	**3,236,279**	**1,887,604**	**-**	**4,160,390**	**9,284,273**	**(23,782,356)**	**74,824,939**

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

AURORA CANNABIS INC.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)
Six months ended December 31, 2016 and 2015
(In Canadian Dollars)

	2016	2015
	$	$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(8,290,610)	(776,241)
Adjustments for non-cash items		
Unrealized gain on changes in fair value of biological assets	(1,168,241)	(2,219,696)
Depreciation	470,799	292,903
Share-based payments	2,889,893	598,042
Accrued interest	3,501	95,090
Accretion expense	1,499,796	26,023
Financing fees	2,120,990	55,098
Deferred tax recovery	(2,055,107)	-
Changes in non-cash working capital		
Accounts receivable	(1,584,035)	511,771
Inventory	(227,785)	(998,753)
Other current assets	(541,435)	(13,119)
Accounts payable and accrued liabilities	174,717	498,997
Deferred revenues	698,936	-
	(6,008,581)	(1,929,885)
Investing activities		
Purchase of property, plant and equipment	(4,842,015)	(911,841)
Acquisition of CanvasRx	(3,400,000)	-
Bank indebtedness assumed on the acquisition of CanvasRx	(18,421)	-
	(8,260,436)	(911,841)
Financing activities		
Finance lease	64,170	-
Proceeds (repayment) of convertible notes	40,000,000	(1,087,101)
Proceeds from short term loans	-	2,722,123
Repayment of short term loans	(5,548,645)	(1,390,683)
Proceeds (repayment) of long term loans	(4,000,000)	982,000
Financing fees	(1,610,000)	-
Shares issued for cash	42,754,715	1,895,324
Share issue costs	(1,804,009)	(52,152)
	69,856,231	3,069,511
Increase in cash and cash equivalents	55,587,214	227,785
Cash and cash equivalents, beginning of period	259,073	315,853
Cash and cash equivalents, end of period	55,846,287	543,638
Cash and cash equivalents consist of:		
Cash	14,846,287	454,144
Guaranteed Investment Certificates	41,000,000	-
Restricted cash	-	89,494
	55,846,287	543,638
Supplementary information:		
Property, plant and equipment in accounts payable	107,687	529,312

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

(In Canadian Dollars)

1. Nature of Operations

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

The Company, through its wholly-owned subsidiary, Aurora Cannabis Enterprises Inc., is licensed to produce and sell medical marijuana pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR").

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 Suite 1500 - 1199 West Hastings Street, Vancouver, BC, Canada, V6E 3T5. The Company's registered and records office is Suite 1500 - 1055 West Georgia Street, Vancouver, BC V6E 4N7.

2. 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 accounting policies and critical estimates applied by the Company in these Interim Financial Statements are the same as those applied in the Company's consolidated financial statements as at and for the year ended June 30, 2016. The Interim Financial Statements do not include all of the information required for full annual financial statements.

These Interim Financial Statements were approved by the Board of Directors of the Company on February 24, 2017.

(a) 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 Inc. ("CanvasRx"). All significant intercompany balances and transactions were eliminated on consolidation.

3. Inventory

	December 31, 2016	June 30, 2016
	$	$
Harvested cannabis	2,780,214	2,230,496
Supplies and consumables	225,022	86,720
	3,005,236	2,317,216

(In Canadian Dollars)

3. Inventory (Continued)

During the three and six months ended December 31, 2016, inventory recognized as an expense in cost of sales amounted to $1,021,903 and $1,503,546, respectively ($Nil and $Nil during the three and six months ended December 31, 2015). See Note 15(c)

As at December 31, 2016, included in inventory was a provision of $838,823 (June 30, 2016 - $784,535) to reduce inventory to net realizable value. The adjustment 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:

	December 31, 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 (Note 15(c))	7,071,458	6,196,939
Transferred to inventory upon harvest	(6,203,416)	(4,377,240)
Balance, December 31, 2016 and June 30, 2016	2,713,150	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	Construction in process	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Finance Lease Equipment	Total
	$	$	$	$	$	$	$
Cost:							
Balance, June 30, 2015	10,269,065	-	343,026	38,819	439,407	-	11,090,317
Additions	562,015	-	101,018	70,173	581,080	-	1,314,286
Balance, June 30, 2016	10,831,080	-	444,044	108,992	1,020,487	-	12,404,603
Additions	147,860	3,736,029	199,035	80,911	457,714	181,261	4,802,810
Balance, December 31, 2016	10,978,940	3,736,029	643,079	189,903	1,478,201	181,261	17,207,413

