

Perspectec

Rating
SELL

Aurora Cannabis Post Fiscal Q4/18

12-Month
Price Target
\$5.00

The only LP who refuses to talk to us

Robin Manson-Hing

robin.manson-hing@perspectec.com

416-898-8546

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October 2, 2018 Price
(ACB-Toronto) C\$11.93

Perspectec's Cannabis Thesis

All figures mentioned are in Canadian dollars unless otherwise indicated.



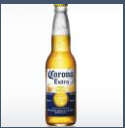
The Canadian recreational opportunity over the next 4 years available to Canadian companies dwarfs the International medical market



Following the path of Colorado, early sales are highly dependent on the # of stores. Canada is pacing to a relatively slower start



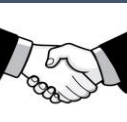
Delays w/ Ontario stores and increases in Licensed Producers' (LPs) production capacities will transform the viability of Canadian LPs in the 1st half of 2019.



The impact from food, drinks and other derivative products will be a 2021 story based on Colorado trends



The above factors will lead to wholesale, consolidated (dried flower + oil) price drops in '19 and likely '20



M&A premiums are in (LP) stock prices to various extents. However M&A makes little sense at these valuations



20x EBITDA on a scaled business is a reasonable valuation. This is in-line with other established 'getting high' beverage companies.

Aurora Cannabis Sell Thesis



BAD OPERATORS

Q4 WARNING SIGNS

QUESTIONABLE LOCATIONS

WORSENING PRODUCTION CONDITIONS

ABOVE AVG. # OF CUSTOMER COMPLAINTS

RED FLAG WITH MANAGEMENT

HIGH OIL CONVERSION COSTS

VERTICAL INTEGRATION IS DISAPPOINTING



OVERSTATED INTERNATIONAL OPPORTUNITY

MATERIAL RESTATEMENTS

INTERNATIONAL SALES HAVE A
LOWER ASP

WE EST. INTERNATIONAL WILL
MAKE UP JUST 4% OF ACB
SALES BY JUNE 2021 YE



EBITDA MARGINS MAY BE ½ OF EXPECTATIONS

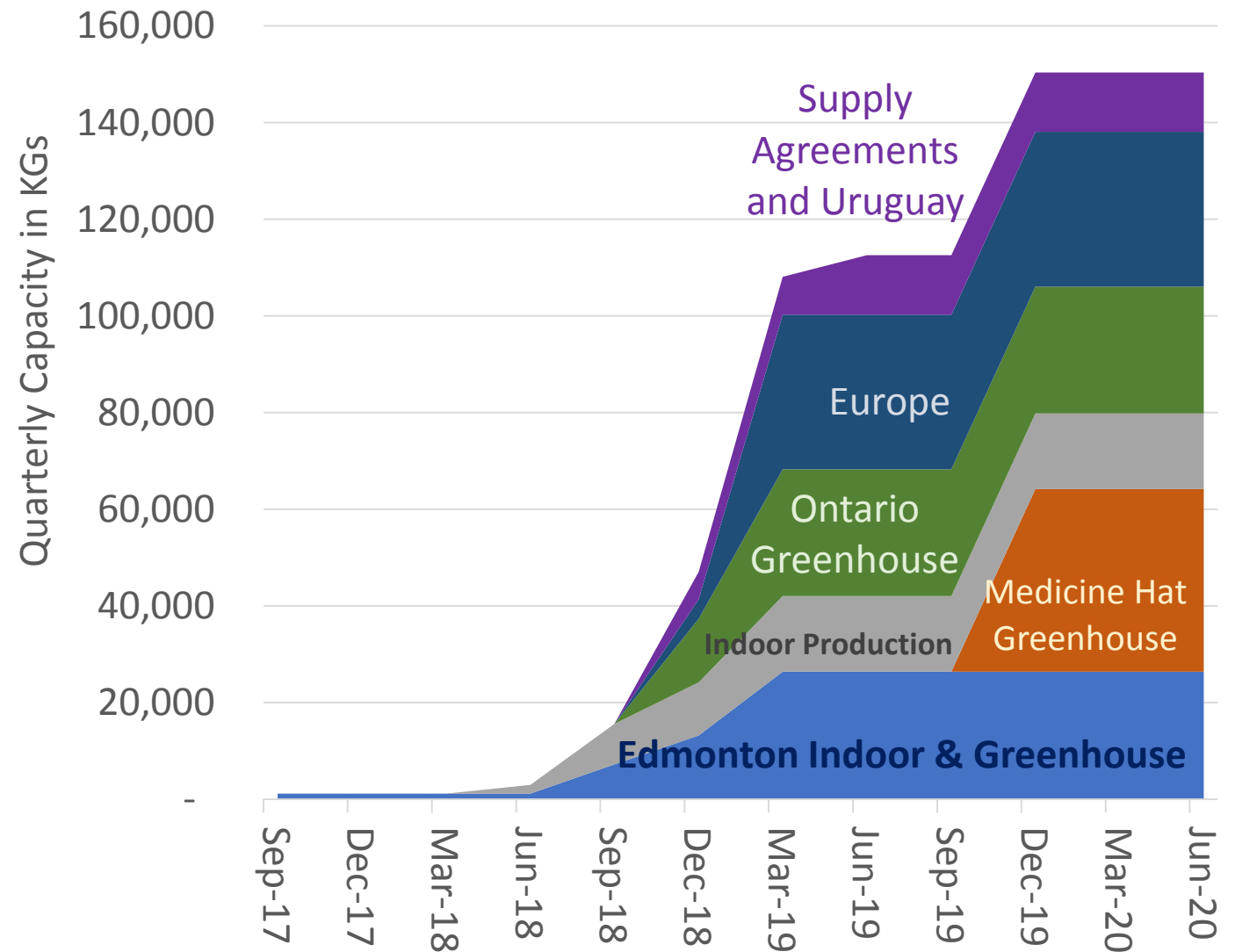
MANAGEMENT CAN APPROACH 17% EBITDA
MARGINS THROUGH MORE DISTRIBUTION
20X ITS FISCAL 2021 EBITDA OF \$269 MILLION
+ INVESTMENTS

TARGET PRICE OF \$5 WITHIN 12-MONTHS.

SELL RECOMMENDATION: CATALYST WILL BE
REPORTING CONSISTENTLY DISAPPOINTING
RESULTS

Questionable Locations

We estimate 16% of Canadian cannabis demand will come from Alberta, but over 60% of Aurora's Canadian production is coming from that province.

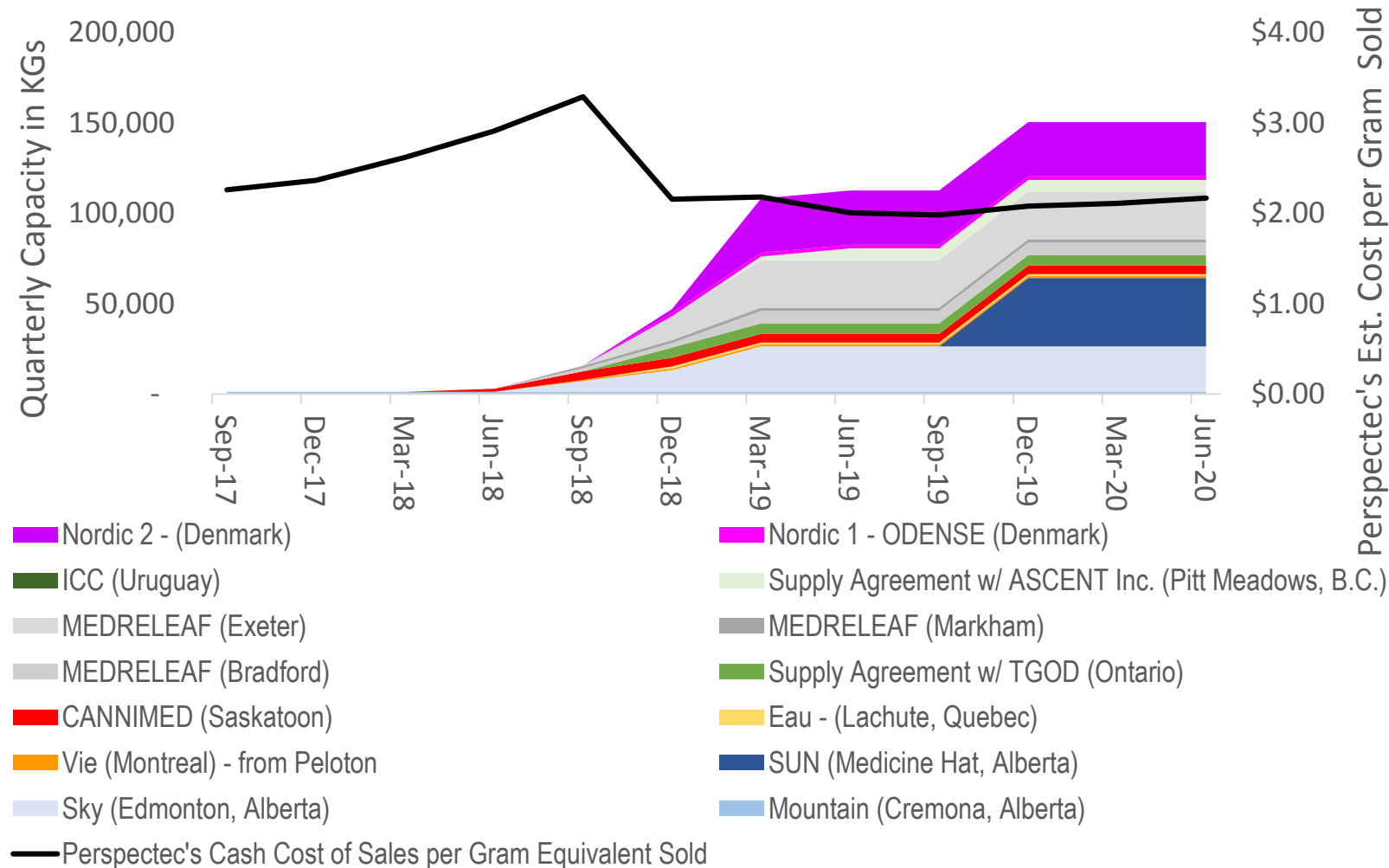


Source: Perspectec

Edmonton Indoor = Mountain (1,200 KG/quarter) and SKY (24,000 KG/quarter)⁴

Questionable Locations

Numerous Facilities & Supply Agreements Make Economies of Scale More Difficult



Expansions, some economies of scale, increased automation and learning should help lower cash costs. Some facilities may prove uneconomical (i.e. Saskatoon).



The production capacity for Aurora is expected to reach an annualized capacity of 390K KGs by the end of calendar 2019 (excluding the 120K KG/year from the 51% owned NORDIC facility in Denmark).

Questionable Locations - Shipping

Biggest Shipping Discounts
in the Industry

Aurora Brands

Aurora offers **FREE** shipping for purchases over **5 grams**

CanniMed offers **FREE** shipping for purchases **over \$99**

MedReleaf offers **FREE** shipping **once every 30 days**

Major Non-Aurora Brands

Aphria offers **FREE** shipping for purchases over **30 grams**

Tweed offers a flat \$4 rate per shipment

Tilray does not have any special shipping options

Aurora Cannabis is eating shipping costs in order to grow their market share.

Source: Canada Post
Shopify and Perspectec

From	To	Length	Width	Height	Weight
T9E 0V3	L5P 1B2	20.00 cm	8.00 cm	5.00 cm	0.006 kg

Regular price		\$14.33
Coverage	<input type="text" value="0"/>	Update \$0.00
Options		\$0.00
Fuel Surcharge		\$1.79
Tax		\$0.81
Total		\$16.93

Advanced Shopify
Advanced features for
scaling your business

ONLINE CREDIT CARD RATES

Canadian cards ⓘ	2.4% + 30¢
International/Amex ⓘ	3.3% + 30¢

← Shopify Advanced will provide a ~\$2 discount on this price

Questionable
Locations w/
Shipping
GM% including
shipping will continue
to suffer, especially
prior to the Exeter
facility opening

41% Gross Margin on Dried Cannabis Shipments to Toronto

Assuming dried flower shipment of 6 grams @ \$8 per gram minus e-Commerce commission (\$1.45) = \$46.55. Real cash costs (LQ) of \$1.96/gram = \$34.80. Delivery costs from Edmonton to Toronto is \$15 = real gross margin after shipping of \$19.80. $\$19.80 / \$48 = 41\%$

17% Gross Margin on Cannabis Oil Shipments to Toronto

Assuming oil shipment of 6 gram equivalents @\$14= \$84. e-Commerce commission (\$2.32) = \$81.68. Real cash costs (LQ) of \$8.80/gram = \$28.89. Delivery costs from Edmonton to Toronto is \$15 = real gross margin after shipping of \$13.89. $\$13.89 / \$84 = 17\%$

An issue likely until their Exeter facility opens and begins shipping in calendar 1H 2019

Questionable Locations - Shipping

What is the Edmonton Airport (SKY) Facility Good For?



Geographic coverage of under 2 million people

The new SUN facility is closer to Calgary, leaving SKY in Edmonton as the best point to supply a population of under 2 million across the Territories and Northern Prairies



Retail Outlets will not just be in major centers

The 600+ retail stores and 10,000+ Canadian pharmacies will still require significant ground transportation for the last mile at a minimum.



Things have changed since construction began

Since building Edmonton SKY, ACB has invested in two Denmark facilities to handle European demand. Production will likely be handled in Europe.



Will be good for large emergency orders

Where it makes sense to spend \$30+ to ship by plane the next day, Edmonton might be a good location for Western Canada.

SKY risks being materially underutilized

Questionable Locations - Shipping

Upcoming facility openings and acquisitions helps Alberta, Ontario and Saskatchewan, however EBITDA margin will be hurt with the shipping strategy



Little Economies of Scale w/ Shipping

Orders are delivered individually



SKY facility to Europe will not be able to compete w/ European facilities

Will help with same day shipping, but outside of the Edmonton area will likely not help w/ costs.



No Shipping Synergies in M&A

MedReleaf and CanniMed use Canada Post's Xpresspost with higher prices and thresholds for free shipping. No immediate synergies for rec.



Air Matters Less for Retail

Even with larger recreational shipments, ground (not air) transport will make more sense with retail inventory management systems



Same Day Toronto Model would Lower Margins, Increase Sales

The Exeter, ON facility's 25K KGs/quarter production will reduce shipping costs. 2.5 hours to Toronto similar to 'MOUNTAIN's distance to Edmonton.



Shipping Requirements will Translate to Another Acquisition

With no B.C. presence, Aurora will be pressured to buy **Ascent Industries** in the Vancouver area. If Aurora doesn't buy Ascent, they will be paying higher wholesale prices

**Questionable
Locations - Shipping**
Higher quantities sold
have not improved
leverage

With no warehouses and using Canada Post & Purolator for deliveries outside of Alberta, high shipping costs are unlikely to change until calendar Q2 2019. Even then risks exist with a new facility in the competitive Ontario market.



