FINAL TRANSCRIPT

Aurora Cannabis, Inc.

Third Quarter Fiscal 2019 Conference Call

Event Date/Time: May 15, 2019 — 10:30 a.m. E.T.

Length: 89 minutes

CORPORATE PARTICIPANTS

Cam Battley
Aurora Cannabis, Inc. — Chief Corporate Officer

Glen Ibbott
Aurora Cannabis, Inc. — Chief Financial Officer

Terry Booth
Aurora Cannabis, Inc. — Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Vivian Azer
Cowen and Company — Analyst

Christopher Carey
Bank of America Merrill Lynch — Analyst

Tamy Chen
BMO Capital Markets — Analyst

Luke Perda
Seaport Global Securities, LLC — Analyst

Michael Lavery
Piper Jaffray — Analyst

Jason Zandberg
PI Financial — Analyst

John Chu
Desjardins Securities, Inc. — Analyst

Douglas Miehm
RBC Capital Markets — Analyst

Rob Wertheimer
Melius Research — Analyst

PRESENTATION

Operator

Good morning, everyone. Welcome to the Aurora Cannabis Third Quarter Fiscal 2019 Conference Call for the three months ending March 31, 2019. During today's call, Aurora will be referring to an earnings presentation which listeners are encouraged to download from the Financial Report section of the Company's investor website, investor.auroramj.com.

Listeners are reminded that certain matters discussed in today's conference call or answers that may be given to questions asked could constitute forward-looking statements that are subject to the risks and uncertainties relating to Aurora's future financial or business performance. Actual results could differ materially from those anticipated in these forward-looking statements. The risk factors that may affect results are detailed in Aurora's Annual Information Form and other periodic filings and registration statements. These documents may be accessed via SEDAR and Edgar databases.

I would like to remind everyone that this call is being recorded today, Wednesday, May 15, 2019.

I would now like to introduce Mr. Cam Battley, Chief Corporate Officer of Aurora Cannabis. Please go ahead, Mr. Battley.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Thank you, Chris. Good morning, everyone, and thank you for joining today's conference call. It's a beautiful sunny day in New York. With me are Terry Booth, our Chief Executive Officer, Glen Ibbott, our Chief Financial Officer, and our Executive Chairman Michael Singer.

For today's call, I'll start by discussing some of our operational highlights for the past quarter and then Glen will discuss the financials. I'll then briefly return to present our outlook for the rest of the year and beyond, and then we'll take your questions.

As we do each quarter, I'm going to start with a few ad hoc observations to frame the conversation, then proceed to the formal comments.

Now, our Operator Chris mentioned that a short earnings call presentation is now available in the Financial section of our investor website, investor.auroramj.com, and I'd like to draw your attention to something new we've developed on Slide 3. It's a dashboard of key performance indicators. They really tell the story of our solid performance during the quarter, but, more importantly, they make it very clear where we are headed, including our path to profitability.

For those of you who can see it, and even for those who don't, I'm just going to run through very quickly nine of these key performance indicators that we brought together to simplify and clarify the snapshot of where we are. It includes some very important results for us in the quarter, including growth across all distribution channels, so our Consumer Cannabis revenue in Canada up 37 percent; our Medical Cannabis revenue in Canada up 8 percent; and our International Medical Cannabis revenue up 38 percent. That all averaged out to 20 percent quarter-over-quarter growth.

On the next line you'll see our cash cost to produce per gram came down significantly from $1.92 to $1.42. That's down 26 percent. We knew this was coming. We knew that that would result from the scale, efficiency and technology of Aurora Sky, but is very gratifying to see.

The next point you'll see is that our average net selling price per gram is actually a little bit down. It's the only one of these key performance indicators that we've marked as yellow rather than green. Our average net selling price per gram came down about 6 percent over the quarter, and the reason for that—we'll go into more detail later—is essentially that we haven't had the time to scale up, or at least we didn't early in the quarter, we hadn't had time to scale up our derivatives production. The reason it's yellow rather than red is because we've already got the indicators that that'll be turning around in this quarter.

Our gross margin is up a small amount, 1 percent. Our gross margin on Cannabis revenue is up and we're very, very proud of that. We've always emphasized our gross margins and we will continue to do so.

Then, also our active registered patients is quite notable because that was up 5 percent in the quarter to 77,000 and it's up another 7 percent or 8 percent since then. That's significant because some companies in the sector have been indicating that they've seen softening demand on the medical side; we've not see that. In fact, we've been managing it very, very carefully so that we don't add too many patients. Now we've got the production. We can continue to increase that.

