

# **Aurora Nordic Cannabis A/S**

Bindekildevej 10, 5250 Odense SV

CVR no. 39 32 94 33

## **Annual report 2020/21**

Approved at the Company's annual general meeting on 15 November 2021

Chair of the meeting:

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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 2020 - 30 June 2021.

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 2021 and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021.

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 2021  
Executive Board:

  
Torben Madsen

Board of Directors:

  
Axel Gille  
Chair

  
André Jérôme

  
Thorsten Hagemann

## 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 2020 - 30 June 2021, 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 2021, and of the results of the Company's operations for the financial year 1 July 2020 - 30 June 2021 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, 15 November 2021  
KPMG  
Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98

  
Nikolaj Møller Hansen  
State Authorised Public Accountant  
mne33220

## 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 2020 - 30 June 2021
Board of Directors	Axel Gille, Chair André Jérôme Thorsten Hagemann
Executive Board	Torben Madsen
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfærgevej 28, 2100 København

## **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 2021 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 6.

### **Financial review**

The income statement for 2020/21 shows a loss of DKK 62,437 thousand against a loss of DKK 262,176 thousand last year, and the balance sheet at 30 June 2021 shows a negative equity of DKK 365,890 thousand.

### **Events after the balance sheet date**

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 2020 - 30 June 2021

### Income statement

Note	DKK'000	2020/21	2019/20
	<b>Gross profit/loss</b>	28,681	-26,999
4	Staff costs	-29,659	-26,022
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-31,821	-194,311
	Other operating expenses	-387	-2,965
	<b>Profit/loss before net financials</b>	-33,186	-250,297
	Financial income	24	7
5	Financial expenses	-29,275	-20,174
	<b>Profit/loss before tax</b>	-62,437	-270,464
	Tax for the year	0	8,288
	<b>Profit/loss for the year</b>	-62,437	-262,176
	<b>Recommended appropriation of profit/loss</b>		
	Retained earnings/accumulated loss	-62,437	-262,176
		-62,437	-262,176



## Financial statements 1 July 2020 - 30 June 2021

### Balance sheet

Note	DKK'000	2020/21	2019/20
	<b>ASSETS</b>		
	<b>Fixed assets</b>		
6	<b>Property, plant and equipment</b>		
	Land and buildings	10,188	18,686
	Biological assets	57	57
	Plant and machinery	19,605	25,474
	Fixtures and fittings, other plant and equipment	88	160
	Leasehold improvements	11,521	33,345
	Property, plant and equipment under construction	24,363	22,285
		<u>65,822</u>	<u>100,007</u>
	<b>Total fixed assets</b>	<u>65,822</u>	<u>100,007</u>
	<b>Non-fixed assets</b>		
	<b>Inventories</b>		
	Work in progress	5,146	0
	Finished goods and goods for resale	4,852	87
		<u>9,998</u>	<u>87</u>
	<b>Receivables</b>		
	Trade receivables	306	9,926
	Receivables from group enterprises	12,915	0
	Corporation tax receivable	5,500	8,288
	Other receivables	1,158	84
	Prepayments	78	45
		<u>19,957</u>	<u>18,343</u>
	<b>Cash</b>	<u>3,396</u>	<u>19,464</u>
	<b>Total non-fixed assets</b>	<u>33,351</u>	<u>37,894</u>
	<b>TOTAL ASSETS</b>	<u>99,173</u>	<u>137,901</u>

## Financial statements 1 July 2020 - 30 June 2021

### Balance sheet

Note	DKK'000	2020/21	2019/20
	<b>EQUITY AND LIABILITIES</b>		
	<b>Equity</b>		
	Share capital	500	500
	Retained earnings	-366,390	-303,953
	<b>Total equity</b>	<b>-365,890</b>	<b>-303,453</b>
	<b>Liabilities other than provisions</b>		
	<b>Non-current liabilities other than provisions</b>		
	Other payables	0	1,662
		<b>0</b>	<b>1,662</b>
	<b>Current liabilities other than provisions</b>		
	Trade payables	4,240	2,590
	Payables to group enterprises	455,320	425,866
	Other payables	5,503	11,236
		<b>465,063</b>	<b>439,692</b>
		<b>465,063</b>	<b>441,354</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>99,173</b>	<b>137,901</b>

- 1 Accounting policies
- 2 Going concern uncertainties
- 3 Inventories
- 8 Contractual obligations and contingencies, etc.
- 9 Collateral
- 10 Related parties

## Financial statements 1 July 2020 - 30 June 2021

### Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 July 2019	500	-41,777	-41,277
Transfer through appropriation of loss	0	-262,176	-262,176
<b>Equity at 1 July 2020</b>	<b>500</b>	<b>-303,953</b>	<b>-303,453</b>
Transfer through appropriation of loss	0	-62,437	-62,437
<b>Equity at 30 June 2021</b>	<b>500</b>	<b>-366,390</b>	<b>-365,890</b>

## Financial statements 1 July 2020 - 30 June 2021

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Aurora Nordic Cannabis A/S for 2020/21 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.