Source: Perspectec



Questionable Locations

Aurora Sky in Edmonton
(shipments starting this year)
will require material electricity
/ natural gas

Major Greenhouse Locations of Big 3:

ACB Avg. Edmonton Temp = 2.6°C

ACB Avg. Medicine Hat Temp = 6.1°C

ACB Avg. Exeter, Ontario Temp = 7.9°C

WEED Avg. Niagara-on-the-Lake Temp = 9.2°C

APH Avg. Leamington Temp = 9.6°C

Questionable Locations & Worsening Production Conditions

Biggest Costs of Greenhouses
are Utilities and Labour

In this Cut Flower Greenhouse example:

Labour = 38% of total costs

Utilities = 21% of total costs

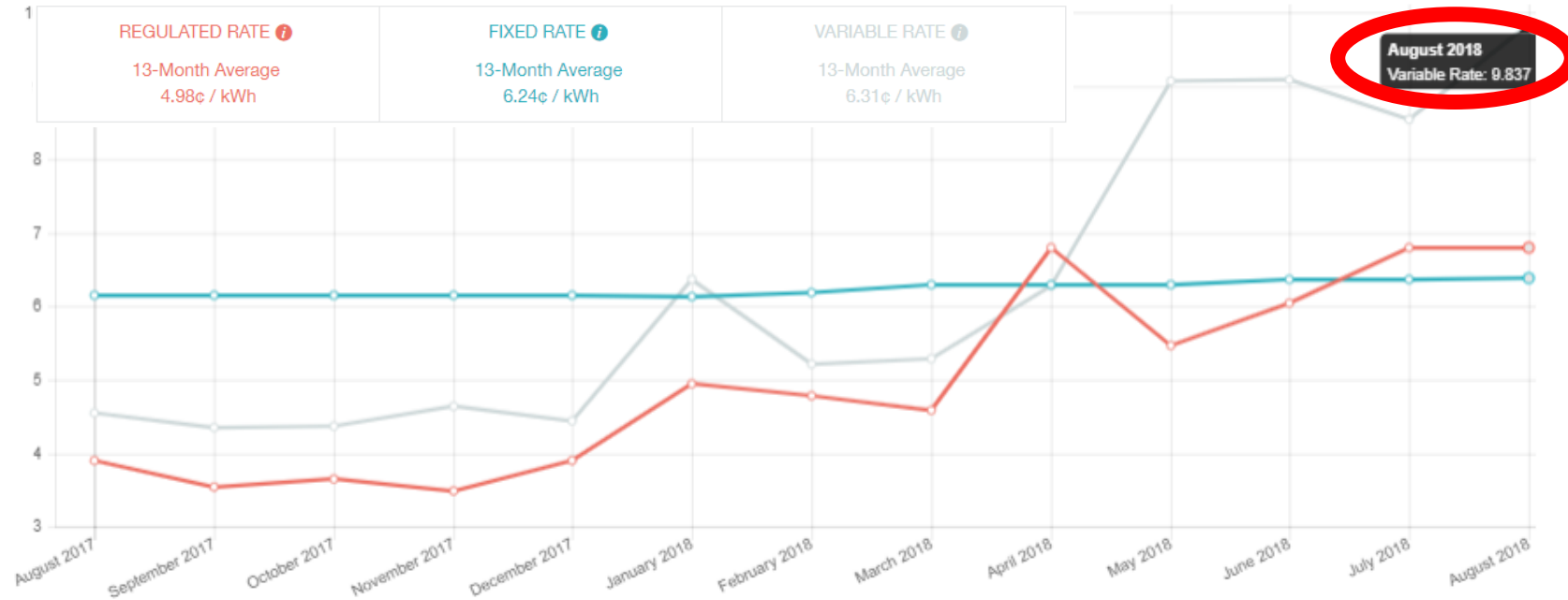
Labour is likely to be a lower % for the
SKY and SUN facilities. SKY will still
require 400 employees.

Table 16: Production Costs and Returns for Cut Flower Producing Greenhouses, 2011

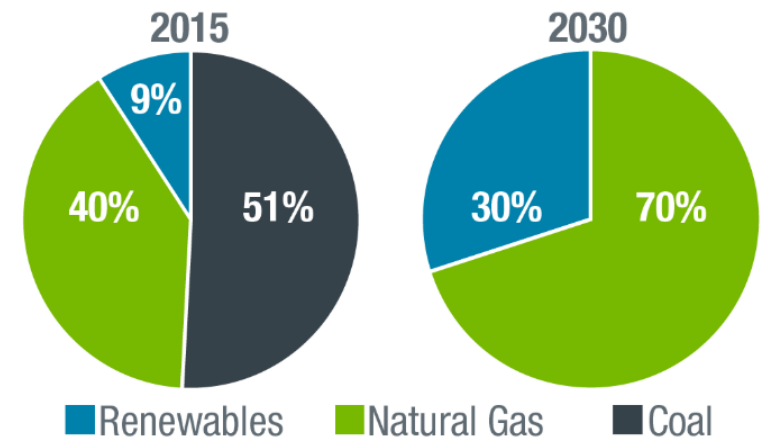
Production Area: 2,994 sq. m. Number of producers: 3				
(A)			Total \$	\$/sq. m.
1. Crop Sales - Imputed Value of Production			446,600.00	149.16
2. Crop Insurance Receipts			0	0.00
3. Miscellaneous Receipts			7,333.33	2.45
GROSS RETURN			453,933.33	151.61
(B)				
1. Growing Media, Seed/Cuttings			28,884.00	9.65
2. Fertilizer and Chemicals			11,867.33	3.96
3. Greenhouse Insurance			7,106.00	2.37
4. Trays, Boxes and Other Packaging			9,014.33	3.01
5. Freight and/or Trucking Costs			23,245.00	7.76
6. Auto Fuel, Repairs, Licenses and Auto Ins.			12,500.00	4.18
7. Repairs - Buildings and Equipment			11,159.00	3.73
8. Utilities: Natural Gas	0.00 GJ		33,997.33	11.36
9. Electricity	0.00 KW		33,836.67	11.30
10. Water	0.00 M ³		123.33	0.04
11. Phone			4,025.67	1.34
12. Custom Work and Specialized Labour			254.33	0.08
13. Marketing Costs			700.00	0.23
14. Assoc. Dues, Prof'l Fees and Promotion			13,072.33	4.37
15. Small Tools, Supplies and Misc. Expenses			5,713.33	1.91
16. Operating Interest Paid			500.00	0.17
17. Labour Insurance/Benefits			3,512.00	1.17
18. Hired Labour	8,196.00 hours		96,626.67	32.27
19. Unpaid Labour	3,070.00 hours		24,560.00	8.20
VARIABLE COSTS			320,697.32	107.11

Worsening Production Conditions

Alberta's Electricity Rates are Skyrocketing



August's variable rate was ¢9.837 per kWh and is trending higher. This may continue with legislation pushing for the elimination of coal power. Aurora Cannabis does not qualify for the regulated rate (red line).

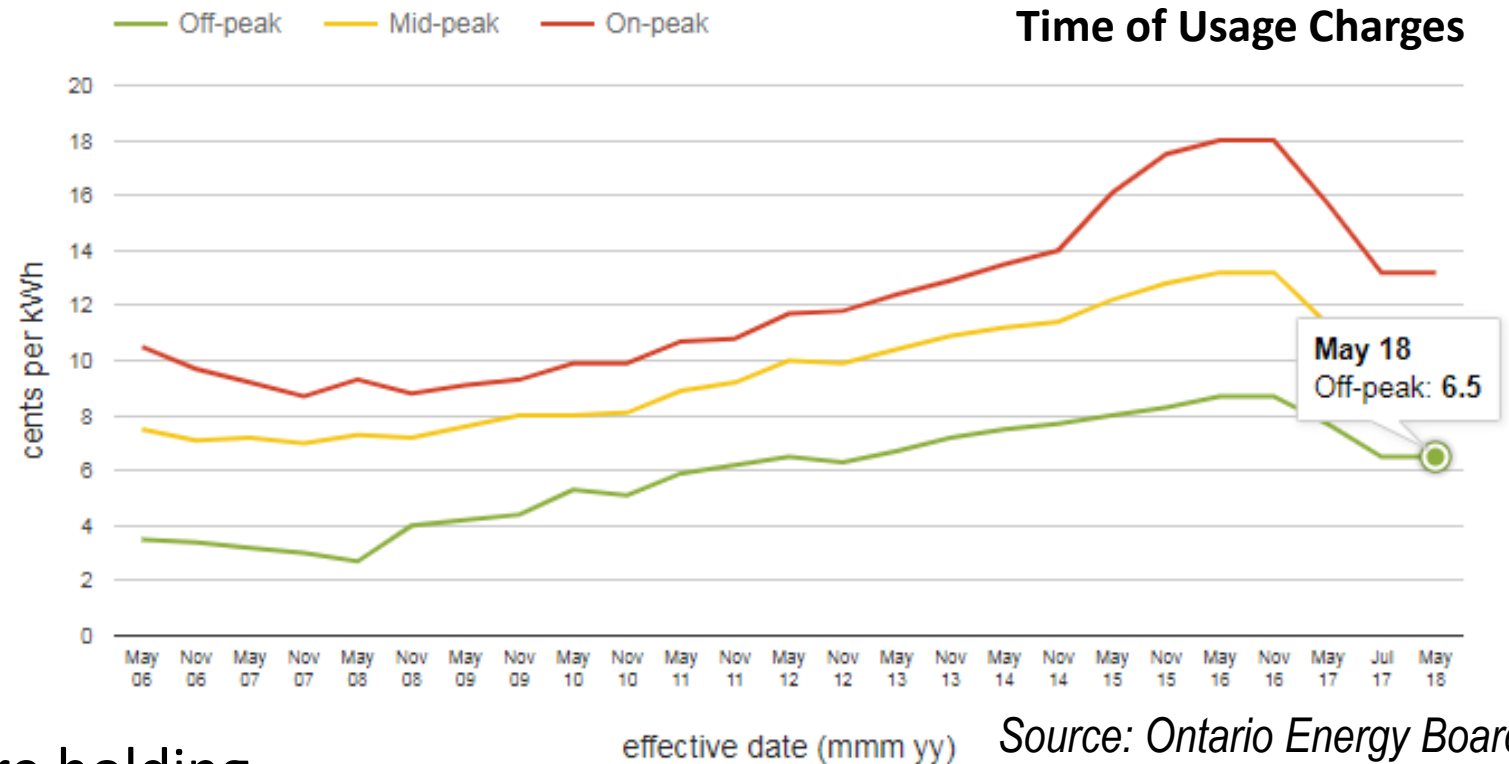


Source: Ontario Energy Board

Worsening Production Conditions

Ontario Electricity Costs are now Competitive with Alberta

Ontario Charges Either by Time of Usage or Total Usage



Ontario's kWh electricity rates are holding steady after coming down from 2016 peaks. Over 50% of hours in Ontario are off-peak. This gets to a rate of between ¢8.9 and ¢11 per kWh.

Greenhouse use roughly 1/10th the electricity of indoor facilities

Total Usage Charges

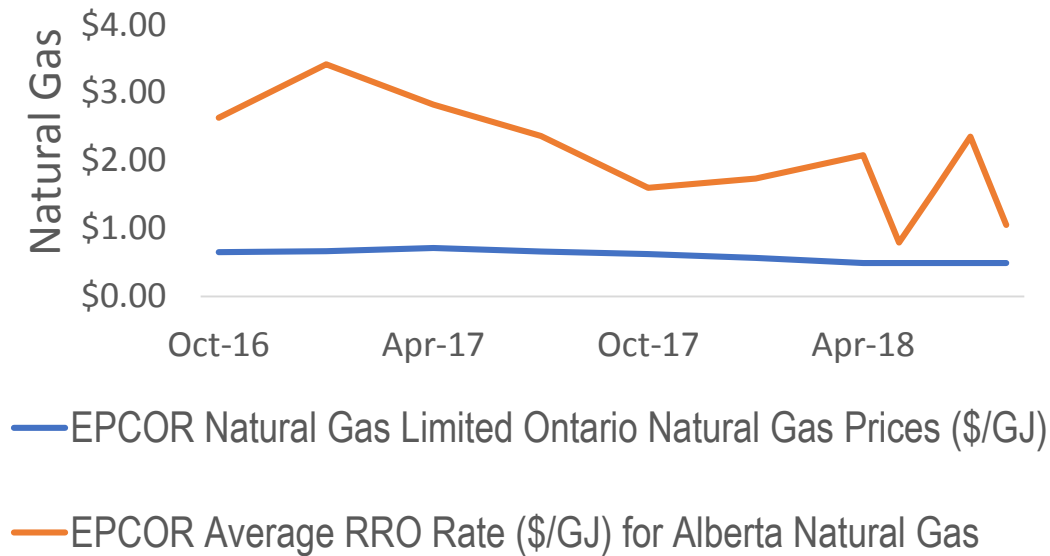
First 600 Kilowatt Hours per month: 7.7 cents/kWh
Above 600 kWh: 8.9 cents/kWh

Source: Ontario Energy Board

Worsening Production Conditions

Since 2016, Ontario Natural Gas with OEB Regulation are now competitive with Alberta

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Source: Ontario Energy Board and
<https://www.epcor.com/products-services/encor/rates-fees/Pages/historical-natural-gas-rates.aspx>

Edmonton Postal Code 5-Yr Quoted Rate / GJ

	5 Year Guaranteed Natural Gas Rate	\$4.19	\$5.00	SELECT THIS PLAN	60
			COMPARE VS. FLOATING RATE		

Source: <https://energyrates.ca/>

Tweed Postal Code 5-Yr Quoted Rate / M₃

	Fixed Price - 5 Years	¢15.8	SELECT THIS PLAN	60
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Source: <https://energyrates.ca/>

Conversion:

1.0 Gigajoules (GJ)

26.853 Cubic metres (m³) natural gas

Smith Falls = \$4.24/GJ vs. Edmonton Airport = \$4.19/GJ

Worsening Production Conditions

Minimum wage will
be 7% higher in
Alberta vs. Ontario
affecting hundreds
of Aurora
employees



**Alberta Minimum wage will be \$15
starting October 1st, 2018**

Ontario Minimum wage is frozen at
\$14 under Premier Ford

Quebec Minimum wage is \$12

B.C. Minimum wage = \$12.65 moving
in increments to \$15.20 by June 2021

We use an Adjusted Cash Cost per gram to normalize reporting by LP

**Worsening
Production
Conditions**
Even excluding
shipping costs, Aurora
will be an above
average cost
producer w/
MedReleaf

Company	Ticker	Estimated Cash Cost of Sales per Gram	Estimated Adjusted Cash Cost of Sales per Gram	% of Oil Equivalent Sales	Last Year	Months Used in Calculation
Aphria	APH	\$2.18	\$2.18	15%	May-18	12
Aurora	ACB	\$2.59	\$2.59	17%	Jun-18	12
Aurora + CanniMed + MedReleaf	ACB	\$2.73	\$2.85	10%		
CanniMed	ACB	\$3.74	\$3.74	41%	Dec-18	12
Canopy	WEED	\$2.74	\$2.24	11%	Jun-18	12
Cronos Group	CRON	\$3.91	\$3.41	9%	Jun-18	6
MedReleaf	ACB	\$2.04	\$2.74	18%	Mar-18	12
Tilray	TLRY	\$3.37	\$2.21	2%	Jun-18	6
Weighted Average		\$2.68	\$2.53			