Then the last two key performance indicators I want you to focus on as kilograms produced and SG&A because they really tell the story of our pathway to profitability. We doubled our production. It's up 99 percent quarter-over-quarter to over 15,000 kilograms. The other critical key performance indicator here is our SG&A, up only 1 percent. This is further to the commitment that we made in January that we were shifting gears and focusing on disciplined execution and cost management to ensure that that pathway to profitability comes to reality. I'm happy to say that we are still tracking for positive EBITDA in this quarter.

The snapshot here, before we move on to the formal comments, is industry-leading production and production efficiency; industry-leading gross margin; industry-leading product quality, yield, and no crop loss; industry-leading global footprint and unparalleled technology. In this phase of the sector's development, I would say absolutely that the number-one critical success factor is the ability to produce and sell an enormous volume of cannabis, and we have got that in space.

All right. Now onto the formal comments. Looking back at the first three quarters of our financial year, we're very pleased with the progress we've made. We've consistently executed on our growth and expansion strategy, resulting in continued revenue growth while improving efficiencies and scale to drive margin improvement. We're proud of this progress and very pleased that while many in this sector are still trying to decide how to build their cannabis business, we have already successfully built a strong and thriving business with solid fundamentals that's positioned as a global leader.

Now, let's look at our achievements in the third quarter. Our net revenue was $65.1 million, a 20 percent increase over $54.2 million in the second quarter. We produced almost 16,000 kilos of cannabis, double the volume compared to the previous quarter. With Aurora Sky ramping up very successfully, our cash cost to produce per gram fell by 26 percent while SG&A costs were relatively flat over the same period due to disciplined costs management.

In the quarter, Aurora continued to be a solid performer in the Canadian consumer market with leading market share and high brand awareness. Our Consumer revenue has continued to exceed our expectations. We achieved 37 percent growth compared to Q2.

While increased production was a fundamental driver of growth, I think it's important to understand how well our products perform in terms of brand resonance. An analysis of over 6,000 reviews on lift.com conducted by a covering analyst showed how well the Aurora brands perform in this respect. Two of the top 3 most highly regarded brands were ours, with all of our brands in the top 11. While in an undersupplied market, the ability to produce remains key (phon), longer-term we know the brand strength will play a key role in capturing and keeping market share. Going by these numbers, we're very well-positioned in the consumer market.

We're also looking forward to an improved retail infrastructure across Canada which will further increase consumer engagement. There're still many consumers that have yet to purchase their cannabis legally. Furthermore, people who do not transact in the illegal market but are interested in cannabis appear not to be engaged because of the reported shortages and the currently underdeveloped physical retail infrastructure. The launch of brick-and-mortar stores in Ontario is a great step forward in this regard, and with increasing supply we will see a growing network of retail stores.

In this respect, I'd like to mention our partner Alcanna who recently opened another of its beautiful Nova Cannabis dispensaries at 499 Queen Street West in Toronto. Sorry for advertisement, not really. In general, in line with what has happened in other consumer jurisdictions, a well-developed physical retail network should result in strong growth.

While we perform very well in the consumer market, medical cannabis remains the cornerstone of Aurora's identity. In the last quarter, we undertook many initiatives to strengthen our leadership position in this segment, both nationally and internationally. Some have suggested that legalization of consumer cannabis in Canada would result in a drop-off in the number of patients buying in the medical system, as people would head to stores to self-medicate. In our experience, nothing is further from the truth. Every day, the number of global physicians prescribing cannabis to address real medical issues, from PTSD to palliative care, is growing. Many of these patients would only seek treatment through traditional channels such as their trusted family doctor or clinic rather than seeking advice in a dispensary.

In addition, through the medical channel patients can seek reimbursement for their expenses through tax reduction and an increasing number of companies, including medical cannabis, in their benefits policies. Despite the introduction of consumer legalization, we continue to experience growth in our patient numbers, up 5 percent this quarter to over 77,000. As of yesterday, our patient numbers in Canada have increased even further to 82,745, in line with our production acceleration toward the end of the quarter and into Q4.

Additionally, three of our brands were included in the Shoppers Drug Mart online marketplace for medical cannabis which opened this past January. In the quarter, we also introduced Product Identification Numbers, or PINs, to 78 of our medical cannabis products, to make it easier for patients to apply for reimbursement under health insurance plans.

We are recognized as the leader in medical cannabis. This is not just due to the high and consistent quality of our products provided by our three medical brands, but also because, as an organization, we’re integrated throughout the value chain to advance medical knowledge, to support physicians and other health practitioners, and to service our patients with excellent products, customer care, and information.