(In Canadian Dollars)

5. Property, Plant and Equipment (Continued)

	Building & Improvements	Construction In Process	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Finance Lease Equipment	Total
	$	$	$	$	$	$	$
Accumulated Depreciation:							
Balance, June 30, 2015	201,366	-	44,622	3,882	54,926	-	304,796
Depreciation	414,927	-	117,129	14,781	182,486	-	729,323
Balance, June 30, 2016	616,293	-	161,751	18,663	237,412	-	1,034,119
Depreciation	217,097	-	88,310	14,185	151,207	-	470,799
Balance, December 31, 2016	833,390	-	250,061	32,848	388,619	-	1,504,918
Net Book Value:							
June 30, 2016	10,214,787	-	282,293	90,329	783,075	-	11,370,484
December 31, 2016	10,145,550	3,736,029	393,018	157,055	1,089,582	181,261	15,702,495

During the six months ended December 31, 2016, included in production costs was depreciation of $148,958 (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 six months ended December 31, 2016, the Company accrued interest of $20,729 (2015 - $20,729) 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:

	December 31, 2016	June 30, 2016
	US$	US$
Cash and cash equivalents	20,697	7,203
Other current assets	500	500
Total current assets	21,197	7,703
Property, plant and equipment	2,300,000	2,300,000
Total assets (100%)	2,321,197	2,307,703

(In Canadian Dollars)

6. Investment in a Joint Venture (Continued)

	December 31, 2016	June 30, 2016
	US$	US$
Total current liabilities	152,766	82,766
Long term loans	2,415,475	2,378,336
Total equity	(247,044)	(153,399)
Total liabilities and equity (100%)	2,321,197	2,307,703

(b) Statement of Loss and Comprehensive Loss:

Net loss and comprehensive loss (100%)	93,645	122,260

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 19 physical locations in the provinces of Ontario and Alberta, 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 fair value at the date of issuance. In addition, upon signing the Letter of Intent, the Company extended a loan to CanvasRx of $450,000 which subsequently formed part of the purchase consideration on closing of the Acquisition. Pursuant to the Agreement, the Company also paid $250,000 relating to certain transaction 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 the purchase consideration.

Subsequent to December 31, 2016, certain patient and counselling room performance milestones were met and the Company paid $1,222,689 and issued 1,845,500 shares at a deemed price of $2.074 per share to the former shareholders of CanvasRx.

(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 the Acquisition is as follows:

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

Goodwill arose in the Acquisition as 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.

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.

(In Canadian Dollars)

8. Finance Lease

During the six months ended December 31, 2016, the Company entered into a finance lease agreement related to production equipment of $181,261 of which a down payment of $64,170 was made. The lease is repayable over a period of 4 years expiring September 2020.

	December 31, 2016
	$
Less than 1 year	23,238
Between 1 and 4 years	113,285
Total minimum lease payments	136,523
Less: amount representing interest at approximately 8.19%	(19,432)
Present value of minimum lease payments	117,091
Less: current portion	(17,469)
	99,622

9. Short and Long Term Loans

Type of Loan		Interest per Annum	Maturity	December 31, 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	1,657,630	1,655,657
Secured demand loan	(d)	19.5%	January 25, 2018 or on demand	-	2,845,208
				1,657,630	6,047,408
Long term					
Unsecured loans from related parties	(b)&(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.

9. Short and Long Term Loans (Continued)

(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 reported a positive cash flow quarter and, at such time, the loans would 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%.

During the six months ended December 31, 2016, the loans were repaid in full.

(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.

The Mortgage was renewed to April 1, 2017. During the six months ended December 31, 2016, the Company paid or accrued interest of $100,982 (2015 - $50,246) 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 warrants to the lender exercisable into common shares of the Company at a price of $0.55 per share expiring January 25, 2020. The warrants were subject to a 30-day forced exercise provision if the Company's share price is $1.10 or higher for 30 consecutive days. The Company were to pay a top up fee if the fair value of the shares on any unexercised warrants is less than the exercise price (i) on the maturity date; and/or (ii) on completion of a successor entity or going private event.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the 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 was 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. During the six months ended December 31, 2016, all of the warrants were exercised and $98,444 was reclassified from derivative liabilities to share capital on the exercise of these warrants.