Source: Perspectec

Adjusted Cash Cost per gram

= (IFRS Cost of Sales before fair value adjustments

- Non-Cannabis Related Cost of Sales

- Depreciation

+ Reported (or estimated) accessories, oil conversion costs, and packaging costs

- Reported (or estimated) shipping costs)

/ # of Equivalent Grams Sold

Unusually High Oil Conversion Costs

Unlike Aphria and Canopy, Aurora does not make it possible to calculate cost per gram in segmented inventories

Inventory is comprised of:

	Capitalized cost	Fair value adjustment
Harvested cannabis	\$ 2,367	\$ 4,149
Harvested cannabis trim	506	775
Cannabis oil	1,591	1,668
Packaging and supplies	705	--
	\$ 5,169	\$ 6,592

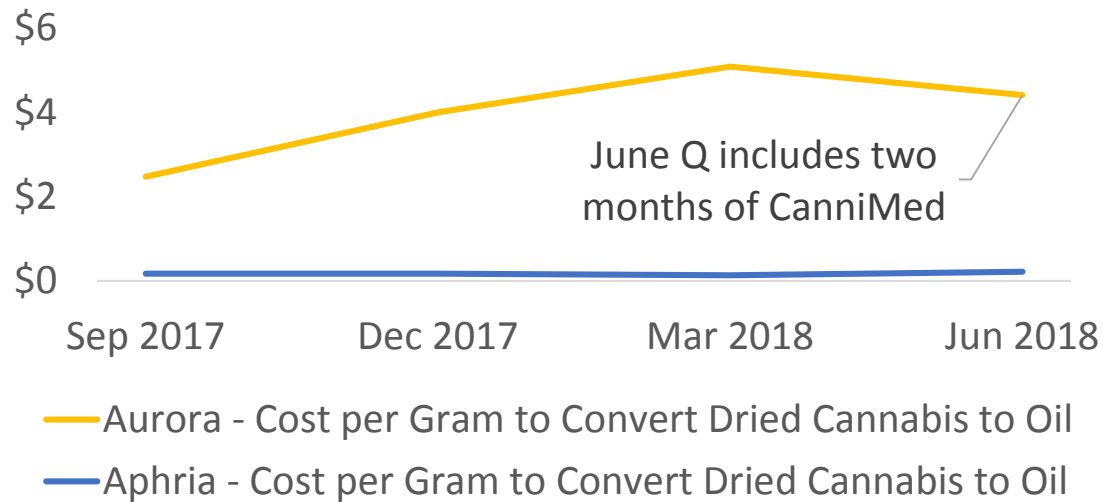
During the three and nine months ended February 28, 2018, the Company recorded \$2,355 and \$6,447 (2017 - \$1,536 and \$3,770) related to production costs. Included in production costs for the three and nine months ended February 28, 2018 is \$62 and \$157 of cannabis oil conversion costs (2017 - \$50 and \$93) and \$71 and \$169 related to the cost of accessories (2017 - \$27 and \$27). Included in cost of sales is amortization of \$473 and \$1,362 (2017 - \$236 and \$718). The Company also included \$237 of amortization in inventory for the three and nine months ended February 28, 2018 related to capital assets utilized in production. During the three and nine months ended February 28, 2018, the Company expensed \$3,443 and \$7,250 (2017 - \$1,104 and \$3,676) of fair value adjustments on the sale of its biological assets included in inventory.

The Company holds 1,738.1 kilograms of harvested cannabis (May 31, 2017 - 668.5 kgs), 426.9 kilograms of harvested cannabis trim (May 31, 2017 - 140.1 kgs) and 5,053.8 litres of cannabis oils or 842.3 kilograms equivalent (May 31, 2017 - 1,091.3 litres or 181.9 kilograms equivalent) at February 28, 2018.

Source: Aphria February 28, 2018 financial statement Note 8

At June 30, 2018, inventory quantities amounted to 19,721 kilograms of dry cannabis. Of this amount, 2,594 kilograms was finished goods available for sale; 6,576 kilograms of product in process of testing and awaiting release for sale, and 10,551 kilograms of extract-grade cannabis held for conversion to oils and capsules. This compares to March 31, 2018 when a total of 15,726 kilograms of dry cannabis was in inventory, comprised of 2,982 kilograms of finished goods, 3,480 kilograms of product awaiting approvals to be released for sale, and 9,264 kilograms of extract-grade cannabis being held for conversion to oils and to capsules. In addition, the Company had a total of litres of cannabis oil, ranging from concentrated resins, or refined oil, to oil in its finished state and available for sale, up from 6,969 litres held at March 31, 2018, also ranging from concentrated resins to finished oils available for sale. The Company also had 1,055 kilograms of capsules on hand at June 30, 2018.

Source: Canopy June 30, 2018 financial statement Note 8



Source: Perspectec

Aurora risks seeing lower gross margins on larger oil sales. No visibility on oil inventory.

Aurora's costs are 20x that of Aphria

Source: Aurora



Aurora highlights its low costs for dried cannabis, but excludes cost of accessories, purchases from other wholesalers, and oil conversion costs.

Does not make obvious why its cost to convert Dried Flower to Oil on a gram equivalent basis is so high.

Unusually High Oil Conversion Costs

No visibility into inventory splits translates to a higher risks that major swings in cost of sales can take place with either Oils or Dried Flower

Unusually High Oil Conversion Costs Worries Around the Recreational Cannabis Oil Market

Canopy Growth is focused on zero calorie Marijuana drinks aided by its partnership with Constellation Brands (Corona brand owner) by the 2nd half of 2019. Tweed can win the marketing battle.

We Forecast a 12% Market Share for Aurora in recreational concentrates and digestibles vs. 25% Canadian market share for Canopy Growth and 15% share for Aphria.

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Aphria has managed to reduce its oil conversion costs to a fraction of Aurora's. **Aphria can offer a quality / price position that makes Aurora uncompetitive**

Aurora's Cannabis Oils

THC: 1.3mg/ml
CBD: 27.7mg/ml

Price: \$95.00 / 30 ml
Type: Hybrid
Category: Cannabis Oil

2X the price of Aphria for the amount of active ingredients

Aphria Cannabis Oils



Champlain – Indica

\$120.00 /100ml bottle

20

THC
22.3mg/ml

CBD
< 0.7mg/ml



Champlain – Sativa

\$120.00 /100ml bottle

THC
22.2mg/ml

CBD
< 0.7mg/ml

Unusually High Oil Conversion Costs

Higher Risks that Oil Conversion Costs will Hurt Gross Margin Moving Forward

- CanniMed nor MedReleaf provide average Oils per Gram production costs despite CanniMed being the public LP most heavily weighted to Oil Production
- Aurora has invested in Radient Technologies and HempCo. to provide it with lower cost extractions, but few details are available as to their proven conversion costs.

Management anticipates that Hempco will provide further product differentiation for the Company, as well as, subject to regulatory changes anticipated for 2018, provide substantial supply of low-cost raw material for the extraction of CBD.

Source: Aurora

Radient manufactures high-value natural ingredients for global customers in the Food and Beverage, Nutrition and Supplements, Pharmaceuticals and Active Care industries. Since the latter part of fiscal 2017, the Company has expanded its offerings to the fast-growing cannabinoids market utilizing an extraction platform to process and extract cannabinoids including cannabidiol ("CBD") and tetrahydrocannabinol ("THC") from cannabis biomass.

Source: Radient Technologies

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Unusually High Oil Conversion Costs

Acquired Stock in Radiant Technologies to Lower Oil Extraction Costs

*“We have acquired a chunk of stock of a company called Radiant Technologies it's located in Edmonton as well and this is a company that has a **proprietary system for the extraction of cannabinoids from cannabis that is superior to the gold standard now** the gold standard right now is supercritical CO2 this is more efficient and has vastly greater throughput than standard supercritical CO2”*

— Chief Communication Officer Cam Battley at an Investor Conference

Radiant Technologies Market Cap. is about \$300M

5. Intangible assets

	Patents	Licenses
Cost		
Balance March 31, 2017	\$ 100,000	\$ -
Additions	-	47,044
Balance March 31, 2018	\$ 100,000	\$ 47,044
Additions	-	-
Balance June 30, 2018	\$ 100,000	\$ 47,044
Accumulated amortization		
Balance March 31, 2017	\$ 65,455	\$ -
Amortization	21,818	1,176
Balance March 31, 2018	\$ 87,273	\$ 1,176
Amortization	5,455	1,764
Balance June 30, 2018	\$ 92,728	\$ 2,940
Carrying value		
March 31, 2018	\$ 12,727	\$ 45,868
June 30, 2018	\$ 7,272	\$ 44,104

Expenses

	2018	2017
General and administrative	3,112,138	1,885,836
Production plant	1,506,866	774,977
Business development	1,183,143	255,329
Process development	919,034	592,636
Depreciation and amortization	539,888	455,829
Financing fees (Note 19)	454,066	483,669
Quality control and assurance	368,238	19,195

4. Plant and equipment

	R&D equipment
Cost	
Balance March 31, 2016	\$ 1,263,607
Additions	3,208
Balance March 31, 2017	\$ 1,266,815
Additions	787,267
Transfers	-
Disposals	-
Balance March 31, 2018	\$ 2,054,082
Accumulated depreciation and impairment	
Balance March 31, 2016	\$ 1,178,364
Depreciation	22,681
Balance March 31, 2017	\$ 1,201,045
Depreciation	81,929
Disposals	-
Balance March 31, 2018	\$ 1,282,974

Source: Radiant Technologies financial statements

Unusually High Oil Conversion Costs - Dreaming of Improvements
Microwave Assisted Processing (MAP) Extraction is Very Early Stage

Radiant R&D over the last 2 years, R&D equipment and patents are well under \$3M

Above Average # of Customer Complaints

ACB + CanniMed Product Quality Lags the Industry

Tweed



Spectrum



Tilray



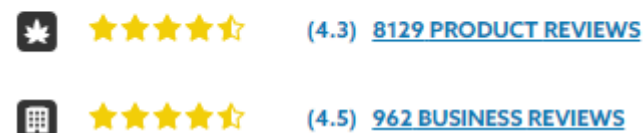
OrganiGram



Aphria Inc.



Broken Coast Cannabis



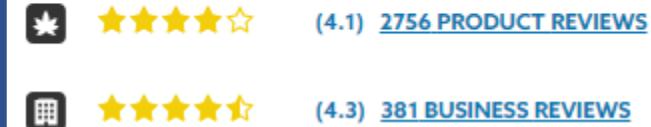
Canna Farms



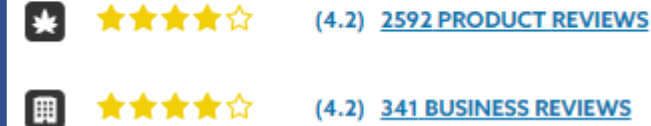
Emblem



Aurora



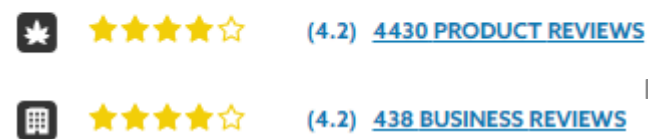
MedReleaf



CanniMed



CannTrust



Source: Lift

Aurora business reviews have been propped up by lower pricing and free/fast shipping strategy.

MedReleaf is fairly popular with its more stable patient base

Above Average # of Customer Complaints

Positive ACB Reviews from Apparent Legit Reviewers Typically Have a But

Worst Process Ever.

Buddy2639
REPUTATION 7751
HELPFUL REVIEWS 27
REVIEWS 41
JOINED 11/15

I spent about 6 months with aurora. four of that were me constantly calling them and my doctor because they kept saying they never got my documents. lies. When I finally was registered, they had sold out of the oil I left to buy. What a waste of my time. Prices were pretty fair... if you can get in/ buy anything.

Confusing And Delayed Sign Up.

REPUTATION 1350
HELPFUL REVIEWS 6
REVIEWS 3
JOINED 11/17

Aurora was my first choice as my LP but I decided after over 2 weeks of waiting to choose someone else. i got a lot of unhelpful emails about how they couldnt find my medical authorization so it was sent to the test twice. The clinic is very familiar with the process so what happened to the first authorization sent. Then they asked for more information from me and then someone else sent an email saying they had it. And every email was

Aurora - Lots Of Issues

REPUTATION 5300
HELPFUL REVIEWS 3
REVIEWS 20
JOINED 09/17

First I'd like to say that it takes over 2 weeks to sign up with Aurora. My doctor submitted my paperwork to other licensed producers before and I was able to start ordering with them in a matter of days. Aurora on the other hand took 2 weeks to get in touch with me by email. After that it took another week to get everything set up before I was able to order products.

DiscordianJordan
REPUTATION 8200
HELPFUL REVIEWS 7

Aurora Was Ok When I First Signed Up But Was A Steady Decline In Selection,Availability & Quality Since Then. Very Poor Social Media Relations Skills.

REVIEWS 30
JOINED 04/18

I loved Aurora when I first signed up in Oct 2016. They had Chester and Cannatonic with high CBD levels and great compassionate pricing. As the months past selection was very inconsistent and months would go by with

Don't Bother With These Crooks. They Only Care About Profit.

Martock
REPUTATION 16050
HELPFUL REVIEWS 13
REVIEWS 43
JOINED 11/17

So I have been with Aurora for almost a full year now. They are horrible. Good prices yes, but that is where things end. They constantly have hiccups with their automated service, and deliveries. They lie to your face about facts that you can research, because they believe the average customer doesn't know any better. Their manager "Ali" is the most useless person on the face of the

Amazing At First; Fantastic Compassionate Pricing; Declining Quality.

Dylan1997
REPUTATION 4100
HELPFUL REVIEWS 8
REVIEWS 13
JOINED 07/17

When I first joined Aurora I was very impressed at their THC and CBD levels. In addition, with access to their compassionate pricing they are very affordable at 6\$/gram across every strain. Shipping within Calgary with WestDirect is uncomparable, I order in the morning and have my medicine

DrH

REPUTATION 26950
HELPFUL REVIEWS 12
REVIEWS 97
JOINED 11/17

SmellyElf

REPUTATION 2150
HELPFUL REVIEWS 5
REVIEWS 6
JOINED 01/17

TT4L

REPUTATION 1950
HELPFUL REVIEWS 2
REVIEWS 7
JOINED 09/17

Ericapauze

REPUTATION 4700
HELPFUL REVIEWS 2
REVIEWS 16
JOINED 12/17

Myarocks

REPUTATION 5934
HELPFUL REVIEWS 14
REVIEWS 16
JOINED 06/17

BigMouse7

REPUTATION 8500
HELPFUL REVIEWS 5
REVIEWS 32
JOINED 04/18

Unimpressed With Aurora

Aurora has the worst customer service out of five LPs I have supported. They fail to answer email, their registration process is a nightmare, and the person working the live chat is incapable of offering any useful assistance and simply repeats information that is already available on the website. They wasted far too much of my time. Avoid if at all possible.

