

Aurora Nordic Cannabis A/S

Assensvej 217
Bellinge
5250 Odense SV
Denmark

CVR no. 39 32 94 33

Annual report 2018

The annual report was presented and approved at the
Company's annual general meeting

on 15 November 2018



chairman of the annual general meeting

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Aurora Nordic Cannabis A/S

Annual report 2018

CVR no. 39 32 94 33

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Aurora Nordic Cannabis A/S for the financial year 12 February – 30 June 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2018 and of the results of the Company's operations for the financial year 12 February – 30 June 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Odense, 15 November 2018

Executive Board:



Mads Ulrik Pedersen



Auditor's report on compilation of financial statements

To the Management of Aurora Nordic Cannabis A/S

We have compiled the financial statements of Aurora Nordic Cannabis A/S for the financial year 12 February – 30 June 2018 based on the Company's bookkeeping records and other information provided by you. The financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies.

We performed our work in accordance with ISRS 4410 *Engagements to Compile Financial Statements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the Danish Financial Statements Act. We have complied with relevant provisions of the Danish Auditors Act and FSR – Danish Auditors' ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion as to whether these financial statements are prepared in accordance with the Danish Financial Statements Act.

Copenhagen, 15 November 2018

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to read 'Niels Vendelbo', written over a horizontal line.

Niels Vendelbo
State Authorised
Public Accountant
MNE no. 34532

Aurora Nordic Cannabis A/S

Annual report 2018

CVR no. 39 32 94 33

Management's review

Company details

Aurora Nordic Cannabis A/S

Assensvej 217

Bellinge

5250 Odense SV

Denmark

CVR no.: 39 32 94 33

Founded 12 February 2018

Registered office: Odense

Financial period: 12 February – 30 June

Executive Board

Mads Ulrik Pedersen

Auditors

KPMG

Statsautoriseret Revisionspartnerselskab

Dampfærgevej 28

2100 Copenhagen

Denmark

Management's review

Operating review

Principal activities of the Company

The activity of the Company is to cultivate, produce, distribute and sell cannabis and other activities that in the discretion of the board of directors is deemed related thereto.

The accounting year is the company's first and the activities have mainly consisted of construction of the production facilities, which at the balance sheet date still is under construction.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

Financial statements 12 February – 30 June

Income statement

DKK'000	Note	2018
Income		-
Personnel expenses	4	-176
Other expenses	5	-3,332
Operating loss		-3,508
Financial income	6	1
Financial expenses	7	-77
Loss before tax		-3,585
Tax on loss for the year	8	789
Net loss for the year		-2,796
Proposed distribution of loss		
Loss brought forward		-2,796
		-2,796

Financial statements 12 February – 30 June

Balance sheet

DKK'000	Note	2018
ASSETS		
Non Current assets		
Property, plant and equipment under construction	9	16,091
Current assets		
Inventories	10	110
Other receivables	11	3,747
Deferred tax	16	789
Cash and cash equivalents		2,012
		6,658
TOTAL ASSETS		22,749
EQUITY AND LIABILITIES		
Equity		
Share capital	17	500
Retained earnings		-2,796
Total equity		-2,296
Non-current liabilities		
Intercompany payables	12	14,149
Current liabilities		
Trade payables	13	8,651
Other payables	14	2,245
		10,896
Total liabilities		25,045
TOTAL EQUITY AND LIABILITIES		22,749

Financial statements 12 February – 30 June

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 12 February 2018	500	-	500
Comprehensive loss for the year 2018			
Loss for the year	-	-2,796	-2,796
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	-2,796	-2,796
Transactions with equity owners			
Total transactions with equity owners	-	-	-
Equity at 30 June 2018	500	-2,796	-2,796

Financial statements 12 February – 30 June

Cash flow statement

DKK'000	Note	2018
Net loss for the year		-2,796
Other adjustments		76
Cash flow from operating activities before changes in working capital		-2,720
Change in working capital	15	20,399
Cash flow from operating activities		17,679
Interest income received		1
Interest expenses paid		-77
Cash flow from operating activities		17,603
Acquisition of property, plant and equipment		-16,091
Cash flows from investing activities		-16,091
Increase of share capital		500
Cash flows from financing activities		500
Cash flow for the year		2,012
Cash and cash equivalents at beginning of the year		-
Cash and cash equivalents at year end		2,012

Financial statements 12 February – 30 June

Outline of notes to the financial statements

Note

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Financial statements 12 February – 30 June

Notes

1 Significant accounting policies

Aurora Nordic Cannabis A/S is a private limited company domiciled in Denmark.