9. Short and Long Term Loans (Continued)

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 reported a positive cash flow quarter and at such time, the loans would 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%.

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 six months ended December 31, 2016, the loans were repaid in full.

10. Convertible Notes

(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.

The aggregate principal amount of the debentures is subject to a forced conversion provision if the volume weighted average price of the Company's common shares equals or exceeds $3.00 per share for 10 consecutive trading days.

On closing, the Company paid the Agent a commission of $1,000,000, representing 4% of the gross proceeds of the private placement, and legal fees and expenses of $69,900.

(b) On September 28, 2016, the Company closed a brokered private placement of 10% unsecured convertible debentures in the aggregate principal amount of $15,000,000. The debentures were convertible into common shares of the Company at a price of $1.15 per share at any time until March 28, 2018.

On closing, the Company paid the Agent a commission of $600,000, representing 4% of the gross proceeds of the private placement, and legal fees and expenses of $37,700.

The aggregate principal amount of the debentures was subject to a forced conversion provision if the volume weighted average price of the Company's common shares equals or exceeds $2.00 per share for 10 consecutive trading days.

10. Convertible Notes (Continued)

During the six months ended December 31, 2016, the Company elected to exercise its right to convert all of the principal amount of the debentures and accrued interests as the volume weighted average price of its common shares for 10 consecutive days equaled $2.15. The Company issued 13,110,184 common shares on the conversion of the debentures (principal amount of $15,000,000 plus interests of $76,712) and paid interest of $54,794. Note 11(b(i))

(c) In May 2016, the Company completed a non-brokered private placement of 10% unsecured convertible debentures in the principal amount of $2,050,000. The debentures were convertible into common shares of the Company at a price of $0.53 per share for a period of 18 months.

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 at a fair value of $90,144. Each compensation option was 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. Each whole warrant was exercisable into one additional common share of the Company at a price of $0.69 per share for a two-year period. In September 2016, all of the compensation options and warrants were exercised.

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 issued 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. In December 2016, all of these warrants were exercised.

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 Canadian Dollars)

10. Convertible Notes (Continued)

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 liabilities to share capital on the conversion of these debentures.

(d) On August 29, 2014, the Company issued unsecured, non-interest bearing, 5-year term, convertible notes for aggregate gross proceeds of $1,500,000 to companies controlled by the CEO and the President of the Company. The notes 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 these notes (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 notes 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 these notes.

(e) On November 24, 2014 and December 1, 2014, the Company issued secured convertible notes for $1,000,000 and $250,000, respectively. The notes 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 notes into common shares of the Company at a price of $1.01 per share.

During the year ended June 30, 2016, the notes plus interest and expenses of $171,089 were repaid in full.

The liability component of the convertible 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)	Long term (d)	Short term (e)
	$	$	$	$	$
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	25,000,000	15,000,000	-	-	-
Equity portion	(5,622,148)	(2,282,110)	-	-	-
Conversion	-	(13,008,856)	(1,881,328)	-	-
Interest paid	-	(54,794)	(2,292)	-	-
Financing fees	(916,667)	-	437,613	-	-
Accretion	380,646	214,254	63,368	-	-
Accrued interest	-	131,506	102,108	-	-
Balance, December 31, 2016	18,841,831	-	-	-	-

11. 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 December 31, 2016, there were 285,168,043 (June 30, 2016 - 135,576,365) issued and fully paid common shares.

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) During the six months ended December 31, 2016, an aggregate of 18,784,726 (June 30, 2016 - 3,928,000) common shares were issued on the conversion of $17,226,529 (June 30, 2016 - $491,000) convertible notes. Notes 10(b) and 10(c)

(ii) On August 30, 2016, the Company issued 25,510 (June 30, 2016 - 22,728) common shares to an officer of the Company at a fair value of $12,500 (June 30, 2016 - $12,500) pursuant an employment agreement.

(iii) On August 17, 2016, 17,875,000 common shares were issued pursuant to the acquisition of CanvasRx. (Note 7)

(iv) In conjunction with the acquisition of CanvasRx, 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.

11. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

In addition, the Company issued aggregate compensation warrants of 3,775,000 to the agents at a fair value of $2,021,978. 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.

(v) On August 17, 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.

(vi) On July 14, 2016, 50,000 common shares were issued at a fair value of $23,500 for financing fees. Note 9(d)

(vii) During the six months ended December 31, 2016, 620,077 stock options (June 30, 2016 - 2,975,829) were exercised for gross proceeds of $256,023 (June 30, 2016 - $160,899). Non-cash compensation charges of 241,035 (June 30, 2016 - $354,516) were reclassified from reserves to share capital on the exercise of these options.

(viii) During the six months ended December 31, 2016, 31,501,931 (June 30, 2016 - 564,000) warrants were exercised for gross proceeds of $18,164,692 (June 30, 2016 - $56,400). Non-cash compensation charges of $1,189,357 (June 30, 2016 - $nil) were reclassified from reserves to share capital on the exercise of these warrants.

(ix) During the six months ended December 31, 2016, 3,234,434 (June 30, 2016 - Nil) compensation options/warrants were exercised for gross proceeds of $1,334,000 (June 30, 2016 - $Nil). Non-cash compensation charges of $1,104,562 (June 30, 2016 - $nil) were reclassified from reserves to share capital on the exercise of these compensation options/warrants.

(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 10 (c)

(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.

(In Canadian Dollars)

11. Share Capital and Reserves (Continued)

(b) Issued and outstanding (continued)

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.

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 36 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	(23,937,500)	-	-
Balance, December 31, 2016	25,875,000	-	9,000,000

[1] See Note 13(b)(i)

(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:

(In Canadian Dollars)

11. Share Capital and Reserves (Continued)

(d) Stock options (continued)

	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	4,815,000	1.87
Exercised	(620,077)	0.41
Forfeited	(208,334)	0.69
Balance, December 31, 2016	9,296,423	1.14

The following table summarizes the stock options that remain outstanding as at December 31, 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	104,166
0.30	350,000	August 10, 2020	145,831
0.30	644,923	August 14, 2020	188,256
0.30	350,000	September 1, 2020	145,831
0.30	150,000	September 8, 2018	38,800
0.30	12,500	September 8, 2018	12,500
0.34	150,000	May 23, 2020	75,000
0.40	350,000	March 10, 2019	350,000
0.46	1,250,000	May 20, 2021	250,000
0.55	80,000	February 8, 2021	39,999
0.58	300,000	March 14, 2021	143,750
0.66	350,000	August 8, 2021	29,166
1.30	1,315,000	September 23, 2021	279,439
2.18	350,000	October 12, 2021	-
2.25	2,800,000	August 25, 2021	525,000
	9,296,423		2,921,738

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

During the three and six months ended December 31, 2016, the Company recorded aggregate share-based payments of $2,510,075 and $2,889,893 respectively (three and six months ended December 31, 2015 - $315,763 and $598,042 respectively) for all stock options granted and vested during the period.

(In Canadian Dollars)

11. Share Capital and Reserves (Continued)

(d) Stock options (continued)

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	0.57%	0.53%
Annual Dividend Yield	0%	0%
Stock Price Volatility	87.0%	80.0%
Expected Life of Options	2.92 years	3.4 years
Forfeiture rate	5%	5%

The stock price volatility assumption was estimated using the historical volatility of the Company and other comparable companies which have trading and volatility histories. The risk-free interest rate assumption was based on Canadian 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 six months ended December 31, 2016 was $1.11 (2015 - $0.22) per option. As at December 31, 2016, stock options outstanding have a weighted average remaining contractual life of 4.15 years.

(e) Share purchase warrants

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

	Warrants	Weighted average exercise price
	#	$
Balance, June 30, 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	33,079,716	0.55
Exercised	(31,501,931)	0.58
Balance, December 31, 2016	30,328,375	0.38

The following table summarizes the warrants that remain outstanding as at December 31, 2016:

Exercise Price	Warrants	Expiry Date
$	#	
0.02	9,000,000 (1)	December 9, 2019
0.50	6,600,000	December 9, 2017
0.55	62,500	July 27, 2018
0.55	14,665,875	August 9, 2018
	30,328,375	

(1) See note 13(b)(i).