Worst Customer Service Ever

I would suggest that the people who own this company hire people to run it properly because the customer service there is the worst I have experienced with any company ever. Plus they took my money without delivery of product, which has never been refunded to me.

Poor Client Care, Even Worse Selection And Variety.

I've tried Aurora for about 5 months now on and off and honestly don't bother wasting your time or money. The selection is horrible and if you ask client care for any info you may have more success waiting for a meaningful response from a wall. No help whatsoever. They spend a lot of money buying up other producers yet the selection actually gets smaller and smaller. I just

Took Forever For Their Cbd Oil To Be In Stock And It Was Far To Expensive For What You Get.

I used to be with aurora. I mainly use CBD oil. It's a daily med for me, sadly it was rarely in stock with aurora and it's really expensive for a product I didn't find worked as well for me.

Next Dr's Visit I'm Outtie

Aurora was the first LP and must say at the time their medication was good until I split Lp's and saw the difference. At my next doc visit I'm leaving Aurora all together. I have a few cons about Aurora the first being it took a two weeks and a day to register / purchase. I had no pain meds and sat in agony waiting and waiting to be approved, called and was on hold for 45

Ok Lp

I find them to be a bit on the expensive side. I do love the shipping packaging but the actual containers aren't very good let's out too much smell

Noname1234562

REPUTATION 6935
HELPFUL REVIEWS 34
REVIEWS 69
JOINED 10/15

Quagmyers

REPUTATION 3100
HELPFUL REVIEWS 1
REVIEWS 12
JOINED 04/18

Stack91

REPUTATION 9800
HELPFUL REVIEWS 3
REVIEWS 38
JOINED 07/18

Jameskush

REPUTATION 12650
HELPFUL REVIEWS 4
REVIEWS 32
JOINED 01/18

Mrobin107

REPUTATION 7450
HELPFUL REVIEWS 4
REVIEWS 28
JOINED 05/17

Michaelmac

REPUTATION 4300
HELPFUL REVIEWS 3
REVIEWS 16
JOINED 12/17

UnfinishedBusiness420

REPUTATION 11400
HELPFUL REVIEWS 4
REVIEWS 44
JOINED 04/18

Overall An Excellent Lp

The only downside with Aurora is their pricing. I wish they had more variety in their pricing rather than have everything at \$9/gram. That said, their same day delivery in Alberta is incredibly convenient and their product quality is consistent. Their app, while not the most convenient to update, is very easy to use.

Quality Went Downhill

I was with Aurora for a year and switched to broken coast. Aurora's price was good but quality of bud was lacking.

Meh

Aurora has great delivery time. Not a fan of their selection tho. I dropped them as an LP due to their quality

Very Close To Home Good Prices

If you're in Alberta check them out very fast shipping most the time same day

Amazing Company!

Aurora has great cannabis. After over 10 months, I have not had issues with my product. They are steadily decreasing their THC & CBD percentages in bud form, but with their compassionate pricing, ZERO complaints. I will be with them for the foreseeable future. Taste, smell and looks are spot on, and I love clean cannabis!

Great Company, Free Shipping Makes Them Above Everyone Else

Great company with great products, they don't have as much selection as other companies but that's because they have fine-tuned their products and they are great! the free shipping definitely tips the scales for me and their great compassionate pricing for those who need it.

Aurora Review

I enjoyed Products from Aurora all last year and I really enjoyed everything that I tried. Try Aurora if you need good buds! I hope they continue to pair with other companies like Broken Coast to give medical marijuana users more variety.

Go Aurora! I liked that they give you a free \$50 on your first purchase and they sent stickers as well!

Source: Lift

Above Average # of Customer Complaints

PROs All Eat Away At GM and S&M for ACB and CanniMed

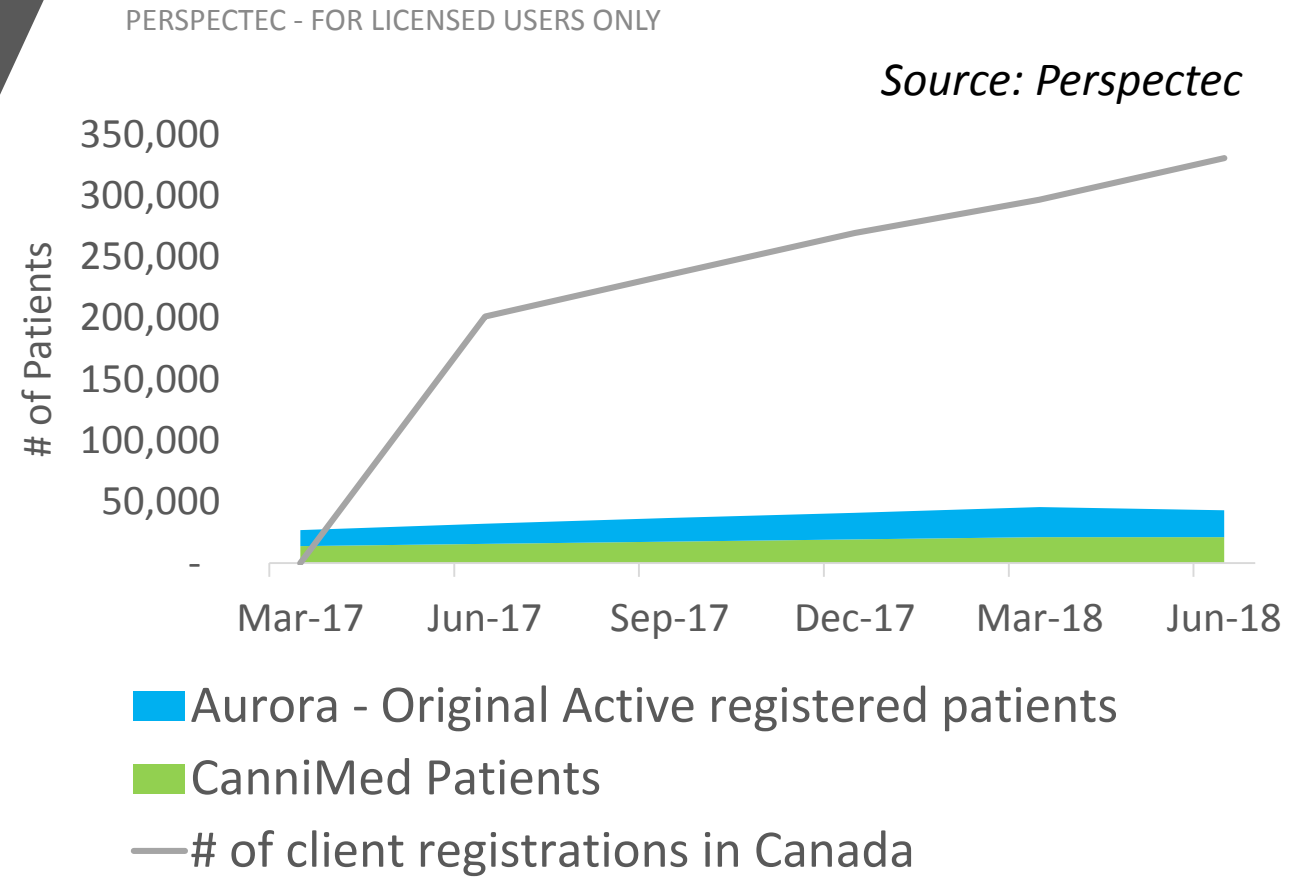
PROs Stated by Experienced Reviewers	CONs Stated by Experienced Reviewers
<ul style="list-style-type: none">• Fast shipping for Calgary/Edmonton residents. Positive reviews weighted by loyal Albertans (ACB)• Free shipping for small orders• Compassionate pricing (\$6/gram) for low income individuals (ACB, CanniMed and MedReleaf)• \$50 rebate on 1st order (ACB only)• MedReleaf has a quality product• Credit renewing of 5% of the amount spent in your previous registration period (up to \$5K, CanniMed)• 25%+ discounted pricing for all CanniMed products	<ul style="list-style-type: none">• Declining quality (ACB, CanniMed)• Lack of quality (CanniMed)• Lack of selection (ACB, CanniMed)• Lack of availability (ACB)• Expensive for the quality of product (ACB, CanniMed)• Doesn't have a top reviewed, quality strain (ACB)• Customer service over the phone issues (ACB)• Follow-up after signing up is only through e-mail (ACB)• No low priced product (ACB, only one for MedReleaf)• High Price (MedReleaf)

PERSPECTEC - FOR LICENSED USERS ONLY

MedReleaf has not reported a patient count since going public. Growth was stagnant due to higher pricing and the elimination of rebates for veterans in Q4/16

Above Average # of Customer Complaints

Patient Growth is coming from pricing discounts and shipping

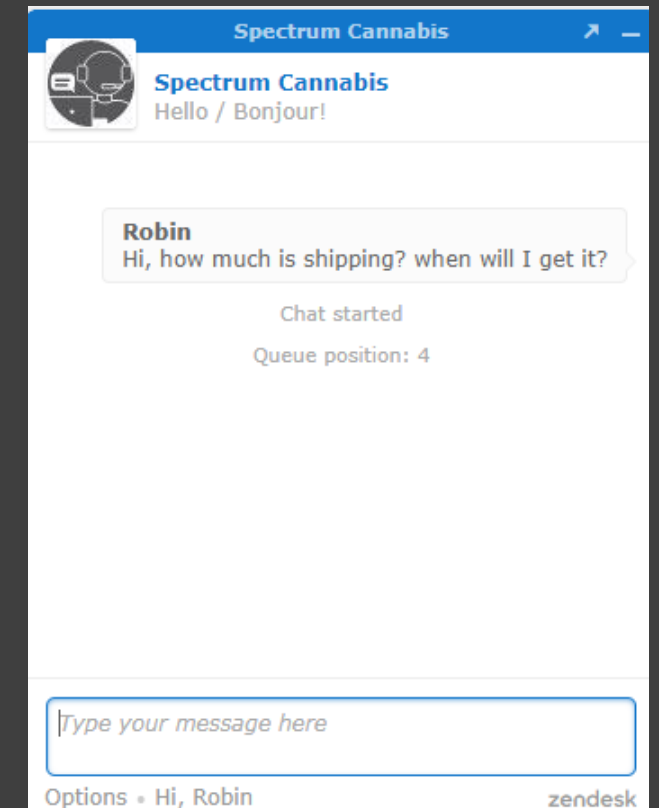
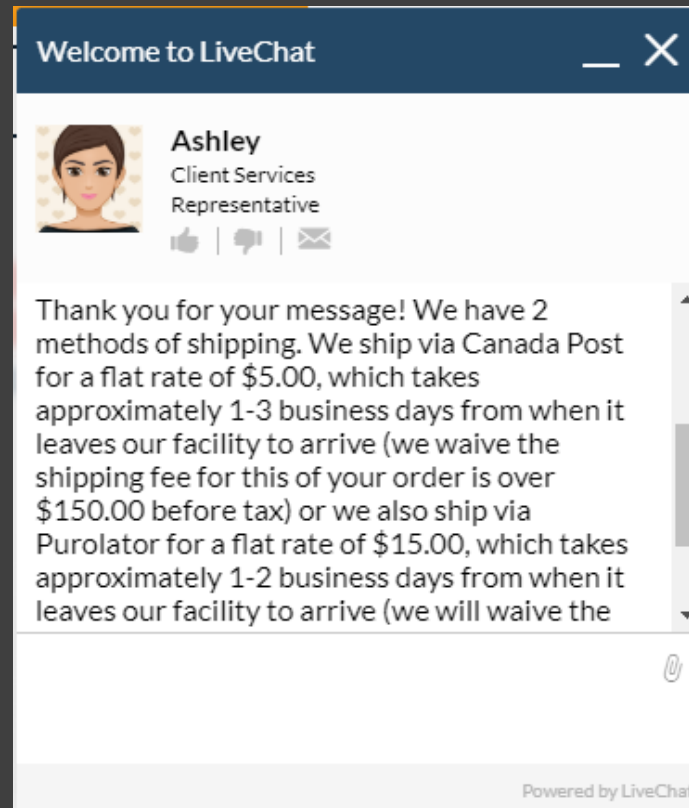
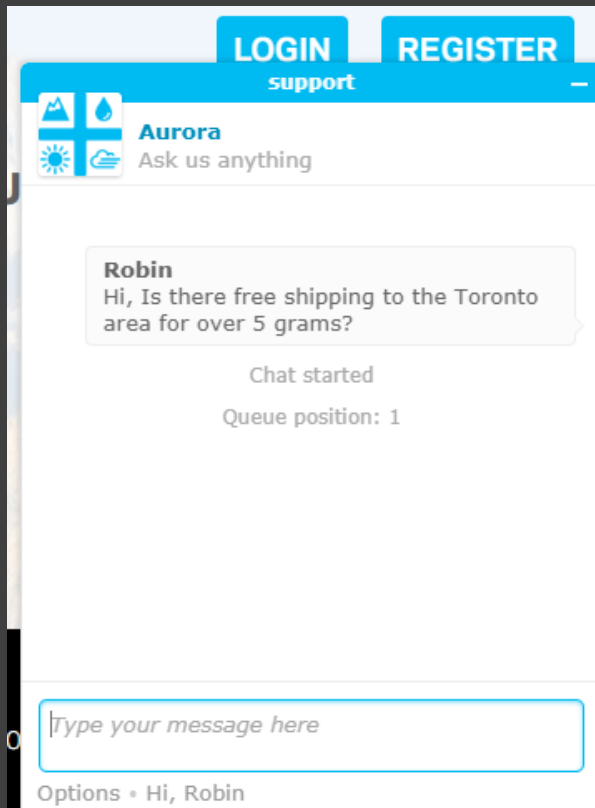


quarter over quarter. As of the date of this prospectus, over 17,000 patients are registered with the Company which is up from 10,224 patients as at the end of the second quarter of 2016. According to Health Canada, the total number of patients in the ACMPR or successor programs is expected to reach approximately 450,000 by 2024. Growth of the total number of patients is currently tracking well ahead of Health Canada's growth estimates, with historical growth trends indicating a market potential increase in excess of 1,000,000 patients by 2024:

CanniMed patients increased from 10,224 on June 30, 2016 to over 17,000 by it's IPO on Nov. 25, 2016 due to the introduction of Cannabis Oils in June, discounting prices 25%+ and offering renewals of up to \$500 in July of 2016.

Aurora has a large percentage of positive reviews come from Albertans happy with its shipping times

In May 2016, the Company launched a same-day delivery of medical cannabis to clients in Calgary, Edmonton and surrounding communities. More than 75% of Aurora patients in the Metro Calgary area are receiving their product orders within 24 hours, through same-day delivery and subsequently-introduced overnight/next-day delivery.



Above Average # of Customer Complaints
Positive: Never Any Queue to Get Your Questions Answered
Good Online Customer Service vs. Canopy's Brands

**DARRYL
VLEEMING**

CIO, AURORA

Over 20 years of experience in Senior IT leadership, project delivery and IT strategic planning at publicly traded international corporations, with a specific focus on driving business value.