The financial statements are presented in accordance with International Financial reporting Standards as adopted by the EU and Danish disclosure requirements in the Danish Financial Statements Act for annual reports of reporting class B enterprises.

The financial year is the company's first, why no comparative figures are included.

Going concern

According to the regulations governing the preparation of financial statements, Management is required to determine whether the financial statements can be presented on a "going concern" basis. Based on estimated future prospects, projected future cash flows, availability of credit facilities, etc., Management has concluded that there are no factors giving reason to doubt the Company's ability to continue in operation for at least 12 months from the balance sheet date.

Basis of preparation

The financial statements are presented in DKK.

The annual report is prepared in accordance with the historical cost principle. The accounting policies as set out below have been consistently applied during the financial year and the comparative figures.

Foreign currency translation

The Company's functional currency is DKK.

Transactions in other currencies than the functional currency are considered transactions in foreign currencies.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency translation adjustments resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Income statement

Personnel expenses

Personnel expenses include wages and salaries, including holiday pay, pensions and other social security costs, etc.

Other expenses

Other expenses comprise expenses for consulting, sales and marketing, administration, IT, rent and management fees.

Financial income and expense

Financial items comprise interest expenses, exchange gains and losses on debt and transactions in foreign currencies.

Corporation tax and deferred tax

Tax for the year consists of current tax and movements in deferred tax for the year. Tax relating to the loss for the year is recognised in the income statement, other comprehensive income or equity.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be used.

Financial statements 12 February – 30 June

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Balance sheet

Property, plant and equipment under construction

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Impairment of non-current assets

Assets are subject to impairment tests upon identification of indications of impairments. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

Other receivables

Other receivables comprises VAT and deposits and are measured at cost.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at amortised cost, which usually corresponds to nominal value.

Other payables

Other payables comprises employee related payables and accrued liabilities and are measured at amortised cost.

Financial statements 12 February – 30 June

Notes

Statement of cash flows

The cash flow statement presents cash flows broken down to operating activities, investing activities and financing activities for the year, changes for the year in cash and cash equivalents and cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are presented using the indirect method and stated as profit/loss adjusted for non-cash operating items, including amortisation and write-downs, interest received and paid and corporation taxes paid.

Cash flows from investing activities comprise cash flows from the purchase and sale of intangible assets.

Cash flows from financing activities comprise changes in the amount or composition of the share capital and related expenses as well as cash flows from draw down and repayment of borrowings as well as the payment of dividends to shareholders.

Cash and cash equivalents comprise cash as well as short-term securities with a term to maturity of less than three months, which are easily realisable and only subject to an immaterial risk of changes in value.

2 Judgements and estimates

In connection with the preparation of the financial statements, Management has made accounting estimates and judgements that affect the assets and liabilities reported at the balance sheet date as well as the income and expenses reported for the financial period.

Management continuously reassesses these estimates and judgments based on a number of other factors in the given circumstances. The following accounting estimates are considered significant to the financial reporting.

Valuation and segmentation of non-current assets. The property, plant and equipment under construction is continuously assessed for adequate segmentation to be applied upon completion and also valuation including whether the individual assets/segments add value the total asset being the production facility.

3 New standards and interpretations not yet adopted

The IASB has issued new accounting standards (IFRS and IAS) and interpretations (IFRICs) which are not mandatory for Aurora Nordic Cannabis A/S in the preparation of the financial statements for the period 12 February - 30 June 2018.

The Company expects to adopt the new accounting standards and interpretations when they become mandatory according to the effective dates adopted by the EU. The standard, which will affect the company's financial reporting, is mainly IFRS 16 Leases.

The effects on the financial reporting of Aurora Nordic Cannabis A/S of the new standards or interpretations will be assessed when implemented, as the activities during the financial year mainly have consisted of construction of the production facilities, which at the balance sheet date still is under construction, and there has been no other operations in the company.