To our knowledge, we have the broadest medical research program in the industry with over 40 clinical trials and medical case studies underway and completed. This creates incredible brand strength with physicians worldwide who are still the key drivers of growth for the medical sector. We own CanvasRX which provides critical services to both patients and physicians looking to understand medical cannabis and its uses. We engaged with health authorities internationally, with physician networks and with pharmacies. It is this rigor in our Medical Cannabis program that has enabled us to grow our presence in the medical cannabis market, both domestically and globally.

Currently, we are present in 24 countries on 5 continents. This past February we added to our European presence with the purchase of a 51 percent ownership interest in Gaia Farm, renamed Aurora Portugal. This new division has received permission from the Portuguese Health Ministry to construct an EU GMP, European Union Good Manufacturing Practices, compliant cannabis cultivation facility. The first phase of the facility is expected to be complete in Q3 2020 and will have the capacity of 2,000 kilograms per year with a further 2,000 kilos coming on when the second phase is complete.

Another significant advancement in Europe was our win in the recent public tender competition in Germany to cultivate and distribute medical cannabis. Aurora was one of the three winners in the competition which was judged based on the design, quality, security, and logistics of the growing facility. Of the 79 applicants, we received the highest ranking and won the maximum number of lots in the tender. The lots will allow us to provide a minimum supply of 4,000 kilograms of medical cannabis over a four-year period. We will start constructing this month and expect to ship cannabis from the facility starting October 2020. We are very pleased with this win which solidifies our leadership position in Germany and reflects our industry-leading facility design. This was an important skill that we developed early on with our acquisition of the facility design business Larsen in 2017.

While the quantities of the tender are very much smaller than what we anticipate the size of the German medical cannabis will grow to, it is a critical win that will strengthen our brand in the local market, as well as throughout the rest of Europe.

Another development strengthening our brand in Germany is the introduction of full spectrum extracts. Here too we've established early mover advantage and are developing the market. As an aside, using the Canadian medical market as a proxy for how other international markets will develop, this provides a good indication of the scale of the opportunity we're pursuing. In Canada, we already have over 1 percent of the population registered in the medical system. Translating this to the international markets in which we have very strong first and early mover advantage, it's clear to see that very substantial additional capacity is needed; hence, our upscaling of Aurora Sun, in Medicine Hat, and the construction of Aurora Nordic in Denmark.

With scientific studies increasingly augmenting word-of-mouth and anecdotal evidence, we think it's fair to assume that de-stigmatization of cannabis and adoption by physicians will follow an accelerated curve in comparison to Canada. Work is to be done to develop these markets obviously, and for now they remain supply-restricted. But, the opportunity is there and we are executing extremely well in this regard.

In terms of our production facilities, in the third quarter both MedReleaf Bradford and Aurora Sky in Edmonton were fully licensed by Health Canada. Bradford is now fully planted and provides a production capacity of 28,000 kilos of premium hang-dried and hand-manicured cannabis. Aurora Sky is, we believe, the single most advanced cannabis cultivation facility in the world. The 800,000 square foot facility has a production capacity in excess of 100,000 kilos annually. Sky, a massive close system indoor facility with a glass roof, deploys state-of-the-art technology that produces cannabis of high and consistent quality while benefiting from a high degree of automation to increase efficiency. This means target production costs of less than $1.00 per gram.

Sky is now fully planted and successfully ramping up to maximum capacity. The increase in production seen in Q3 over Q2 will continue with increased product availability for sale in Q4. At Aurora Sun, in Medicine Hat, our newest and most evolved Sky-class facility, construction is progressing very well with the erection of the metal structure and glass installation almost complete. The design of Aurora Sun includes a number of technology advances as compared even to Aurora Sky and will further improve our economic efficiencies.

As I mentioned, we announced an upscaling of Aurora Sun in the quarter. The facility will now measure 1.6 million square feet, and with Sky-class efficiencies, is targeted to produce over 230,000 kilograms per annum. Sun also represents an advance in our production process with the facility focused solely on high efficient production with the dried cannabis shipped to other facilities for further processing. In February, we announced a new facility, Aurora Polaris, that will focus on post-harvest processing. Strategically located adjacent to Aurora Sky in Edmonton, Polaris will be EU GMP compliant and serve as our center of excellence for the production of high margin with value added product, such as edibles. Our Product Development team, in collaboration with our Market Development Specialists and Internal Market Forecasters, have identified those products that we anticipate will sell best and have the best margins. These products include edibles, such as hard baked good, chocolates, mints, as well as vape products, cosmetics, and soft gels that we will produce at Polaris.