**TERRY
BOOTH**

CEO, AURORA

CEO of 6 successful companies 25 years experience in highly regulated industries.

**STEVE
DOBLER**

PRESIDENT, AURORA

Successful entrepreneur, member of many public companies' board of directors. Responsible for raising substantial funds for Aurora.

**ALLAN
CLEIREN**

COO, AURORA

Experienced operational executive with nearly three decades leadership experience at private and public companies.

Red Flags with Management No Operator Experience

**NEIL
BELOT**

CBDO, AURORA

Former executive director of Cannabis Canada - Canada's trade association for Licensed Producers.

Red Flags with Management

The Board Owns 3% of Aurora Cannabis

			Shares Owned
Michael Singer ⁽⁷⁾⁽⁸⁾⁾⁽⁹⁾ Quebec, Canada Chairman of the Board and	Chartered Professional Accountant, Consultant and Entrepreneur; currently CFO and Corporate	Director: May 20, 2016	180,579 ⁽³⁾
Terry Booth Alberta, Canada Chief Executive Officer and Director	President and part owner of Superior Safety Codes Inc.	Director and Officer: December 9, 2014	12,234,282 ⁽⁴⁾
Steve Dobler ⁽⁸⁾ Alberta, Canada President and Director	Professional Engineer; Vice President and part owner of Superior Safety Codes Inc.; President of ICC Enterprises Corp. since May 2002.	Director and Officer: December 9, 2014	15,090,348 ⁽⁵⁾
Jason Dyck ⁽⁹⁾ Alberta, Canada Director	Professor, Department of Pediatrics, University of Alberta since July 1999; and Vice-President, Metabolic	March 10, 2015	2,431,155 ⁽⁶⁾
Joseph del Moral Ontario, Canada Director	CEO of 2425451 Ontario Inc. also known as Canadian Cannabis Clinics since 2014; and Director of	October 1, 2016	2,310,200

Source: Aurora fillings

2014-12-15	Indirect Ownership : Lola Ventures Inc.	00 - Opening Balance-Initial SEDI Report			16,350,000
2016-10-25	Indirect Ownership : Lola Ventures Inc.	54 - Exercise of warrants	+37,736	0.6600	12,913,182
2017-01-19	Indirect Ownership : Lola Ventures Inc.	54 - Exercise of warrants	+1,019,250	0.5500	13,932,432
2017-01-19	Indirect Ownership : Lola Ventures Inc.	10 - Acquisition or disposition in the public market	-1,019,250	2.5510	12,913,182
2017-02-28	Indirect Ownership : Lola Ventures Inc.	16 - Acquisition or disposition under a prospectus exemption	+224,600	2.2500	13,137,782
2017-05-04	Indirect Ownership : Lola Ventures Inc.	11 - Acquisition or disposition carried out privately	-150,000	2.6600	12,987,782
2017-05-29	Indirect Ownership : Lola Ventures Inc.	11 - Acquisition or disposition carried out privately	-3,421,756		9,566,026
2017-05-29	Indirect Ownership : Lola Ventures Inc.	11 - Acquisition or disposition carried out privately	+3,421,756		12,987,782
2017-06-09	Indirect Ownership : Lola Ventures Inc.	10 - Acquisition or disposition in the public market	-1,000,000	2.1023	11,987,782
2017-11-03	Indirect Ownership : Lola Ventures Inc.	15 - Acquisition or disposition under a prospectus	+116,667	3.0000	12,104,449
2017-11-28	Indirect Ownership : Lola Ventures Inc.	10 - Acquisition or disposition in the public market	-700,000	7.9410	11,404,449
2017-11-28	Indirect Ownership : Lola Ventures Inc.	54 - Exercise of warrants	+112,300	3.0000	11,516,749
2017-12-01	Indirect Ownership : Lola Ventures Inc.	57 - Exercise of rights	+47,101		11,563,850
2018-03-16	Indirect Ownership : Lola Ventures Inc.	10 - Acquisition or disposition in the public market	-464,183	11.5430	11,099,667

Selling was done around \$8 in November and \$11.50 in March.

CEO owns about 1% of the company, Chairman about 0.1%.

Compensation for CEO primarily comes from stock options priced at \$2.26.

Source: SEDI

Red Flag with Management

CEO Owns a Little and Sells a Lot Above \$7

Red Flags with Management

M&A is Unlikely

Terry Booth – Chief Executive Officer

Source: Aurora filings

The Company entered into an employment agreement with Mr. Terry Booth effective January 1, 2017 which provides for his annual base salary of \$325,000, four weeks' annual vacation, participation in bonus plans and restricted share unit plans, bonuses of up to a maximum of 35% of the annual base salary, to be approved by the Compensation Committee, and eligibility to participate in the Company's standard benefit plans. The Company may terminate the employment without cause by providing Mr. Booth reasonable and adequate notice, or salary in lieu of notice of twelve months' base salary plus one additional month per year of service, calculated on a pro-rata basis, with this calculation commencing as of July 1, 2013 to a maximum of 24 months' notice or base salary in lieu thereof. No change of control provisions were included in Mr. Booth's employment agreement. On September 25, 2017, the Board approved a Management Bonus Plan with an increase to Mr. Booth's bonus target to 75% of his base salary.

Details on the operational / financial targets for the Management Bonus Plan are limited



32

The Board has approved a bonus plan that is meant to increase corporate performance, profitability and shareholder value. Under the plan, cash payments are made when predetermined operational and financial targets are met. In addition, the Compensation Committee factors into the bonus its assessment of each executive officer's respective contribution to this achievement.

For the fiscal year 2018, the Board approved a management bonus plan (the "Management Bonus Plan") composed of corporate, divisional and individual measures and based on a percentage of base salary determined by the position level. The CEO has a Target percentage incentive level of 75%. Other NEOs have a Target percentage incentive level of 50%.

Red Flags
with
Management
Unlike Other
Major LPs, Aurora
has Avoided
Discussions w/ us

Conference call

Robin Manson-Hing <robin.manson-hing@perspectec.com>
to marc.lakmaaker, Mishma, Saif, Catherine ▾

Mon, Aug 13, 12:54 PM

Hi Marc,

My name is Robin Manson-Hing and I run Perspectec, an equity research investment advisory firm based in Toronto.

We are getting ready to launch coverage on Aurora and were wondering if you have availability this week to talk to us about your company and any questions? a 30-minute call might be good enough.

After twice requesting to talk to two different people in IR, and noting we wanted to talk about “*operations, things like shipping, energy inputs, and some accounting stuff*”, there were no follow-ups.

We have had face to face meetings with other major LPs such as Aphria and Canopy Growth and conference calls with a number of other LPs with no issues. **Aurora Cannabis is the only LP avoiding a discussion with us.**

Red Flags with Management

Why the under-production?

Produced only 2,212 KG in Q4 vs. a capacity of at least 3,950 KG even excluding Aurora Sky. Low depreciation in CoGS indicates little/no sales from Aurora Sky

From Aurora Cannabis' Fiscal Q4/18 MD&A

	LOCATION	SIZE	CAPACITY	STATUS	LICENSE	
					CULTIVATION	SALE
Aurora Mountain	Mountain View, Alberta, Canada	55,200 ft ²	4,800 kg/year	Operating since 2015	●	●
Aurora Vie	Pointe Claire, Quebec, Canada	40,000 ft ²	4,000 kg/year	Operating since June 2018	●	●
Aurora Eau	Lachute, Quebec, Canada	48,000 ft ²	4,500 kg/year	Facility construction completed	●	
Aurora Sky	Edmonton, Alberta, Canada	800,000 ft ²	>100,000 kg/year	Full facility to be completed by end of 2018	●	
Aurora Sun	Medicine Hat, Alberta, Canada	1,200,000 ft ²	>150,000 kg/year	Currently under construction. Estimated completion H1 2020		
Aurora Nordic 1	Odense, Denmark	100,000 ft ²	8,000 kg/year	Construction complete. First harvest expected fall 2018		
Aurora Nordic 2	Odense, Denmark	1,000,000 ft ²	>120,000 kg/year	Currently under construction. Estimated completion H1 2020		
CanniMed	Saskatoon, Saskatchewan, Canada	97,000 ft ²	19,000 kg/year	Operating since 2004. Upgrading to EU GMP specifications	●	●

Current capacity for Saskatoon is 7,000 kg/year

Red Flags with Management

No other major LP so obviously hides inventory levels and production delays

Martin Landry

And it would be very interesting for us if you can share where your inventory stands right now today in terms of kilos inclusive of MedReleaf. Is that something you can give us some color on.

Glen Ibbott

Martin, we're prepared for the demand from the provinces from the territories. We're going to meet the initial POs. What we're focused on and why I don't want to get into specifics of those two, how much we've got is I think what's more important is, which products you have and how quickly are they going to move. For instance, as Cam has mentioned you're well aware of this, we've made a significant investment in preparing for pre-rolls that have massive inventory of pre-rolls, which we think are going to be a high demand product. But to measure that in terms of kilograms, sitting there isn't really instructive, so I don't want to get into that right now other than to say, we will meet all the commitments we've made in the provinces, the Canadian medical system and be able to export to Germany. But I know over the next few months, we'll be getting a lot more clarity after we see which products the provinces are going to reorder, and what sort of the demand is, so to see how many kilograms we've got right now and how along that might last. But I think it's a little bit of -- it's a little misleading to our investors to focus on that too much, other than to say we're prepared.

Source: Seeking Alpha

Martin Landry

Cam, at the Investor Day in July, you seemed to confident that you would have all rooms in production at Aurora Sky by September, October. And now it looks it's going to be more like December. So I'm wondering if you can give us a little bit more color as to what's causing the delays there.

Cam Battley

I don't think we're seeing delays. We do have to work with our regulator and we have to abide by what health Canada allows us to do. But I think we said back then that we anticipated being at full capacity towards the -- at the end of calendar 2018 or the beginning of calendar 2019, and we're very much on track with that and that's what matters. So we're intending to be at full capacity at that point turning out 800,000 plus kilograms a month.

Aurora finally held an earnings conference call for Q4/18

On September 25, 2017, the Company adopted an ESPP whereby eligible employees may contribute to the ESPP at least 1% but no more than 10% of their annual gross salary up to a maximum of \$10,500, to purchase common shares of the Company in the open market at prevailing market prices. The Company contributes an amount equal to 50% of the employee's contributions which are expensed as incurred as there are no vesting provisions.

The Company contributed \$58 to the ESPP during the year ended June 30, 2018.

Source: Aurora Cannabis

Assuming 1,400+ Aurora employees at the end of September, the **average amount spent by each employee on ACB's stock was ~\$20 in fiscal Q4** despite 50% matching by Aurora contributions. This is down from \$57 LQ.

Located primarily in the U.S. and Mexico, **Constellation Brands' 9,600 employees spent >\$300 on average per quarter** last year despite only receiving a 15% discount on its stock.

Red Flags with Management

Employees aren't buying what Aurora is giving them

Red Flags with Management

We agree with Bruce. Leaking M&A discussions does not typically lead to being acquired

“Did you have me on your show to talk about the rumors of doing something with Constellation? No. So I think at the base of things people have to learn how to run their business so its not a public discussion. These deals fall apart when you make them a public discussion”



Bruce Linton, CEO of Canopy Growth (CGC) on BNN Bloomberg, September 18th, 2018 in response to questions about Aurora and Coke

Red Flags with Management

Lock-Up

The Parties will make arrangements with Deutsche Bank, Postbank and Computer-share Inc. to have the Seller 1 Consideration Shares and the Seller 2 Consideration Shares, respectively, locked up at Closing and released to Seller 1 and Seller 2, respectively, as described in Exhibit 8.1 (the "Release Plan").

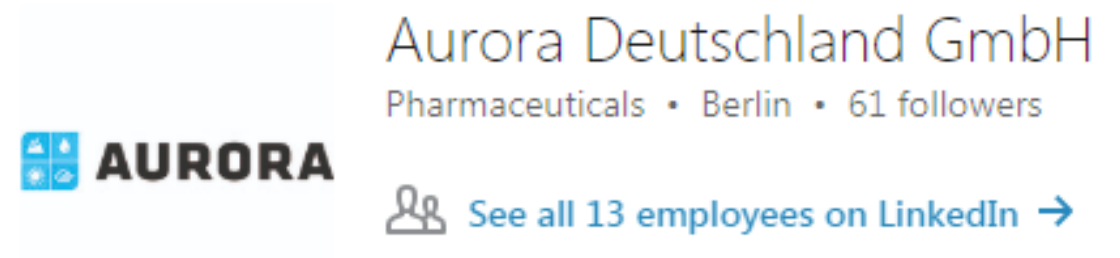
Exhibit 8.1 - Release Plan

Date	# of shares to be released	total # of released shares released	# of shares locked
May 25, 2017			2,447,513
September 25, 2017	407,919	407,919	2,039,594
February 25, 2018	203,959	611,878	1,835,635
May 25, 2018	203,959	815,837	1,631,676
August 25, 2018	203,959	1,019,796	1,427,717
November 25, 2018	203,959	1,223,755	1,223,758
February 25, 2019	203,959	1,427,714	1,019,799
May 25, 2019	203,959	1,631,673	815,840
August 25, 2019	203,959	1,835,632	611,881
November 25, 2019	203,959	2,039,591	407,922
February 25, 2020	203,959	2,243,550	203,963
May 25, 2020	203,963	2,447,513	-

Overstated International Opportunity

Aurora Deutschland consists of few people selling to individually owned pharmacies

Germany is the International market Aurora has said is most under-appreciated.



PEDANIOS

ABOUT US

PRODUCTS

TEAM

PRODUCTS

The German Narcotics Act bans every kind of advertisement or description of narcotic drugs – even used for medical reasons. As the products marketed by Pedanios consist of the dried flower of the cannabis plants and cannabis is assigned within appendix III of the German narcotics legislation, we are not allowed to give any information regarding the products or even be active in advertising. Violations mean a criminal offense.

For more information about narcotic drugs and its therapeutic use, please contact your physician or pharmacist.

Fiscal Q3/18

	Canada	EU	Others	Total
	\$	\$	\$	\$
Three months ended March 31, 2018				
Revenues	13,179	2,411	510	16,100
Gross profit (loss)	7,391	880	(656)	7,615
Income (loss) from operations	(31,059)	(41)	(656)	(31,756)
Net income	(19,567)	(572)	(656)	(20,795)
Nine months ended March 31, 2018				
Revenues	29,197	6,129	723	36,049
Gross profit (loss)	21,348		(602)	22,912
Income (loss) from operations	(49,112)	427	(602)	(49,287)
Net income	(9,477)	39	(602)	(10,040)

Fiscal Q4/18

Geographical Segments

Year ended June 30, 2018	Canada	European Union	Other	Total
	\$	\$	\$	\$
Non-current assets	1,658,793	32,225	-	1,691,018
Revenue	48,152	4,599	2,445	55,196
Gross profit	39,654		406	43,519

Why did E.U. revenue decrease 25% after one quarter in the financial statements but not the MD&A?