(In Canadian Dollars)

11. Share Capital and Reserves (Continued)

(f) Compensation options/warrants

Each compensation option/warrant entitles the holder to purchase one common share and one-half of one share purchase warrant of the Company. Each whole warrant is exercisable into one additional common share of the Company for a period of two years. A summary of the status of the compensation options/warrants outstanding follows:

	Compensation options/warrants	Weighted average exercise price
	#	$
Balance, June 30, 2015	-	-
Issued	309,434	0.53
Exercised	-	-
Expired	-	-
Balance, June 30, 2016	309,434	0.53
Issued	3,775,000	0.40
Exercised	(3,234,434)	0.41
Balance, December 31, 2016	850,000	0.40

12. Related Party Transactions

(a) Goods and services

The Company incurred the following transactions with related parties during the three and six months ended December 31, 2016:

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2015	2015
	$	$	$	$
Consulting fees paid or accrued to directors of ACE	57,500	75,000	106,250	150,000
Office, rent and administration paid or accrued to companies owned by directors and officers and a former director and officer of the Company	30,000	54,958	60,000	117,958
Operational, administrative and consulting fees paid or accrued pursuant to a service agreement between CanvasRx and a company having a director in common with the Company (under which the director has no direct financial interest in the transaction)	844,529	-	1,150,016	-
Professional fees paid or accrued to a former officer of the Company	-	-	-	3,102
	932,029	129,958	1,316,266	271,060

(In Canadian Dollars)

12. Related Party Transactions (Continued)

(b) Compensation of key management personnel

Key management includes the Company's directors, Chief Executive Officer, President, Chief Financial Officer and Vice-Presidents.

	Three months ended December 31, 2016	2015	Six months ended December 31, 2016	2015
	$	$	$	$
Management fees and wages	291,000	48,300	544,400	71,600
Directors' fees [2]	109,111	68,100	187,693	77,100
Share-based payments [1]	1,854,207	36,702	1,978,844	88,195
	2,254,318	153,102	2,710,937	236,895

[1] Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan. Note 11(d)

[2] Include meeting fees and committee chair fees.

(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:

		December 31, 2016	June 30, 2016
		$	$
(i)	Companies controlled by directors and officers of the Company [1]	177,622	101,765
(i)	Directors and officers and a former director and officer of the Company [1][3]	27,831	35,545
(ii)	A company having a former director and officer in common [2]	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)	1,898,512	1,782,186

[1] The amounts are unsecured, non-interest bearing and have no specific repayments term.
[2] Subsequent to December 31, 2016, rent deposit has been reversed pursuant to the Settlement and Mutual Release. See Note 13(b)(ii)
[3] Subsequent to December 31, 2016, an amount due to a former director and officer of the Company of $11,772 (June 30, 3016 - $11,772) has been forgiven pursuant to the Settlement and Mutual Release. Note 13(b)(ii)

13. Commitments and Contingencies

(a) 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.

(In Canadian Dollars)

13. Commitments and Contingencies (Continued)

(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 between August 1, 2019 and December 1, 2021, as follows:

	$
2017	337,147
2018	522,694
2019	469,600
2020	400,837
2021	141,966
2022	14,416
	1,886,660

Pursuant to the Settlement and Mutual Release (Note 13(b)(ii)), the parties agreed that the Company has no ongoing liability with respect to the lease agreement expiring January 31, 2020. The co-tenant (a company controlled by a former director and officer of the Company) indemnified the Company from and against all liabilities and claims of whatever nature in connection with the lease. As a result, subsequent to December 31, 2016, the Company reversed accrued rent of $73,618.

(b) Claims and litigation

(i) 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. 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 (“Cancelled Warrants”).

The parties agreed to settle pursuant to a Settlement Agreement and Mutual Release dated January 9, 2017 (the “Settlement and Mutual Release”). Of the 9,000,000 warrants, 1,000,000 were cancelled and the remaining 8,000,000 warrants were allowed to be exercised by the Company subject to certain conditions, and the claim related to the Cancelled Warrants was dismissed.

(ii) 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.

On January 9, 2017, the parties settled their disputes by way of the Settlement and Mutual Release (Note 3(b)(i)) whereby each of the parties agreed to mutually release each of the other parties from all claims and counterclaims.