Products such as infused beverages are also under development, but considering the anticipated relatively low market share of these products, we’re not rushing this as we’d rather get it right than get there fast launching a product with limited market resonance.

Leveraging its proximity to the Edmonton International Airport, Polaris will also serve as a domestic and international logistics and warehousing hub. Polaris is expected to be completed by the end of this year. In the interim, in anticipation of new regulations permitting these new products, we are installing production lines at our other license facilities to ensure that we will exceed market demand with a broad complement of products and not have the level of shortages that the industry experienced on October 17 of last year.

Polaris demonstrates the scale that we’ve achieved in our operations. We’re not a cottage industry but, rather, a pharmaceutical level industrialized operation that requires complex systems to drive operational efficiency, consistent high quality output and product innovation.

You've heard today the advances that we've achieved in the Consumer and the Medical business, both domestically and internationally. Polaris will help us institutionalize our innovation culture and maintain our global leadership.

Now, Glen will discuss the financial highlights of the third quarter. Over to you, Glen.

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Thanks, Cam, and good morning, everyone. Aurora's financial performance in the third quarter of Fiscal 2019 reflected our continued robust execution across all market segments, as Cam just described.

Our net revenue increased to $65.1 million for the quarter compared to $54.2 million in the second quarter of Fiscal 2019, and just $16.1 million in the comparative period last year. Of this, Cannabis revenue was $58.7 million, a 23 percent sequential growth across all three market segments, but driven largely by a 37 percent increase in Consumer Market Cannabis sales. Underlying this growth was the increased production that Cam discussed from Aurora Sky and our Bradford facility.

Medical Cannabis sales in Canada grew by 8 percent or $1.9 million as a result of continued growth of our patient base. As Cam indicated, we continue to support the growth of the Canadian medical market and in line with our patient-first culture of increased availability of the medication that patients need. We continue to take the position that medical cannabis, like all prescription drugs, should not be subject to excise tax. For that reason we continue to absorb the cost of the tax for our patients. This negatively affected our revenue in the quarter by $3 million or 5 percent.

Extracts represented about 18 percent of cannabis revenue in Q3 compared to 22 percent last quarter. Our oil extraction facilities have been operating at a maximum capacity for the past two quarters and, as a consequence, the relative contribution from extracts fell slightly as our total revenues grew. During the quarter, we installed additional extraction capacity at some of our facilities and that capacity is now online. Furthermore, our extraction partner Radient Technologies has now entered commercial operations which we anticipate will start making a noticeable contribution from the end of Q4 onwards. Finally, installation of EnWave's rapid low-temperature drying technology at our Aurora Sky and Sun facilities will increase speed of extraction in future quarters, taking it from a matter of weeks down to a day.

The average net selling price to cannabis decreased to $6.40 in Q3. This was partially a result of product mix, as we recorded a 48 percent increase of dried cannabis sales into the consumer market which has a lower wholesale pricing structure. The ASB was also impacted by the first full quarter of excise taxes on medical cannabis, which Aurora absorbs. Finally, and most importantly, the relative decrease in contribution to revenues from extracts impacted the average selling price as well.

Going forward with significant additional extraction capacity coming online internally as well as from Radient, we anticipate the relative contribution from higher selling price products to increase towards the end of the current quarter.

A significant improvement in our cash cost to produce cannabis more than offset the decrease in average selling price. As Cam noted, it's the key driver of our financial performance and the cost to produce was down $0.50 from last quarter, 26 percent, to $1.42 per gram in Q3. The result of increased production coming out of Sky and Bradford, creating significant economies of scale, and was also a result of a reduction in the temporary labour that we had employed to prepare for the commencement of Consumer sales in Canada. We expect production costs to continue to go down as Aurora Sky produces at full capacity in Q4 2019 and Q1 2020, and reiterate our expectation that production costs will be well below $1.00 per gram.

Tying all of this together, in Q3 our consolidated gross margin was 56 percent, up slightly from Q2 of this year. This reflected the improvement in our cash costs, offset by a lower percentage of extracts sales and the increase in the consumer market sales. We expect gross margins will continue to improve as we introduce new product lines, expand our extraction capacity and increase International sales, all of that combined with our continued improvement in production efficiency.