Change to Revenue from Contracts with Customers
IFRS 15 was said to be done on July 1st and the adoption of this new standard was “**not expected to have a material impact on its consolidated financial statements.**”

Source: Aurora Cannabis fiscal Q3/18 financials statements

Source: Aurora Cannabis fiscal Q4/18 financials statements

Overstated International Opportunity –

Where did 25% of E.U. sales disappear to in fiscal Q4/18?

(in thousands except as otherwise noted)	2018					2017
	Q4	Q3	Q2	Q1	Total	Total
Medical cannabis segment revenue						
Canadian dried cannabis	\$ 7,529	\$ 6,304	\$ 5,757	\$ 4,641	\$ 24,231	\$ 14,679
Canadian cannabis oils	4,710	2,178	1,508	1,439	9,835	804
European dried cannabis	2,641	2,331	2,483	1,235	8,690	439
Medical cannabis revenue	14,880	10,813	9,748	7,315	42,756	15,922
Patient counselling services	1,553	591	866	923	3,933	2,145
Design, engineering and construction services	1,239	2,979	-	-	4,218	-
Other	85	97	32	11	225	-
Total medical cannabis segment revenue	17,757	14,480	10,646	8,249	51,132	18,067
Other segment revenues	1,390	1,620	1,054	-	4,064	-
Total revenue	\$ 19,147	\$ 16,100	\$ 11,700	\$ 8,249	\$ 55,196	\$ 18,067

2018 European dried cannabis sales are 89% greater than 2017 European revenue in the statements shown on the prior slide.

No public explanation given.

Source: Aurora Cannabis Fiscal Q4/18 MD&A

Overstated International Opportunity

The fiscal Q4/18 MD&A does not show the restatement

Overstated International Opportunity

The German Government is Looking for Supply Equal to 4% of the Expected Canadian Recreational Market. Lots of Speed bumps.



The German Market by 2022 is Not Material – While Germany is the most discussed market, their government is looking to have a number of companies supply only 10,400KGs of cannabis product per year by 2022. This would be 4% of our estimated Canadian recreational demand.



Doctors reluctant to supply - In November of 2017 *The Local* took found cannabis had gotten off to a slow start in Germany as doctors were still reluctant to prescribe it to patients. *“the majority don’t know anything about it, don’t want to have anything to do with it, and are afraid that they could be put in some sort of corner by their colleagues.”* – German user.



Insurance companies not reimbursing - Meanwhile insurance companies also often turn down the request for them to pay for the drug, claiming the case isn’t “serious.”



Germany does not allow chain pharmacies - An owner can only have up to four pharmacies at most. Aurora needs to convince a lot of people to carry their product but this is likely not too difficult.



Doctor prescribe a strain, pharmacy needs to carry that strain vs. Canada where the prescription can be filled and shipped online and user can choose LP.

Overstated International Opportunity

European ASPs (mostly Bulk) are Lower Than Canadian ASPs

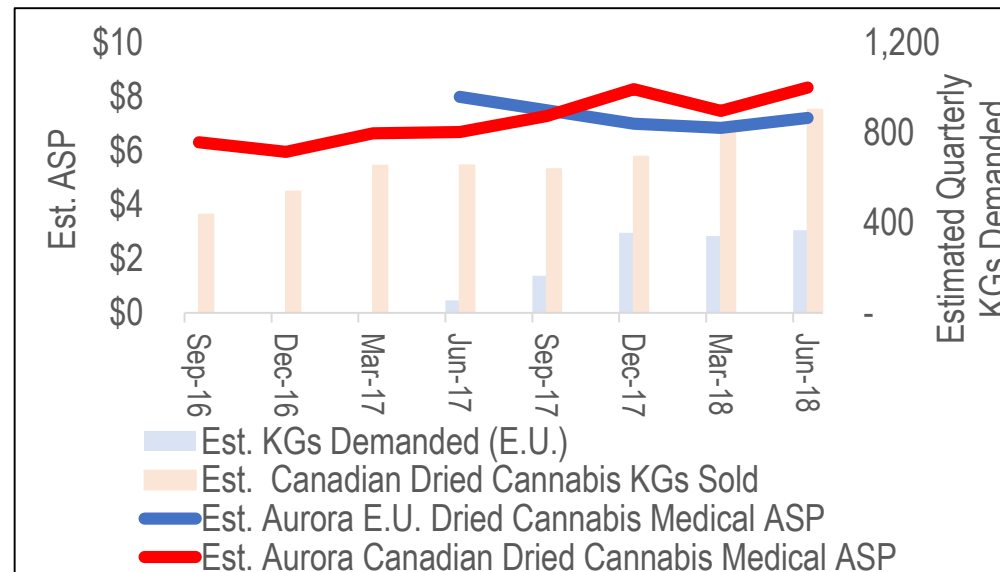
“The consolidated average selling price per gram sold decreased from the Dec 31, 2017 period (\$8.36) to \$7.99 as the company increased wholesale bulk sales of dried cannabis.”

“(Aurora) distributes wholesale medical cannabis in the European Union pursuant to the German Medicinal Products Act and German Narcotic Drugs Act, and in Italy through the January 2018 tender process.”

Source: Q3/18 MD&A

This trend should continue.

MedReleaf will help mask this in the near-term.



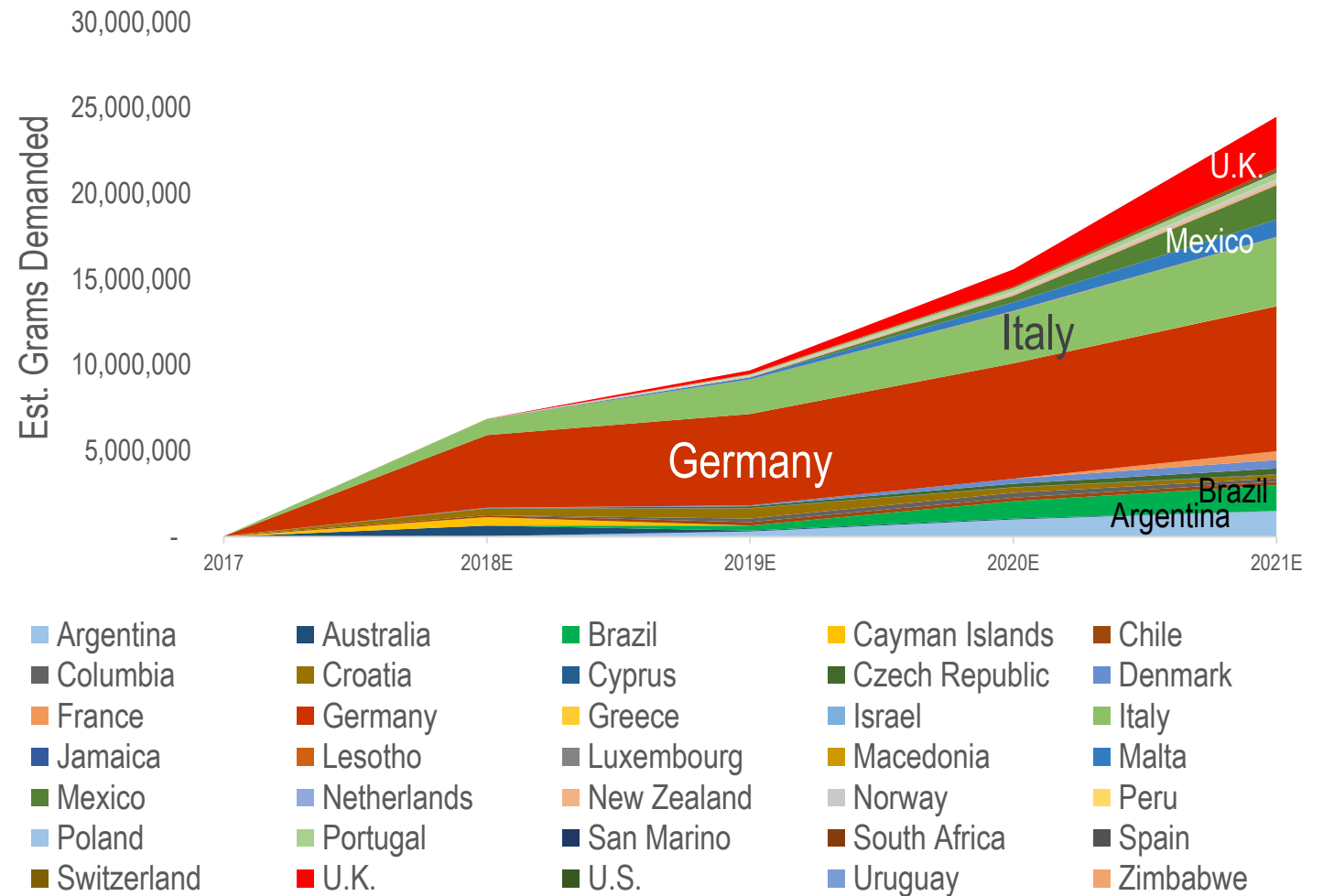
Source: Perspectec

Overstated International Opportunity Headwinds Exist

Aphria CEO Vic Neufeld on August 29, 2018:

"I can tell you with a very high degree of confidence that...in two years time, Germany will have in-country cultivation only. Italy will have in-country cultivation only...and even in the U.K. it will be import but eventually they'll want their own....Because they can add a level of enforcement of site visits, yank your license. It's the economic benefits, it's the employment..."

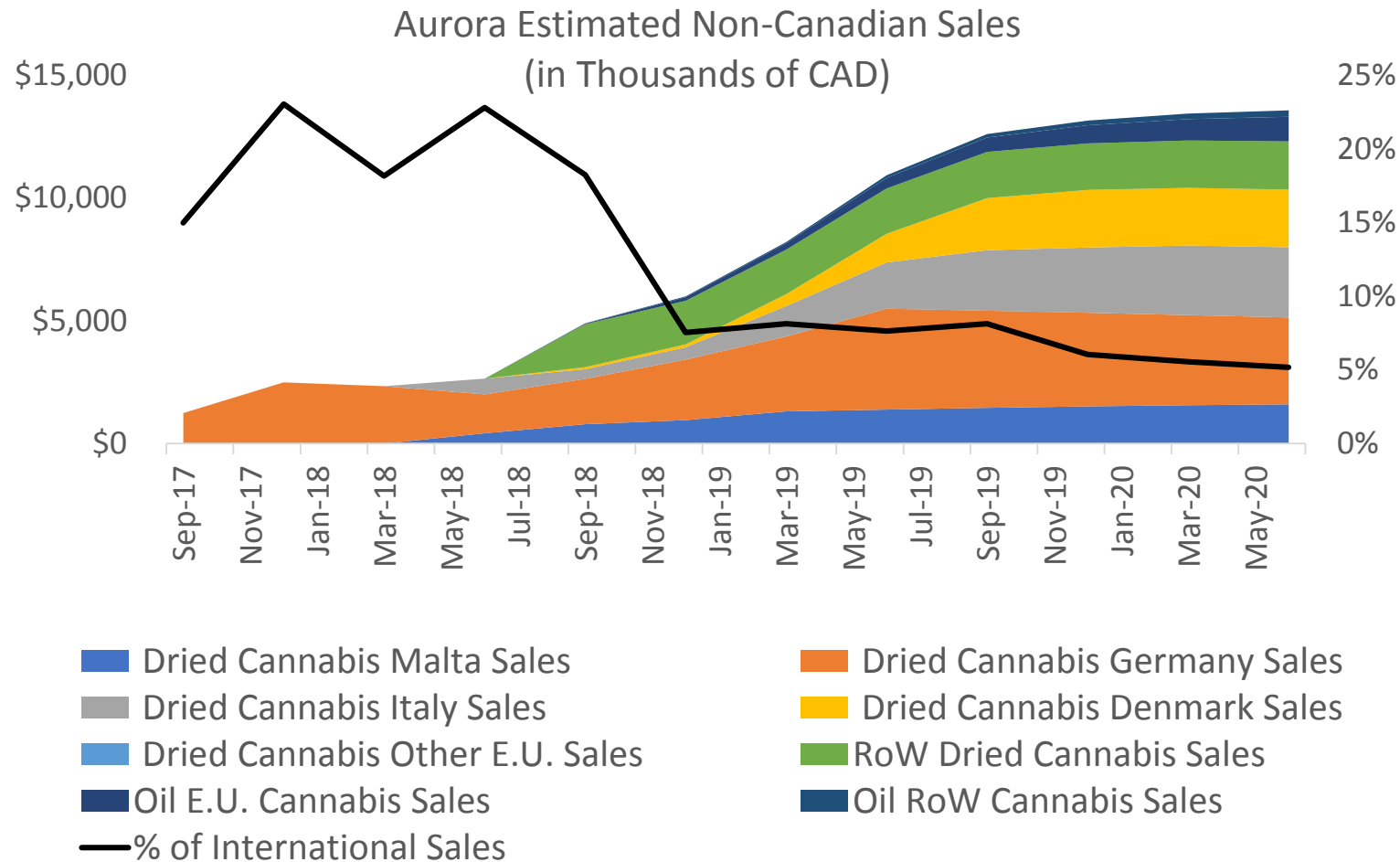
Available Global Market for Canadian Cannabis LPs



Source: Perspectec

Overstated International Opportunity

We est. Global sales as a % of ACB will decrease from 8.8% in fiscal '19 to 4.0% in '21 as legislation and matching doctors with strains will be slow. Other producers have time to increase supply.