(iii) A certain claim in small claims court was brought against the Company with respect to certain fees and expenses in the aggregate amount of approximately $25,000. Subsequent to December 31, 2016, the court ruled in favor of the Company and dismissed the claim in its entirety.

Subsequent to December 31, 2016, the Company has settled all claims and is no longer subject to any legal proceedings, claims or litigation.

(In Canadian Dollars)

14. Segment Information

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

	Medical Cannabis	Patient Counselling	Total
	$	$	$
Three months ended December 31, 2016			
Revenues	3,206,463	677,999	3,884,462
Gross profit	3,628,361	677,999	4,360,360
Loss from operations	(2,261,328)	(114,911)	(2,376,239)
Net loss and comprehensive loss	(2,559,575)	(118,229)	(2,677,804)
Six months ended December 31, 2016			
Revenues	5,958,530	997,354	6,955,884
Gross profit	3,449,271	997,354	4,446,625
Loss from operations	(5,473,334)	(177,583)	(5,650,917)
Net income (loss) and comprehensive income (loss)	(8,557,954)	267,344	(8,290,610)
December 31, 2016			
Total assets	97,635,537	583,022	98,218,559
Total liabilities	23,077,941	315,679	23,393,620

During the three and six months ended December 31, 2015, the Company's operations consisted of the production and sale of medical cannabis.

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

15. Subsequent Events

The following events occurred subsequent to December 31, 2016:

(a) The Company announced a brokered private placement of 26,670,000 units at a price of $2.25 per unit. The Company granted the underwriters an option to purchase up to an additional of 6,667,500 units. If the underwriters' option is exercised in full, aggregate total gross proceeds will be $75,009,375.

Each unit will consist one common share and one-half of one common share purchase warrant of the Company. Each warrant will be exercisable into one common share at an exercise price of $3.00 per share for a period of two years. The warrants will be subject to a forced exercise provision if the Company's volume-weighted average share price is greater than $4.50 for 10 consecutive trading days.

15. Subsequent Events (Continued)

(b) ACE signed a Memorandum of Understanding ("MOU") with Radient Technologies Inc. ("Radient") dated December 13, 2016, to evaluate an exclusive partnership for the joint development and commercialization of standardized cannabinoid extracts.

On January 4, 2017, in accordance with the MOU, the parties entered into a joint venture research agreement pursuant to which Radient and Aurora are working to confirm the effectiveness of Radient's technology for cannabis extraction.

Pursuant to the MOU, on February 13, 2017, the Company completed its investment in Radient by way of a $2,000,000 convertible debenture. The debenture has a term of 2 years, payable on demand within five months, bears interest at 10% per annum and is convertible into units of Radient at a price of $0.14 per unit. Each unit will consist of one common share and one share purchase warrant of Radient. Each warrant will be exercisable into one common share of Radient at an exercise price of $0.33 per warrant for a period of 2 years.

The Company also announced on February 13, 2017, that it intends to participate in Radient's private placement financing of up to $1,250,000 units at $0.45 per unit. Each unit consists of one common share and one-half share purchase warrant of Radient. Each whole warrant is exercisable into one common share of Radient at a price of $0.70 per share for a period of two years.

(c) On January 13, 2017, the Company initiated a voluntary recall of products purchased from another licensed producer that contained natural pesticide not currently registered for use on medical cannabis under the Pest Control Products Act. This recall is defined by Health Canada as a Type II recall, a situation in which the use of, or exposure to, a product may cause temporary adverse health consequences or where the probability of serious adverse health consequences is remote.

As a result of testing performed by the Company, certain product lots were returned to the supplier for a full cash refund of $384,835. In addition, the supplier agreed to reimburse the Company for its costs related to the recall of approximately $450,000.

(d) 119,196 common shares were issued on the exercise of 119,196 options for gross proceeds of $102,650.

(e) 17,202,750 common shares were issued on the exercise of 17,202,750 warrants for gross proceeds of $5,070,963.

(f) 850,000 common shares and 425,000 warrants were issued on the exercise of 850,000 compensation warrants for gross proceeds of $340,000.

(g) The Company granted an aggregate of 2,050,000 stock options to certain directors, employees and consultants of the Company at a price of $2.56 per share expiring January 19, 2022.