Aurora Nordic Cannabis A/S

Bindekildevej 10, 5250 Odense SV

CVR no. 39 32 94 33

Annual report 2021/22

Approved at the Company's annual general meeting on 15 November 2022

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 2021 - 30 June 2022.

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 2022 and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022.

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 2022
Executive Board:

Alexander Thier

Board of Directors:

Axel Gille
Chair

Thorsten Hagemann

André Jérome

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 2021 - 30 June 2022, 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 2022, and of the results of the Company's operations for the financial year 1 July 2021 - 30 June 2022 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Fredericia, 15 November 2022
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 2021 - 30 June 2022
Board of Directors	Axel Gille, Chair Thorsten Hagemann André Jérome
Executive Board	Alexander Thier
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Vesterballevej 27.2, 7000 Fredericia

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 2022 makes up a significant amount available for indefinitecarryforward. 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 2021/22 shows a loss of DKK 23,960 thousand against a loss of DKK 62,437 thousand last year, and the balance sheet at 30 June 2022 shows a negative equity of DKK 389,850 thousand.

An improved ordinary operating result is expected for the next financial year.

Management expect to recover the company share capital during the coming years due to the obtained EU-GMP certificate/increased revenue.

Events after the balance sheet date

No significant events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Financial statements 1 July 2021 - 30 June 2022

Income statement

Note	DKK'000	2021/22	2020/21
	Gross profit	65,020	28,681
4	Staff costs	-35,948	-29,659
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-19,676	-31,821
	Other operating expenses	0	-387
	Profit/loss before net financials	9,396	-33,186
	Financial income	4	24
5	Financial expenses	-33,179	-29,275
	Profit/loss before tax	-23,779	-62,437
	Tax for the year	-181	0
	Profit/loss for the year	-23,960	-62,437
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-23,960	-62,437
		-23,960	-62,437

Financial statements 1 July 2021 - 30 June 2022

Balance sheet

Note	DKK'000	2021/22	2020/21
	ASSETS		
	Fixed assets		
6	**Property, plant and equipment**		
	Land and buildings	1,738	10,187
	Biological assets	100	57
	Plant and machinery	13,524	19,606
	Fixtures and fittings, other plant and equipment	58	88
	Leasehold improvements	0	11,520
	Property, plant and equipment under construction	5,588	24,362
		21,008	65,820
	Total fixed assets	21,008	65,820
	Non-fixed assets		
	Inventories		
	Work in progress	4,110	5,146
	Finished goods and goods for resale	3,477	4,852
		7,587	9,998
	Receivables		
	Trade receivables	1,111	306
	Receivables from group enterprises	59,472	12,915
	Corporation tax receivable	0	5,500
	Other receivables	1,567	1,158
	Prepayments	1,014	78
		63,164	19,957
	Cash	15,692	3,396
	Total non-fixed assets	86,443	33,351
	TOTAL ASSETS	107,451	99,171

Financial statements 1 July 2021 - 30 June 2022

Balance sheet

Note	DKK'000	2021/22	2020/21
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	500	500
	Retained earnings	-390,350	-366,390
	Total equity	-389,850	-365,890
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Corporate income tax payable	181	0
		181	0
	Current liabilities other than provisions		
	Trade payables	3,699	4,238
	Payables to group enterprises	488,163	455,320
	Other payables	5,258	5,503
		497,120	465,061
	Total liabilities other than provisions	497,301	465,061
	TOTAL EQUITY AND LIABILITIES	107,451	99,171

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

Financial statements 1 July 2021 - 30 June 2022

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 July 2020	500	-303,953	-303,453
Transfer through appropriation of loss	0	-62,437	-62,437
Equity at 1 July 2021	500	-366,390	-365,890
Transfer through appropriation of loss	0	-23,960	-23,960
Equity at 30 June 2022	500	-390,350	-389,850

Financial statements 1 July 2021 - 30 June 2022

Notes to the financial statements

1 **Accounting policies**

The annual report of Aurora Nordic Cannabis A/S for 2021/22 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

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 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 and 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

The item comprises depreciation 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 2021 - 30 June 2022

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 2021 - 30 June 2022

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.

Equity

Grants without consideration within a group

Grants received from the parent company are recognised under "Retained earnings in equity" in the balance sheet as a capital injection.

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 2021 - 30 June 2022

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.

Equity is expected to be reestrabblish by further earnings or group contribution.

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 the calculated cost price of 1 DKK / gram entails a write-down or revaluation of DKK 572 thousand.
- A change in the degree of completion of 5 percentage points results in a write-down or revaluation of DKK 515 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 414 thousand.

DKK'000	2021/22	2020/21
4 Staff costs		
Wages/salaries	30,893	25,845
Pensions	4,390	3,379
Other social security costs	639	399
Other staff costs	26	36
	35,948	29,659
Average number of full-time employees	72	51
5 Financial expenses		
Interest expenses. intercompany	30,421	26,771
Other financial expenses	2,758	2,504
	33,179	29,275

Financial statements 1 July 2021 - 30 June 2022

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 2021	13,396	57	34,381	183	60,926	192,646	301,589
Additions	0	43	115	0	0	3,504	3,662
Disposals	-7,413	0	0	0	0	-189,670	-197,083
Transferred	166	0	726	0	0	-892	0
Cost at 30 June 2022	6,149	100	35,222	183	60,926	5,588	108,168
Impairment losses and depreciation at 1 July 2021	3,209	0	14,775	95	49,406	168,284	235,769
Depreciation	1,202	0	6,923	30	11,520	0	19,675
Reversal of accumulated depreciation and impairment of assets disposed	0	0	0	0	0	-168,284	-168,284
Impairment losses and depreciation at 30 June 2022	4,411	0	21,698	125	60,926	0	87,160
Carrying amount at 30 June 2022	1,738	100	13,524	58	0	5,588	21,008
Depreciated over	3-20 years		3-5 years	3-5 years	3-5 years		

Note 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 2022 amounted to approx. DKK 74 million. Due to uncertainty in estimating future earnings, Management has chosen not to capitalise adeferred tax asset. Going forward, Management will also assess any potential capitalisation of the deferred tax asset.

8 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

Rent and lease liabilities	6,536	1,708

Other rent and lease liabilities is falling due within 1 year.

Financial statements 1 July 2021 - 30 June 2022

Notes to the financial statements

9 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	Requisitioning of the parent company's consolidated financial statements
Aurora Cannabis Inc.	Vancouver, Canada	www.investor.auroramj.com

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