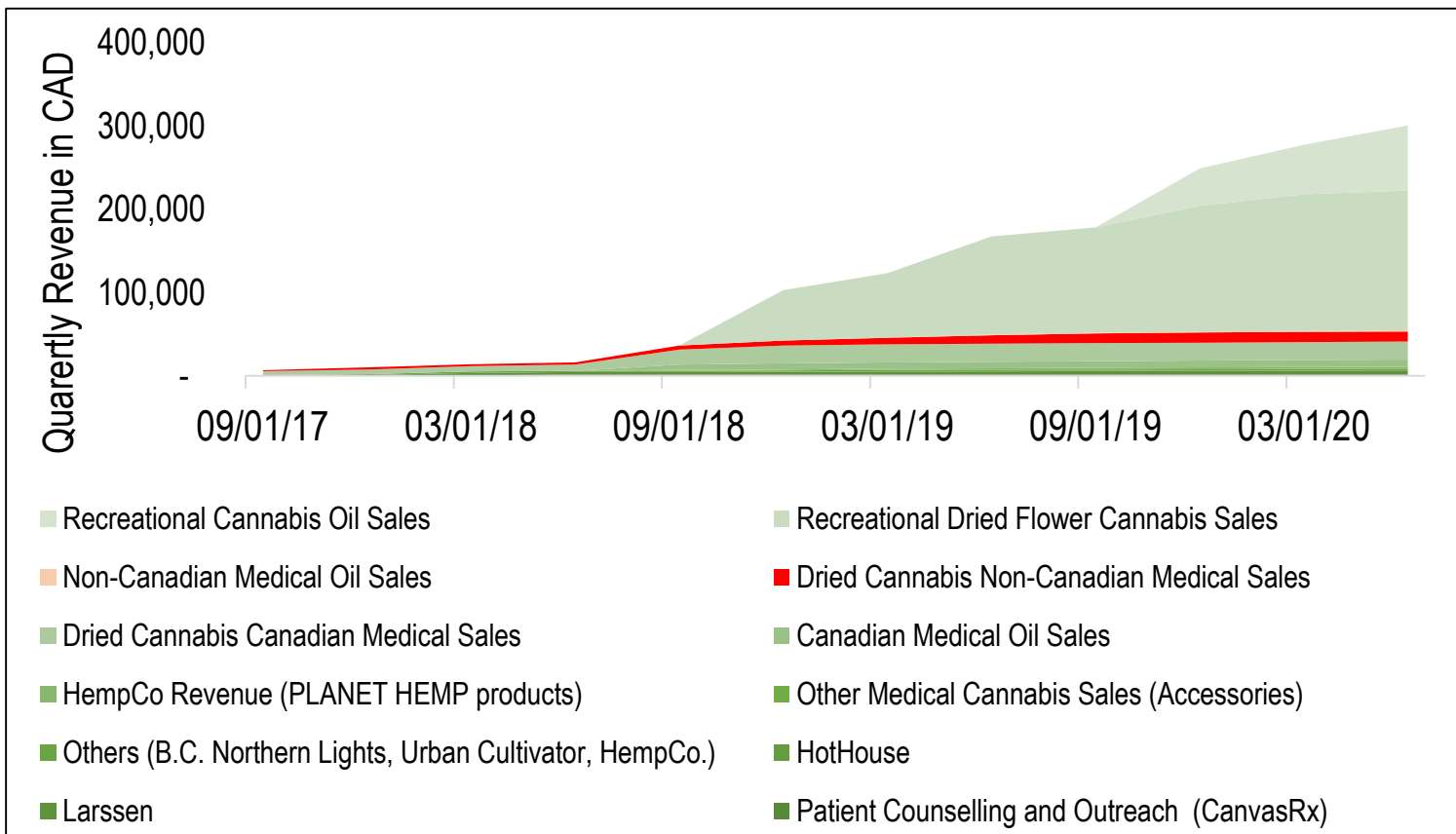


We estimated the Global Demand for Germany, Australia, Italy and Denmark considering the existing patients and its growth based on the respective country's population.

We expect Aurora to take a roughly 15% share with European Demand catered by Nordic facility in Denmark and CanniMed catering to the Australian market.

However imports from Edmonton will likely not be able to be competitive versus local players.

Source: Perspectec



Source: Perspectec

Overstated International Opportunity

The Nordic production facility may be forced to materially lower its ASP and ship outside the E.U.

The 51%-owned Nordic facility expects to have production capacity of 30,000KGs/Q. However European medical legalization want diversification. Doctors are slow to prescribe. We est. ~9,000 KG equivalents/Q of European demand for ACB by fiscal 2021 at mostly wholesale prices. Other businesses lines will be dwarfed by the Canadian recreational market.

Vertical Integration is Disappointing

Vertical integration a long-term bet against commoditization using investors cash...

Attempts to Improve Recreational Gross Margins

- Choom Holdings (CHOO-CSE) – 6% ownership – Looking to be front and center/take more margin at Choom stores
- Alcanna - (CLIQ-TSX) - 25% ownership – Looking to be front and center/betake more margin at Alcanna retail stores

Attempts to Improve Production Gross Margins

- Micron Waste Technologies - 6.5% ownership (MWM-CSE) – To use their Cannabis Waste Digester to lower cost of sales
- CTT Pharmaceutical - 9.14%, option to increase to 42.5% - Exclusive use of oral thin films wafers for medical products

Attempts to Improve Non-Production Gross Margins

- The Green Organic Dutchman Holdings (TGOD-TSX) – Negotiated a supply agreement for 20% of their cannabis production
- Capcium - 19.99% - Production of softgel capsules at its Montreal facility
- Cann Group of Australia (CAN-ASX) – 22.9% ownership – Uses Larssen for project management (55% gross margin)

Attempts to Improve R&D Expense

- Evio Beauty Group - Are developing lifestyle and cosmetic products using hemp seed oil

Vertical
Integration is
Disappointing
...but non-
cannabis gross
margin was
negative LQ

	2018			
(in thousands except as otherwise noted)	Q4	Q3	Q2	Q1
Total consolidated cost of sales	\$ 4,867	\$ 6,827	\$ 4,837	\$ 3,072
Adjustments:				
Non-medical cannabis cost of sales ⁽¹⁾	135	(2,993)	(1,889)	(908)
Oil and extracts conversion costs ⁽²⁾	(1,534)	(862)	(451)	(217)
Cost of cannabis purchased	(108)	(568)	(536)	(211)
Cost of consumable raw materials	(511)	(350)	(267)	(197)
Depreciation	(301)	(293)	(203)	(125)

(1) Non-medical cost of sales consists of patient counselling services and design, engineering and construction services. These are considered auxiliary support services as they are not directly related to the production of medical cannabis.

Source: Aurora Cannabis

Unaudited Non-IFRS Measure (In CDN \$000's, except gram amounts)	Three months ended Mar 31 '18
	\$
Total cost of sales	6,827
Less:	
Cost of sales from non-cannabis production subsidiaries	(2,993)
Cost of accessories	(351)
Oil conversion costs	(862)
Cost of products purchased from other Licensed Producers	(568)
Depreciation	(293)
Cash cost of sales of dried cannabis sold	1,760

No mention of non-cannabis production subsidiaries being non-core / auxiliary prior to fiscal Q4/19

Vertical Integration is Disappointing

These Businesses are no longer a part of 'Operations' in the fiscal Q4/18 statements

Expense		
General and administration	24(a)	42,965
Sales and marketing		29,445
Acquisition costs		15,664
Depreciation and amortization	11, 16	12,088
Research and development		1,679
Share-based payments		37,450
		139,291
Loss from operations		(95,772)
Other income (expense)		
Interest and other income		2,514
Finance and other income		(13,162)
Foreign exchange		(1,038)
Recovery of receivables	12(d)	1,400
Share of loss from investment in associate	12	(2,242)
Unrealized losses on changes in contingent consideration fair value	28(e)	(7,844)
Unrealized gain (loss) on convertible debenture investment	7, 28(c)	6,937
Unrealized gain on marketable securities	8	20,083
Unrealized gain (loss) on derivatives	8	166,450
		173,098
Income (loss) before income taxes		77,326

Source: Perspectec

Out of the
money
Namaste →
options

<u>Company</u>	<u>Ticker</u>	<u>ACB Value</u>
Radiant Technologies	CVE:RTI	\$51,000,000
Cann Group of Australia	ASX:CAN	\$60,000,000
Micron Waste Technologies	CNSX:MWM	\$5,000,000
The Green Organic Dutchman	TSE:TGOD	\$313,000,000
Choom Holdings	CNSX:CHOO	\$11,000,000
Alcanna	TSE:CLIQ	\$97,000,000
CTT Pharmaceutical Holdings	OTCMKTS:CTTH	\$2,000,000
Capcium	Not Public	\$10,000,000
Evio Beauty Group	Not Public	NOT DISCLOSED
Namaste	CVE:N	\$0
Value of Minority Positions in Public Companies		\$549,000,000
Hempco Food and Fiber	CVE:HEMP	\$52,000,000
Value of Positions in Public Companies		\$601,000,000

As of:
Oct. 2, 2018

Vertical Integration is Disappointing
Value of its Public Holdings is \$549 Million

We believe these holdings (excluding its majority position in HempCo.) should be added to the company's valuation (excluding its share of loss in Investment In Associates)

EBITDA Margins May Be ½ of Expectations

- Landry's fiscal 2019 EBITDA of \$126 million compares to our estimate of *-\$147 million*
- The average rating on the stock is a 'Buy to Strong Buy' per Thomson Reuters
- Aurora Cannabis has raised \$350 million the last 3 years, paying over \$15 million in share issuance costs and financing fees.

Source: GMP Securities analyst Martin Landry on September 12, 2018. He had a one-year price target of \$9.

change in our target. Our target is based on a DCF assuming: (1) an 8.5% discount rate, (2) avg. market share of 22%, and (3) EBITDA margins of 35%.

Landry thinks ACB will generate EBITDA of negative \$20.8-million on revenue of \$59.1-million in fiscal 2018. He expects those numbers will improve to EBITDA of positive \$126-million on a topline of \$488.5-million the following year.

Source: CanTech



Cam's Statements in October 2017 on what EBITDA Margins will be when reaching scale

“EBITDA Margins...I’m not going to tell you what ours is...35(%) that's what I hear most commonly, 35% EBITDA (margins)”

....Sorry Cam, but we think Aurora will be lucky to see half this margin by fiscal 2021

EBITDA and Adjusted EBITDA Measures

Source: Aurora Fillings

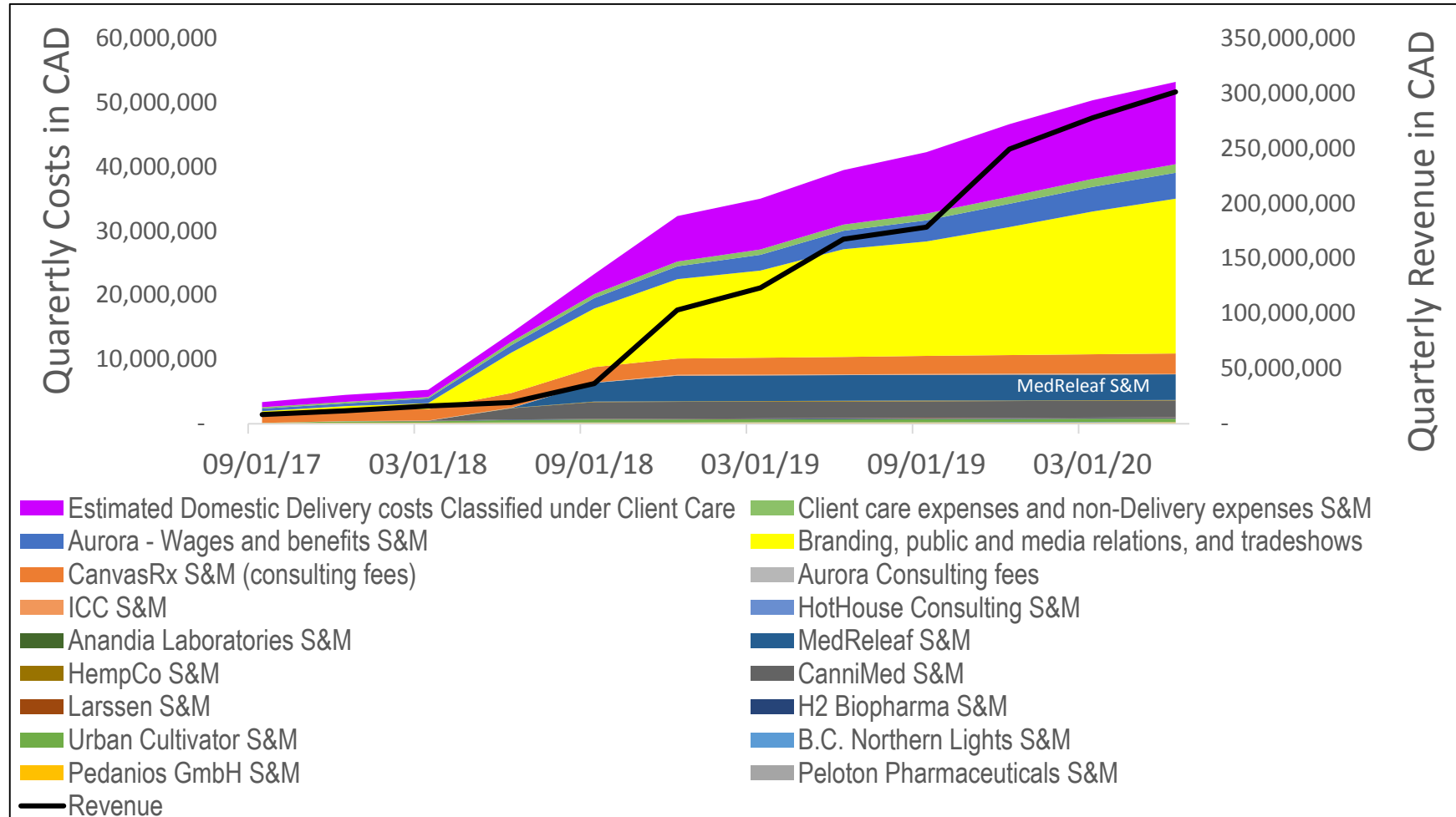
Although EBITDA is one indicator of financial performance and used as a proxy for the earnings potential of a business, in certain circumstances it may not provide useful or relevant information to readers due to inherent limitations in the results. One of these limitations include a company's growth phase, as is currently experienced by Aurora, where quarterly earnings can fluctuate and become less relevant during such periods as the Company focuses on building for long term and sustainable profitability. As such, although EBITDA is positive, management does not currently use measures such as EBITDA or EBITDA-derived metrics to analyze operating performance as the Company's strategy includes a significant emphasis on the building of production and corporate capacity in preparation for domestic and international expansion. In the future, management may determine that these metrics are an appropriate measure of the Company's performance and will disclose and reconcile to GAAP such metrics at that time, however, management's current emphasis remains focused on preparation and execution of well-managed growth.

EBITDA Margins May Be ½ of Expectations

Only major LP that does not attempt to reconcile to an Adjusted EBITDA

Combined Financials of Acquisitions w/ hiring = 16.8% EBITDA by Fiscal 2021

Shipping & Branding will Limit Operating Leverage



S&M increased 150% last quarter (Q/Q).

Will need to spend to increase awareness outside of Alberta.

Delivery costs are a large headwind to operating leverage.

Est. Malta (will be available in Matla pharmacies) KGs
 Est. Germany (Heinrich Klenk GmbH & Co. KG)
 Est. Italy (Pedanios GmbH) KGs
 Est. Denmark (Pedanios GmbH) KGs
 Est. Other E.U. KGs

Est. KGs Demanded (E.U.)