Cannabis production in the quarter increased by almost 100 percent to 15,590 kilograms, driven mainly by the ramp up in production at Sky and Bradford. Much of this production increase came towards the end of the quarter. At March 31, we had whip (phon) inventory exceeding $45 million in fair value, which reflects the significant harvests during March.

A few more words on our ramp up at Sky; in order to reach the 100,000 kilogram production capacity, two parameters are critical: the frequency of harvests and the yield per harvest. I'm pleased to note that frequency is nearing our target rate. Sky is reaching a real cadence in production. This means that we will comfortably reach the stated capacity of more than 100,000 kilograms per annum harvest rate in the first quarter of the new fiscal year. I should also note that the yield per harvest has actually been substantially above target. The average of the last 10 harvests there has been more than 20 percent of our targeted yields.

With the successful ramp up of Bradford and increasing production yields across our other facilities, we anticipate harvesting at a rate in excess of 150,000 kilograms per annum by the first quarter of our Fiscal 2020. On a planted rooms basis, our capacity already exceeds 150,000 kilograms per annum.

For Q4, we expect to have over 25,000 kilograms of cannabis harvested and dried. With the implementation of new regulations permitting the sale of a broader portfolio of derivative products later this year, we are planning to allocate a sizable fraction of this production to inventory for further processing to ensure we will have a broad portfolio of new products in sufficient quantities available for sale when the higher-margin products will be permissible in Canada.

Over the past several quarters, we have invested significantly in building out the talent and the infrastructure to lead the Canadian and International cannabis industry. Now, must much of that infrastructure is in place and ready to support our growth. In Q3, SG&A costs grew by 1 percent compared to Q2 of this year. Within SG&A, sales and marketing actually decreased 28 percent as the reduction in pre-cannabis ag (phon) spending was partially offset by higher shipping costs, which are related to our increased sales volume, and an increase in sales representative headcount.

For G&A, while we saw a 16 percent increase, greater than 6 percent of this was due to a new Health Canada cost recovery fee which is calculated at 2.3 percent of sales. Q3 2019 G&A also reflected the first full quarter of ICC integration and a partial quarter of Whistler costs.

Going forward, we anticipate SG&A to show increases in line with the growth of the Organization but certainly at a rate significantly lower than our anticipated revenue growth.

In Q3 2019, our Adjusted EBITDA loss decreased by 20 percent in the quarter to $36.6 million from the $45.5 million in Q2. I should note that we have defined Adjusted EBITDA in our Q3 2019 MD&A.

Through the combination of substantial revenue growth, a declining unit cost of production, increased availability of higher-margin derivative products, increased shipments to the EU, and ongoing disciplined operating cost management, Aurora continues to track towards achieving positive EBITDA beginning in this current Fiscal Q4 2019. Our financial position remains solid.

At March 31, we had almost $350 million in accessible cash and over $70 million in accounts receivable. This compares to both $75 million in cash and $15 million of AR at June 30, 2018. The increases are largely due to draws on the BMO-led credit facility, the issuance of senior secured notes in January 2019 and the increased level of sales in our business.

In addition, we recently completed the filing of a base shelf prospectus and ATM supplement, a long-term strategic measure that provides for flexibility to access growth capital, if or when required, to provide the gas to continue executing on our global expansion and partnering strategy. We implemented this base shelf prospectus and ATM supplement as part of a prudent, maturing capital structure and normal part of house cleaning as we filed our Q3 results.

In conclusion, I'm very proud of the team at Aurora. Kudos to all for delivering yet another strong quarter. We continue to post stronger fundamentals each quarter, expect significant growth, and are financially healthy. We are executing our growth strategy and, consequently, I believe we are very well-positioned to further strengthen our position as the clear leader in the global cannabis industry.

I'll now pass the call back to Cam.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Thank you, Glen. As you've heard today, we've built an extremely strong platform for growth that's generating continuing solid results. We have several initiatives in place that will drive further growth and further secure our leadership globally.

Now let's look at a few. One exciting development has been the appointment of Nelson Peltz as our Strategic Advisor. Nelson has a decades-long track record of building businesses and generating exceptional shareholder value and has deep experience in the consumer products business. We're working with him on multiple initiatives, including our partnership strategy.

As we communicated at the time, our partnership strategy is differentiated. We do not believe that change of control transaction at this point, with so much growth still to come, is in the best interest of our shareholders. Rather, we're well-positioned to explore the benefits of multiple partnerships across a variety of industry verticals. Nelson's experience and his connections in these areas will prove, we believe, very valuable in this respect.

