

# Aurora Nordic Cannabis A/S

Bindekildevej 10, 5250 Odense SV

CVR no. 39 32 94 33

## Annual report 2019/20

Approved at the Company's annual general meeting on 6 November 2020

Chairman:

  
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The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.



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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Aurora Nordic Cannabis A/S for the financial year 1 July 2019 - 30 June 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2020 and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020.

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, 6 November 2020  
Executive Board:




Mads Ulrik Pedersen

Board of Directors:



Axel Gille  
Chairman



Allan John Cleiren



Mads Ulrik Pedersen

## Independent auditor's report

To the shareholders of Aurora Nordic Cannabis A/S

### Opinion

We have audited the financial statements of Aurora Nordic Cannabis A/S for the financial year 1 July 2019 - 30 June 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2020, and of the results of the Company's operations for the financial year 1 July 2019 - 30 June 2020 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



## Independent auditor's report

- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 6 November 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Niels Vendelbo

State Authorised Public Accountant

mne34532

## Management's review

### Company details

Name	Aurora Nordic Cannabis A/S
Address, Postal code, City	Bindekildevej 10, 5250 Odense SV
CVR no.	39 32 94 33
Established	12 February 2018
Financial year	1 July 2019 - 30 June 2020
Board of Directors	Axel Gille, Chairman Allan John Cleiren Mads Ulrik Pedersen
Executive Board	Mads Ulrik Pedersen
Auditors	KPMG Statsautoriseret Revisionspartnerselskab

## Management's review

### Business review

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.

### Recognition and measurement uncertainties

The Company's deferred tax at 30 June 2020 makes up a significant amount available for indefinite carryforward. The use thereof depends on the development in future earnings, which is uncertain. Due to a conservative estimate of future earnings, Management chose not to capitalise a deferred tax asset.

The tax asset is disclosed in note 7.

### Financial review

The income statement for 2019/20 shows a loss of DKK 262,176 thousand against a loss of DKK 38,981 thousand last year, and the balance sheet at 30 June 2020 shows a negative equity of DKK 303,453 thousand.

### Events after the balance sheet date

The Company has in October 2020 obtained EU-GMP certificate which allow the Company to export own produced products and further allow the Company to apply for listing of products on the Danish market. Because of the EU-GMP certificate Management expect increased revenue in the coming financial years. The Company has lost its share capital. Management expect to recover the company share capital during the coming years due to the obtained EU-GMP certificate/increased revenue.

## Financial statements 1 July 2019 - 30 June 2020

### Income statement

Note	DKK'000	2019/20	2018/19
	<b>Gross loss</b>	-26,999	-12,437
4	Staff costs	-26,022	-13,658
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-194,311	-11,111
	Other operating expenses	-2,965	0
	<b>Profit/loss before net financials</b>	-250,297	-37,206
	Financial income	7	31
5	Financial expenses	-20,174	-1,806
	<b>Profit/loss before tax</b>	-270,464	-38,981
	Tax for the year	8,288	0
	<b>Profit/loss for the year</b>	-262,176	-38,981
	<b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	-262,176	-38,981
		-262,176	-38,981



## Financial statements 1 July 2019 - 30 June 2020

### Balance sheet

Note	DKK'000	2019/20	2018/19
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
6	<b>Property, plant and equipment</b>		
	Land and buildings	18,686	13,697
	Biological assets	57	7
	Plant and machinery	25,474	7,098
	Fixtures and fittings, other plant and equipment	161	41
	Leasehold improvements	33,345	32,372
	Property, plant and equipment under construction	22,286	130,330
		<u>100,009</u>	<u>183,545</u>
	<b>Total fixed assets</b>	<u>100,009</u>	<u>183,545</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Finished goods and goods for resale	87	0
		<u>87</u>	<u>0</u>
	<b>Receivables</b>		
	Trade receivables	9,926	57
	Corporation tax receivable	8,288	789
	Other receivables	84	15,995
	Prepayments	45	13
		<u>18,343</u>	<u>16,854</u>
	<b>Cash</b>	<u>19,464</u>	<u>31,738</u>
	<b>Total non-fixed assets</b>	<u>37,894</u>	<u>48,592</u>
	<b>TOTAL ASSETS</b>	<u>137,903</u>	<u>232,137</u>

## Financial statements 1 July 2019 - 30 June 2020

### Balance sheet

Note	DKK'000	2019/20	2018/19
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	500	500
	Retained earnings	-303,953	-41,777
	<b>Total equity</b>	<b>-303,453</b>	<b>-41,277</b>
	<b>Liabilities other than provisions</b>		
8	<b>Non-current liabilities other than provisions</b>		
	Other payables	1,662	0
		<b>1,662</b>	<b>0</b>
	<b>Current liabilities other than provisions</b>		
	Trade payables	2,592	32,788
	Payables to group enterprises	425,866	235,512
	Other payables	11,236	5,114
		<b>439,694</b>	<b>273,414</b>
	<b>Total liabilities other than provisions</b>	<b>441,356</b>	<b>273,414</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>137,903</b>	<b>232,137</b>

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Corporation tax receivable
- 9 Contractual obligations and contingencies, etc.
- 10 Collateral
- 11 Related parties

## Financial statements 1 July 2019 - 30 June 2020

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 July 2018	500	-2,796	-2,296
Transfer through appropriation of loss	0	-38,981	-38,981
<b>Equity at 1 July 2019</b>	<b>500</b>	<b>-41,777</b>	<b>-41,277</b>
Transfer through appropriation of loss	0	-262,176	-262,176
<b>Equity at 30 June 2020</b>	<b>500</b>	<b>-303,953</b>	<b>-303,453</b>

## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Aurora Nordic Cannabis A/S for 2019/20 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

In preparation of the financial statements management has decided to make some accounting reclassifications to the comparative figures. The reclassifications have no income effect.