Est. KGs Demanded (RoW)

Est. Dried Cannabis Malta ASP
 Est. Dried Cannabis Germany ASP
 Est. Dried Cannabis Italy ASP
 Est. Dried Cannabis Denmark ASP
 Est. Dried Cannabis Other E.U. ASP

Recreational Cannabis Oil Sales

Candy
 Chocolates
 Infused Foods
 Beverages
 Tinctures
 Softgels/pills
 Other Ingestibles

KGs Demanded of Ingestibles

Aurora Office & Administration
 Aurora Wages & Benefits ex-Management Compensation
 Aurora Management compensation
 Aurora Director Fees
 Aurora Management Share Based Payments
 CanvasRx G&A
 Peloton Pharmaceuticals G&A
 Pedanios GmbH G&A
 B.C. Northern Lights G&A
 Urban Cultivator G&A
 H2 Biopharma G&A
 Larssen G&A
 CanniMed G&A
 HempCo G&A
 MedReleaf G&A
 Anandia Laboratories G&A
 HotHouse Consulting G&A
 Agropur and Borela G&A
 ICC G&A
 Professional fees

Larssen
 HotHouse

Design and Construction Consulting

Design and Construction Consulting Growth (%)
 Design and Construction Consulting GM
 Design and Construction Consulting GM (%)
 Design and Construction Consulting G&A
 Design and Construction Consulting Income from Operation
 Design and Construction Consulting EBIT Margin (%)
 Design and Construction Consulting Net Income
 Design and Construction Consulting Net Margin (%)

Source: Perspectec

Detailed Financials Available to Perspectec Subscribers

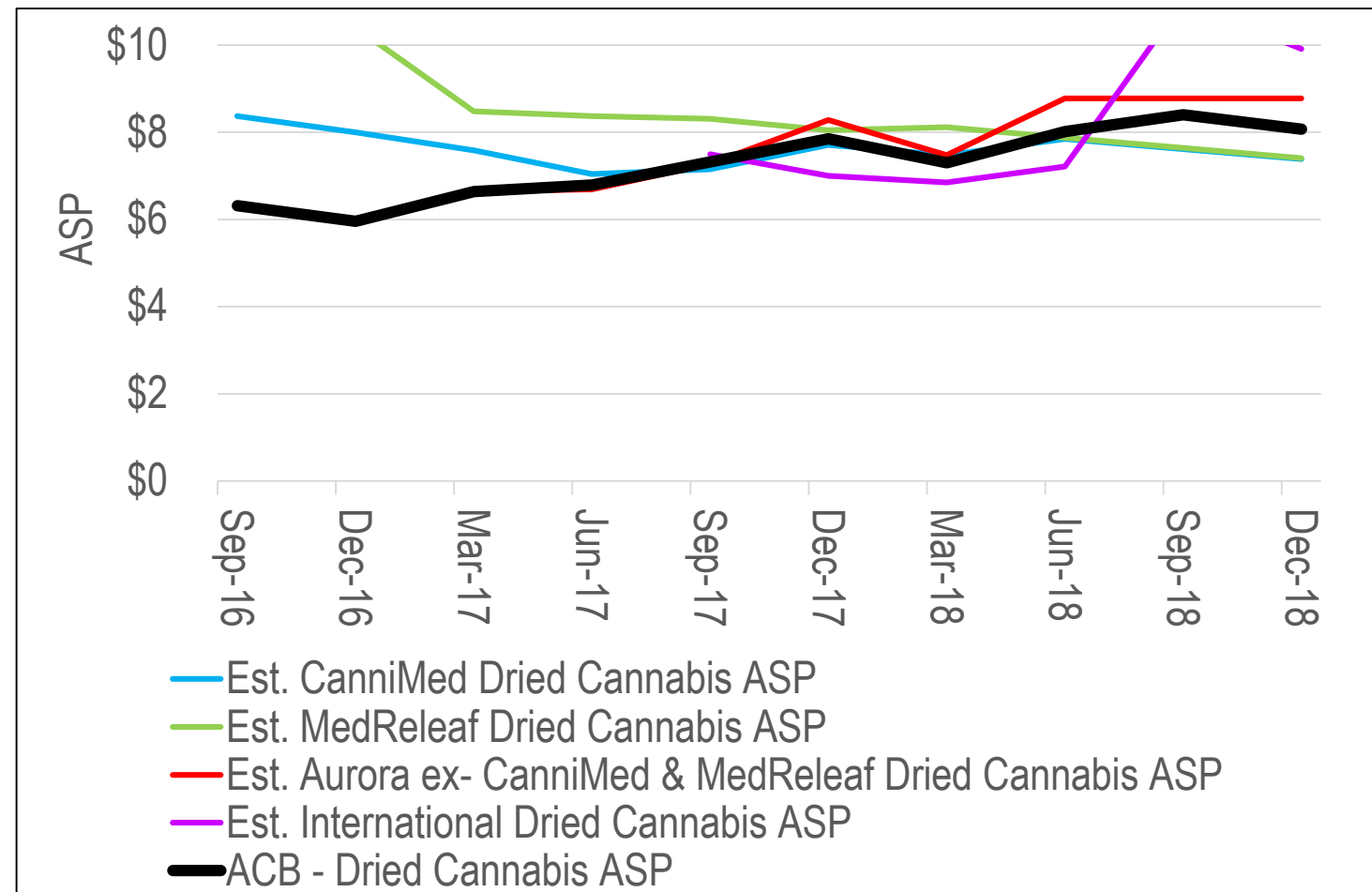
Over 500 Lines Used in
 Forecasting the I/S Alone

Research Associate Mishma Bhatia
 contributed significantly to the creation
 of the Aurora financial model

PERSPECTEC - FOR LICENSED USERS ONLY

Combined
Financials of
Acquisitions
Recreational and
International sales will be a
negative to ASPs

MedReleaf acquisition
closing in July 2018 will
help hide this impact

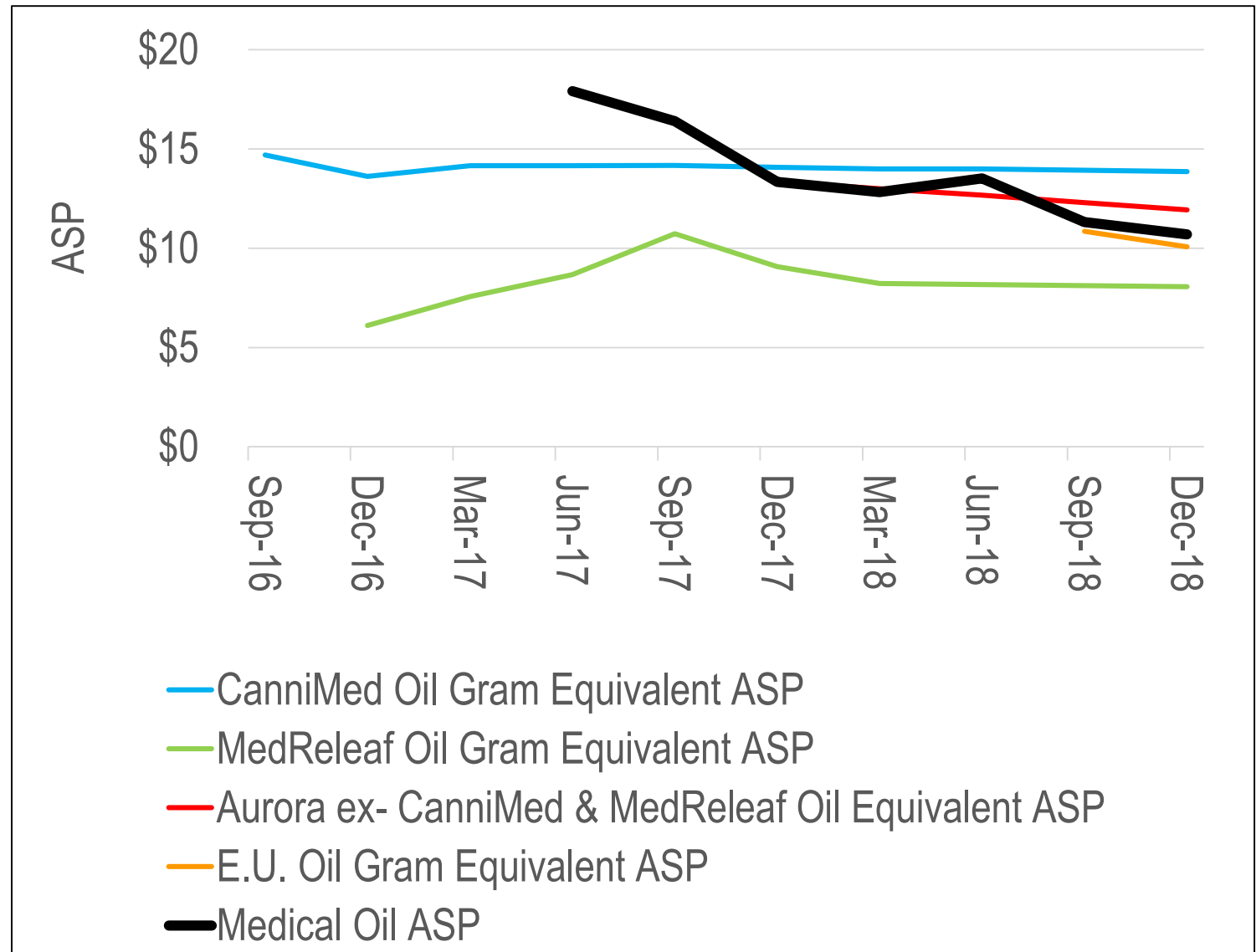


Source: Perspectec

Aurora is the only major LP that does not report information that allows its CANADIAN Dried Cannabis ASP to be calculated. Aurora sells all its dried Cannabis @ \$9/gram before compassionate discounting.

Combined Financials of Acquisitions

MedReleaf Oil ASPs along with high oil conversion costs make for a worrying Oil gross margin picture



Source: Perspectec

Combined Financials of Acquisitions

MedReleaf's high dried cannabis prices were the reason for its slower sales growth. The Canadian medical market is price sensitive.

Sales for the year ended March 31, 2018 reached a historic high of \$43,646, an increase of \$3,307 or 8%, compared to the prior year same period sales. The increase in sales was primarily due to sales growth for extract based products partially offset by veteran volume capacity and pricing limitations. Extract sales for the year ended March 31, 2018 were \$7,980 and represented 18% of total sales, as compared to the year ended March 31, 2017 whereby extract sales were \$1,263 and represented 3% of total sales.

Source: MedReleaf

MedReleaf sales growth of 8% Y/Y last quarter was primarily due to an increase in Cannabis Oils

MedReleaf's dried flower products sells for between \$6.50 to \$15/gram

Source: Perspectec

in Thousands of CAD	Revenue (\$000)	Total Medical Sales (\$000)	Total Recreational Cannabis Sales (\$000)	ASP per gram equivalent	Gross Profit (%)	Adjusted EBITDA (\$000)	Net Income (\$000)	Diluted EPS (\$)
Q4/18 Estimate	19,147	14,880	0	\$9.20	107.6%	2,914	79,266	\$0.16
Prior Quarter (Q3/18)	16,100	10,813	0	\$7.99	47.3%	-45,866	-20,795	(\$0.04)
Perspectec est. Q/Q change	18.9%	37.6%	n/a	\$0.15	6033 bps	-106.4%	-481.2%	
Prior Year (Q4/17)	5,936	5,627	0	\$7.45	97.0%	-7,391	-4,906	(\$0.01)
Perspectec est. Y/Y change	222.5%	164.4%	n/a	\$0.23	0 bps	-139.4%	-1715.7%	
Q4/18 Prior Estimate	19,209	13,135	0	\$7.20	48.5%	-48,651	-38,802	(\$0.04)
Perspectec change in estimate	-0.3%	13.3%	n/a	\$0.28	1 bps	-106.0%	-304.3%	
Q4/18 Consensus	23,020							(\$0.03)
Perspectec est. vs. consensus	-16.8%		n/a	n/a				
Q1/19 Estimate	34,682	27,284	0	\$8.35	78.6%	-58,439	-62,509	(\$0.06)
Prior Quarter (Q4/18)	19,147	14,880	0	\$9.20	107.6%	2,914	79,266	\$0.16
Perspectec est. Q/Q change	0.0%	0.0%	n/a	\$0.00	0 bps	0.0%	0.0%	
Prior Year (Q1/18)	8,249	7,315	0	\$8.22	106.8%	1,584	3,511	(\$0.01)
Perspectec est. Y/Y change	132.1%	103.4%	n/a	\$0.12	0 bps	83.9%	2125.7%	
Q1/19 Prior Estimate	31,723	24,938	0	\$7.45	35.4%	-58,789	-68,860	(\$0.06)
Perspectec change in estimate	-39.6%	-40.3%	n/a	\$0.24	2 bps	-105.0%	-215.1%	
Q1/19 Consensus	39,520							(\$0.05)
Perspectec est. vs. consensus	-51.6%		n/a	n/a				
2018 Perspectec Results	55,196	42,749	0	\$8.51	78.8%	-56,759	69,226	(\$0.05)
2018 Prior Estimate	55,258	41,004	0	\$7.84	58.3%	-108,325	-48,842	(\$0.05)
Perspectec Est. Y/Y Change	665%	211%	n/a	-\$0.41	-1,799 bps	171%	-428%	
2019 Consensus	407,770							\$0.00
2019 Prior Estimate	407,271	120,870	255,696	\$4.88	46.1%	-137,017	-233,958	(\$0.02)
2020 Perspectec Estimate	993,999	160,181	792,018	\$4.29	51.3%	3,361	-155,640	(\$0.15)
Perspectec Est. Y/Y Change	136%	20%	209.7%	-\$0.15	-953 bps	-102%	-31%	
2020 Consensus	893,560							\$0.12
2020 Prior Estimate	973,883	142,735	792,018	\$4.21	42.9%	26,364	-197,971	(\$0.14)
2021 Perspectec Estimate	1,600,870	162,805	1,389,347	\$5.19	52.9%	269,489	99,911	\$0.09
Perspectec Est. Y/Y Change	61%	2%	75.4%	\$0.21	161 bps	7918%	-164%	

COMBINED FINANCIALS
OF ACQUISITIONS CAN
APPROACH 17% EBITDA
MARGINS BY 2021

THE BIGGEST UNKNOWN
S ARE THE GROSS MARGIN
DOLLARS OF OIL EXTRACT
PRODUCTS

Reasonable
Future
EV/EBITDA
Multiples

20x is based on
'Getting High'
Premium Comps

COMPANY	TICKER	TTM EV/EBITDA	PRICE OCT 2, 2018	INDUSTRY
Constellation Brands	STZ	18.4x	\$212.73	Alcohol
Diageo	DEO	18.6x	\$142.88	Spirits
Brown-Forman	BF.B	23.7x	\$51.02	Spirits
Pernod Ricard	EPA:RI	17.2x	\$140.25	Spirits
Average of Spirits & General Alcohol		19.5x		
Anheuser-Busch InBev	BUD	13.6x	\$85.82	Beer
British American Tobacco	BTI	12.9x	\$46.39	Tobacco
Coca-Cola Bottling	COKE	13.5x	\$172.30	Beverages
Pepsi	PEP	14.1x	\$108.72	Beverages

17% EBITDA Margins By 2021

A 20x EV/EBITDA multiple on fiscal 2021 EBITDA of \$269 billion (16.8% EBITDA margins) = \$5.4 billion + \$550 million in valuation from its investments in associates = an EV of \$5.9 billion. Assuming roughly breakeven net cash by the end of 2021 and 1.2 billion shares outstanding by this time gets us to a target share price of about \$5. We do not foresee Aurora Cannabis being able to achieve 20%+ EBITDA margins.

We see June 2021 forward EBITDA valuations as a figure investors will focus on as the edibles and concentrates market should be established by this time.

While Aurora is likely to continue raising shares and buying companies, this valuation assumes there is no transformational change in Aurora Cannabis. We believe on a practical level the shares should come down to these levels.

Our ACB Target Price is \$5, being reached by September of 2019. We believe investors should **sell the shares now.**



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Aurora Cannabis Inc. (ACB-Toronto)

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BUY		
HOLD/NEUTRAL		
SELL	✓	✓

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