We are excited about the opportunities in the cannabis and also the hemp space globally, and we continue to explore multiple opportunities with Nelson. We don't want to put a timeline on things right now, but I want to stress that we are approaching this very strategically, methodically and thoroughly.

One important area of attention is the U.S. which appears to be moving toward a more open legalization, particularly in the areas of industrial hemp and CBD. We are assessing where in the value chain we'll be able to generate the most value. We are well-positioned to pursue multiple angles through our deep research and product development capabilities, our regulatory expertise, as well as our extensive global hemp infrastructure, which we intend to expand through acquiring shares in Hempco not already owned by Aurora.

CBD for both medical and wellness applications has incredible potential and we intend to fully leverage our capabilities, our infrastructure and our partnership potential to maximize shareholder value creation.

You can also look to us to continue to build on our leadership in Europe. In addition to our entry into Portugal and our recent tender wins in Germany, we recently have been selected as of the exclusive supplier to the Luxembourg Health Ministry for medical cannabis. While this is admittedly a small country, Luxembourg has demonstrated that it is an innovator in cannabis legislation within Europe. For example, it's the first country in the European Union to propose legislation that would allow for the consumer use of cannabis. Our association with the Ministry of Health will help us be on the forefront of opportunities with them that could translate into further growth in other European countries as the market matures.

As I said off the top of the call, while many in the industry are still evaluating how best to build their cannabis business, we have built a solid and rapidly growing business that is exceptionally well-positioned to capitalize on the enormous global opportunities in cannabis. In fact, we've built a global leader. Our fundamentals are improving rapidly and we have the know-how, the scale, the credibility and the reach to execute.

That concludes our prepared remarks, and now I'd like to pass to our Operator Chris to open the call for questions.

Q & A

Operator

Certainly. At this time, in order to ask a question please, press star, followed by the number one on your telephone keypad. Again, that's star, one. I'll pause for just a moment to compile the Q&A roster.

Your first question comes from Vivian Azer with Cowen and Company. Your line is open.

Vivian Azer — Analyst, Cowen and Company

Hi. Good morning.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hi, Vivian.

Vivian Azer — Analyst, Cowen and Company

As we think about the capacity ramp and the expansion on Sun, Cam, I think it might be helpful just to revisit kind of the rationale for laying down so much capacity. Certainly in the near-term, the market is clearly very tight. One of your competitors extended their view of the supply and demand imbalance last night, saying 18 to 24 months. Two-part question: number one, kind of the longer term rationale around building out all this capacity when ultimately we will go into an oversupply situation; and, number two, if you could comment on your expectation for the switch to oversupply from a broader market perspective. Thanks.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. Sure. I'll start this off and then maybe hand off to both Terry and Glen. Looking at our view of the need for capacity, first thing is that, you're right, the market is undersupplied in Canada. We see continued strong demand. We also are not necessarily in line with some people's expectations as to what max capacity will be, particularly given the advent of the new product as per the new regulations that will be coming out this year. So there's that.

Second thing is that—and we said this before—the central fact of the global cannabis sector is a massive excess of demand oversupply and we know that we are going to have to supply a lot of international markets with product that we've cultivated in Canada. That's why we're doing this. Also, we have a massive cost advantage here. There are a lot of companies that are promising to have X capacity available in 12 or 18 or 24 months. We're delivering it now, but we're also delivering it incredibly economically. We're going to have massive capacity to supply the Canadian market, to supply International market and we don't see any shortage anytime soon.

Terry or Glen, did you want to weigh in and add to that?

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Sure. Thanks, Cam. I think I said last quarter that if there's one thing I lose sleep about is our ability to supply the global demand for cannabis. I now lose a little bit more sleep because my two-week-old baby, but it is definitely something that still is at the top of our agenda, increasing our capacity to feed the growth's (phon) need.

It took Canada five years to meet its demand with a population of 33 million. If you just put that math into perspective with the EU, with Australia, Mexico and other countries that are coming online, it would take literally 50 years to meet that demand, but we're not going to take that long because of the scale we're now able to build upon.

The march is moving in a very, very fast pace. You're seeing what's happening in the United States with the bank SAFE Act, with the FARM Act, with the number of states that are now slipping over to medical and also taking on adult usage. There's no doubt in my mind the U.S. will be legalized in the next three to five years completely, albeit at a state level. Those types of demand are there. The East Coast of the U.S.A does not have the growth capacity at this point that the West Coast has. Add them all up, the demand will be significant for the product for many, many years to come.