Financial statements 12 February – 30 June

Notes

	DKK'000	2018
4 Personnel expenses		
Wages and salaries		167
Pensions		8
Other		1
		<u>176</u>
5 Other expenses		
Consulting		1,473
Sales and marketing		135
Administration		1,725
		<u>3,332</u>
6 Financial income		
Other income		<u>1</u>
7 Financial expenses		
Interest expenses, Aurora Cannabis Inc.		53
Interest expenses, Scandinavian Cannabis A/S		16
Interest expenses, Alfred Pedersen & Søn ApS		1
Interest expenses, Bank		6
Bank fees		1
		<u>77</u>
8 Changes in deferred tax		
Current tax		0
Changes in deferred tax		789
		<u>789</u>

Financial statements 12 February – 30 June

Notes

9 Property, plant and equipment

DKK'000	Property, plant and equip- ment under construct- ion	Total
Cost at 12 FebruaryFebruary 2018	0	0
Additions	16,091	16,091
Cost at 30 JuneJune 2018	16,091	16,091
Depreciation and impairment losses at 12 February 2018	0	0
Depreciation and impairment losses at 30 June 2018	0	0
Carrying amount at 30 June 2018	16,091	16,091

DKK'000	2018
10 Inventories	
Purchased material	110

11 Other receivables

VAT	3,722
Deposits	25
	3,747

Financial statements 12 February – 30 June

Notes

	DKK'000	2018
12 Intercompany payables		
Payables to Aurora Cannabis Inc.		14,148
Payables to Scandinavian Cannabis A/S		1
		<u>14,149</u>
The amount payable does not mature within 5 years, but only upon the company's financial and liquidity resources to repay the amount.		
13 Trade payables		
Trade payables		<u>8,651</u>
14 Other payables		
Employee related payables		47
Accrued liabilities		<u>2,198</u>
		<u>2,245</u>
15 Changes in working capital		
Changes in inventories		-110
Change in receivables		-4,536
Change in trade and other payables		<u>25,045</u>
		<u>20,399</u>

16 Deferred tax

The company has a deferred tax asset of DKK 789 thousand related to tax losses carried forward.

17 Capital management

Capital management

The capital structure of the Company consists of net assets. The Company manages its capital to safeguard its ability to operate as a going concern and to optimise returns to the shareholders.

The Company manages its capital structure and makes adjustments to it in light of changes to economic conditions and its strategic objectives.

Share capital

The share capital is divided into 500,000 shares of nominal DKK 1 each. All shares rank equally. There are no limitations in negotiability or voting rights.

Financial statements 12 February – 30 June

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18 Financial instruments

The Company has exposure to credit, liquidity and market risks from its use of financial instruments.

Categories of financial instruments

DKK'000	2018 Level 1	2018 Level 2	2018 Level 3
Loans and receivables (including cash and cash equivalents)	-	5,759	-
Financial liabilities measured at amortised cost	-	-25,045	-

The table above analyses financial instruments, into a fair value hierarchy based on the valuation technique used to determine fair value. The carrying value disclosed above is deemed to be a reasonable approximation of fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties and cash held at financial institutions.

Exposure to credit risk

DKK'000	2018
Other receivables	3,747
Cash and cash equivalents	2,012
	<u>5,759</u>

Financial statements 12 February – 30 June

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Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The liquidity risk is managed by maintaining sufficient cash balances and credit facilities to meet working capital requirements.

Contractual maturities of non-derivative financial liabilities

DKK'000	2018
Current liabilities	
Trade payables	8,651
Other payables	2,245
	<u>10,896</u>

Trade and other payables shown as current liabilities are expected to mature within six months of the balance sheet date.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. Exposure to interest and currency risks arises in the normal course of the Company's business. The Company did not have any foreign currency exposure at 30 June 2018 as all receivables, cash and cash equivalents and payables were denominated in DKK.

Interest rate risk

The company's intercompany payables are at fixed interest rates (1.5% per year) limiting the company's interest rate risk.

19 Related party disclosures

The company's transactions with related parties are on market terms and summarised below:

DKK'000	Income	Costs	Interests	Payables
Aurora Cannabis Inc., Canada	-	-	53	14,148
Scandinavian Cannabis A/S, Denmark	-	704	16	1
Alfred Pedersen & Søn ApS, Denmark	-	1,487	1	-

Financial statements 12 February – 30 June

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20 Contingent liabilities

Rental commitment

The Company has entered into two rental commitments with remaining terms of 19 and 24 months totalling a lease payment of DKK 1,787 thousand.

21 Disclosure of events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of the financial statements.