#### Changes in accounting estimates

Management has updated the expected useful life regarding some of the fixed assets/machinery, as the assets will be useful for the company longer than first expected. The prolonged useful life of some of our machinery has affected the financial statement, as depreciations has decreased by t. DKK 959 further the profit/loss before tax is affected by the same amount. The value of fixed assets/Plant and Machinery has increased by t. DKK 959.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

### Income statement

#### Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

#### Gross loss

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross loss in accordance with section 32 of the Danish Financial Statements Act.

#### Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

#### Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

#### Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to consulting, sale, advertising, administration etc.

#### Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Depreciation and impairment

The item comprises depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Land and buildings	3-20 years
Plant and machinery	3-5 years
Leasehold improvements	3-5 years

##### Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

##### Balance sheet

##### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

##### Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

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

The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs.

##### Receivables

Receivables are measured at amortised cost.



## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 1 Accounting policies (continued)

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

#### Cash

Cash comprise cash.

#### Income taxes

Current tax receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

#### Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 2 Going concern uncertainties

The company has lost its share capital. Management is responsible for ensuring that the sufficient capital resources and liquidity is available to meet the Company's current and future liabilities as they fall due. To mitigate this matter, the Company Aurora Cannabis Inc. and Scandinavian Cannabis A/S has pledged unlimited financial support to Aurora Nordic Cannabis A/S.

Management considers the Company as going concern. The company is subject to Danish law regarding capital loss.

#### 3 Corporation tax receivable

Receivable tax is relating to applied tax credit. The receivable tax credit is expected approved by SKAT in connection with the tax return for FY 2020. Management expects this to be a standard procedure.

DKK'000	2019/20	2018/19
<b>4 Staff costs</b>		
Wages/salaries	22,931	12,133
Pensions	2,837	1,356
Other social security costs	213	111
Other staff costs	41	58
	<u>26,022</u>	<u>13,658</u>
Average number of full-time employees	<u>45</u>	<u>23</u>
<b>5 Financial expenses</b>		
Interest expenses, Aurora Cannabis Inc.	18,392	1,249
Interest expenses, Scandinavian Cannabis A/S	1,565	380
Interest expenses, Bank	0	95
Bank fees	0	9
Other financial expenses	217	73
	<u>20,174</u>	<u>1,806</u>

## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 6 Property, plant and equipment

DKK'000	Land and buildings	Biological assets	Plant and machinery	Fixtures and fittings, other plant and equipment	Leasehold improvements	Property, plant and equipment under construction	Total
Cost at 1 July 2019	14,512	7	7,875	54	41,877	130,330	194,655
Additions	0	50	0	0	0	121,442	121,492
Disposals	0	0	-30	0	0	-10,690	-10,720
Transferred	6,340	0	25,940	159	18,073	-50,512	0
Cost at 30 June 2020	20,852	57	33,785	213	59,950	190,570	305,427
Impairment losses and depreciation at 1 July 2019	815	0	777	13	9,505	0	11,110
Impairment losses	0	0	0	0	0	168,284	168,284
Depreciation	1,351	0	4,796	39	19,840	0	26,026
Reversal of accumulated depreciation and impairment of assets disposed	0	0	-2	0	0	0	-2
Transferred	0	0	2,740	0	-2,740	0	0
Impairment losses and depreciation at 30 June 2020	2,166	0	8,311	52	26,605	168,284	205,418
Carrying amount at 30 June 2020	18,686	57	25,474	161	33,345	22,286	100,009
Depreciated over	3-20 years		3-5 years	3-5 years	3-5 years		

Note 10 provides more details on security for loans, etc. as regards property, plant and equipment.

#### 7 Deferred tax

The Company's preliminary net deferred tax asset at 30 June 2020 amounted to approx. DKK 62 million. Due to uncertainty in estimating future earnings, Management has chosen not to capitalise a deferred tax asset. Going forward, Management will also assess any potential capitalisation of the deferred tax asset.

#### 8 Non-current liabilities other than provisions

The liabilities relates to saved holiday pay, which is why there is uncertainty about when the full amount of the liabilities falls due.

#### 9 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

DKK'000	2019/20	2018/19
Other contingent liabilities	12	0
	12	0

##### Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	901	3,003
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*any*

## Financial statements 1 July 2019 - 30 June 2020

### Notes to the financial statements

#### 10 Collateral

The Company has provided bankguarantee for at total amount of m.DKK 2,5.

#### 11 Related parties

Aurora Nordic Cannabis A/S' related parties comprise the following:

##### Parties exercising control

Related party	Domicile	Basis for control
Aurora Cannabis Inc.	Vancouver, Canada	Participating interest
Scandinavian Cannabis A/S	Bellinge, Denmark	Participating interest

##### Information about consolidated financial statements

Parent	Domicile
Aurora Cannabis Inc.	Vancouver, Canada

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

Name	Domicile
Aurora Cannabis Inc.	Vancouver, Canada
Mads Ulrik Pedersen	Bellinge, Denmark

*any*