Vivian Azer — Analyst, Cowen and Company

That’s helpful. Thanks. Just to follow up on the second part of the question, any view on when the Canadian marketplace might be able to produce enough supply to meet demand?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I’ll answer that. That’s a bit of a mugs game, Vivian, I think, is putting those estimates out there. I think anybody who tells you they know when the market will be properly supplied is probably pulling your leg. We’ve seen a lot of predictions not be correct. From our perspective, all we need to do is keep executing the way we are, and that’s the way we look at it.

Vivian Azer — Analyst, Cowen and Company

Okay. Very helpful. Thank you.

Operator

Your next question is from Chris Carey with Bank of America Merrill Lynch. Your line is open.

Christopher Carey — Analyst, Bank of America Merrill Lynch

Hi. Thanks very much.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hi, Chris.

Christopher Carey — Analyst, Bank of America Merrill Lynch

I just wanted to start off—how are you? I have a near-term question and then sort of a more longer-term philosophical question. But on the near-term, I think you said that you would anticipate that the 25,000 kilos that you would have available for sale would actually go for value added product forms potentially later in the year. Would you anticipate growing sequentially from a kilogram sold standpoint in Fiscal Q4 relative to Fiscal Q3?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

The answer is yes. I'm going to let Glen go into more detail on this. Glen?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Yes. I think what we said, and hopefully you can understand I'm coming through a little bit quietly on this, but we said that we would allocate a portion of that inventory for the value added products. Listen, what we're trying to do is learn from the challenges in the industry last year and the initial launch of consumer legalization. We absolutely have to have sufficient inventory to launch these products properly. If that means taking a little bit of revenue out of Q4 and putting it in the inventory into new products, then that's what we'll do.

But the other part of this, Chris, is we have said today and in the past that we are tracking to EBITDA positive in Q4, so that does mean definitely—you can do the math—there has to be a significant increase in our sales and our volumes from Q3 to Q4. We may trade those off and make sure that we're making the right decisions for the long-term future and the long-term value of the Company, but (inaudible) properly in the new product portion of the consumer market in Canada, but also to meet our commitments in terms of EBITDA profitability. So, you would expect to see continued significant growth on the revenue and volume sold in Q4.

Christopher Carey — Analyst, Bank of America Merrill Lynch

Okay. Makes sense. Then kind of longer-term and somewhat connected to the prior question, so I guess based on what you've put out there, you're going to get to roughly 400,000 kilos capacity in Canada over the next few years, potentially 40 percent plus/minus of the total market; we'll see how things go with prevalence and new product forms. But when you think about that 400,000 kilos capacity, how do you think about the evolution of the ability to use international exports as a lever if you can't find a home for that much supply in Canada? Said another way, how quickly will some of these markets open, like Europe, because even this quarter kilos sold to Europe are still very small; so just how you see that evolution over time.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. Well, I mean, the first thing to remember is that Germany, for example, where most of our International Medical Cannabis sales have gone thus far, that's been constrained by supply. That market has been constrained by supply and we're just at the point now we're ramping up to the point where we will have a lot more to sell into Europe. Now, how quickly with these markets develop? Well, that's an interesting question and we're actually actively involved in sharing best practices with governments around the world so that we see truly accessible systems for patients and to help them accelerate development. I think it will happen very fast; some markets more than others.

But you take a look at Germany, for example, that's a really exciting market. We talked about Canada having more than 1 percent of the population with a script for medical cannabis. If we assume that that's going to happen in Europe, and probably faster because most patients are getting insurance reimbursement, you're talking about very short-term to, like, 850,000 patients in that one country alone. These markets are opening up so fast.

Recall what Terry said that our biggest nightmare is we just want to produce more cannabis and be able to supply these opportunities. That's happening.

Remember that when we emphasize we'll have about 400,000 kilograms in production in Canada, we don't see any constraints for years and years on the ability to export, and a lot of those export markets are premium priced. Europe, for example, we get the benefits of the currency differences.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Just to add to that, Cam, the German market is one that we know that that's going to real soon start to take traction as we actually are able to send pharmaceutical reps around educating physicians and having seminars and (inaudible) courses. But countries like Australia where Cam did a great job of working with the government and cutting some red tape, literally went from less than 500 patients last year this time to well over 5,000 now. So, that's a country that will be importing for some time. They have no production facilities. People have to recall, Canada's had production facilities for over 15 years if we include the MMA program.