#### 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 profit/loss

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

#### Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains or 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.

#### 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:

Buildings	3-20 years
Plant and machinery	3-5 years
Leasehold improvements	3-5 years

Land is not depreciated.

## Financial statements 1 July 2020 - 30 June 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Dividends from equity investments in group entities and participating interests (including associates) measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared. In case of indication of impairment, an impairment test is conducted. Indication of impairment exists if distributed dividends exceed profit for the year or if the carrying amount of equity investments exceeds the consolidated carrying amounts of the net assets in the subsidiary.

##### 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.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

## Financial statements 1 July 2020 - 30 June 2021

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

Receivables are measured at amortised cost.

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.

##### Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

##### 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.

##### Other payables

Other payables are measured at net realisable value.

## Financial statements 1 July 2020 - 30 June 2021

### 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. 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 Inventories

##### Work in progress

The most important factors in determining the value of work in progress are waste, calculated cost, degree of completion of the plants and grams per plant. These factors are recognized based on the actual degree of completion at the balance sheet date, historical factual knowledge of waste percentage and yield per plant. Cost is calculated based on actual production costs.

*Sensitivity analysis for work in progress:*

- ▶ A change in waste of 10 percentage points results in a write-down or revaluation of DKK 565 thousand.
- ▶ A change in the calculated cost price of 1 DKK / gram entails a write-down or revaluation of DKK 716 thousand.
- ▶ A change in the degree of completion of 5 percentage points results in a write-down or revaluation of DKK 535 thousand.
- ▶ A change in the number of grams per plant of 2 grams results in a write-down or revaluation of DKK 744 thousand.

##### Finished goods and goods for resale

The most important factors in determining the value of the finished product are the calculated cost price and the assessment of the probability that the finished product can be sold.

*Sensitivity analysis for finished goods:*

- ▶ A change in the calculated cost price of 1 DKK / gram entails a write-down or revaluation of DKK 555 thousand.

DKK'000		2020/21	2019/20
4 Staff costs	Wages/salaries	25,845	22,931
	Pensions	3,379	2,837
	Other social security costs	399	213
	Other staff costs	36	41
		<u>29,659</u>	<u>26,022</u>
Average number of full-time employees		<u>51</u>	<u>45</u>
5 Financial expenses	Interest expenses, Aurora Cannabis Inc.	26,771	18,392
	Interest expenses, Scandinavian Cannabis A/S	2,338	1,565
	Other financial expenses	166	217
		<u>29,275</u>	<u>20,174</u>

## Financial statements 1 July 2020 - 30 June 2021

### 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 2020	20,852	57	33,785	213	59,950	190,569	305,426
Additions	0	0	2,522	0	976	6,232	9,730
Disposals	-7,456	0	-1,926	-30	0	-714	-10,126
Transferred	0	0	0	0	0	-3,440	-3,440
Cost at 30 June 2021	13,396	57	34,381	183	60,926	192,647	301,590
Impairment losses and depreciation at 1 July 2020	2,166	0	8,311	53	26,605	168,284	205,419
Depreciation	2,122	0	6,850	48	22,800	0	31,820
Reversal of accumulated depreciation and impairment of assets disposed	-1,080	0	-385	-6	0	0	-1,471
Impairment losses and depreciation at 30 June 2021	3,208	0	14,776	95	49,405	168,284	235,768
Carrying amount at 30 June 2021	10,188	57	19,605	88	11,521	24,363	65,822
Depreciated over	3-20 years		3-5 years	3-5 years	3-5 years		

Note 9 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 2021 amounted to approx. DKK 75 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 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

DKK'000	2020/21	2019/20
Other contingent liabilities	10	12
	10	12

##### Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	1,708	901
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#### 9 Collateral

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



## Financial statements 1 July 2020 - 30 June 2021

### Notes to the financial statements

#### 10 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

##### 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