As these countries scale up, we know the medicine is true. We believe in the medicine 100 percent in different product forms and different means of administration, and that's all coming online as this industry matures. This wave of cannabis required globally for medical purposes is significant and getting into these countries as first-mover medically will set ourselves up excellent for any adult usage planned with any other countries.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I also want to add to that. Something that's really important about Aurora is that from the very beginning, we've taken an approach of emphasizing purpose-built highly economical facilities and that's a critical part of this equation as well. There are a lot of companies that are producing or trying to produce cannabis in Canada. Not everybody is able to do so economically. We're doing so more and more so economically. Low-cost and premium quality is a very neat trick to pull off; we're doing that and I like where that positions us in the Canadian market as well on a go-forward basis.

Christopher Carey — Analyst, Bank of America Merrill Lynch

Got it. Thank you very much.

Operator

Your next question is from Tamy Chen with BMO Capital. Your line is open.

Tamy Chen — Analyst, BMO Capital Markets

Thanks. Hi, everyone. My first question is on this new potential accounting change, the IFRS 16. I'm just wondering, do you have a view on if that will have a material impact in the way you recognize your offering leases and how that could affect the potential change in how you would report your EBITDA going forward?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Glen?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Yes, Tamy. Yes, of course. I mean, I'm not sure if everybody on the call is aware, but under IFRS there's a new standard coming out for us in next fiscal year, so Q1 2020, that will require essentially most leases to be capitalized and then amortized or depreciated over time. That will effectively move some operating costs off the P&L into depreciation.

Tamy, right now, I mean, we own pretty much all of our facilities. We do have some lease costs for some land at the Edmonton International Airport and we do have office leases, and those are likely to end up as capital assets. There will be some sort of impact at EBITDA. I don't think it's as significant for us as it might be for some others that are leasing a lot of their facilities, so we'll see. That analysis is ongoing. It's a big project, as you might expect.

Tamy Chen — Analyst, BMO Capital Markets

Okay. If you would adopt (phon), that would happen in your new fiscal year; it wouldn't happen next quarter?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

That’s right. Yes.

Tamy Chen — Analyst, BMO Capital Markets

Okay. Got it. My second question is I wanted to touch again on the more near-term revenue outlook in the Canadian market. I’m just trying to understand from what you’re seeing there, is there the ability to sell through materially into the current distribution channels in Canada as long as you’ve got the supply, or would you need to see a material ramp of new retail store openings across the country to absorb the level of (inaudible) that you’re speaking to in the Fiscal Q4 quarter?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

The current infrastructure, everybody knows, is too small. But, in addition to that, there hasn’t been consistent supply. What we’ve heard from some stores in different parts of the country is that regular consumers know the day that new inventory is delivered and they all descend on those stores at that time with great big lineups, and, as a result, the most in-demand products sometimes sellout in an hour or two. What that shows is that even within the current infrastructure there is not the consistency of supply of the most desired product yet.

Now, we also know that provinces are allowing for ramp up of bricks-and-mortar stores. That’s great. It allowed infrastructure. We also know that the regulations will be in place this year to allow for the new product form. You put that all together and we are very confident that we will continue to perform exceedingly well in the consumer system and we think the consumer system will start to pick up speed and accelerate its growth.

Then, also, let's not forget the medical side. We anticipate continued demand in Canada for Aurora products and MedReleaf and CanniMed product in the medical system. The picture altogether, I think for us, is very favourable.

Tamy Chen — Analyst, BMO Capital Markets

Okay. Got it. On that consistent supply point, if I can just squeeze in one more, what sort of product are you seeing are the ones most in demand and how is Aurora's product offering in comparison to that?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Well, you heard earlier in the call that our products are exceedingly highly ranked, all of them in the top 11. So, it's everything from certain kinds of dried flour, connoisseurs really like certain flours, to oils as well. It's also across not just high THC, but also CBD products are very much in demand. It's pretty consistent picture across the board and we anticipate that we will see the same thing for our concentrates and edibles as well.

Tamy Chen — Analyst, BMO Capital Markets

Got it. Okay. Thank you.

Operator

Your next question is from Brett Hundley with Seaport Global. Your line is open.

Luke Perda — Analyst, Seaport Global Securities, LLC

Hi. This is Luke Perda on for Brett Hundley. First question, as we approach the legalization of value-added products inside Canada later this year, there seems to be an overwhelming focus on the beverage side of the market, as you noted, in part given strategic partners that are in place for a number of the Canadian LPs. It's interesting because if you look at a certain parts of the legal U.S. market, beverages have lagged behind considerably relative to vapes. Part of this is because the American beverage products don't have the R&D and marketing support that we presume Canadian beverage products will have. But we're also wondering if common consumer desires are being overlooked here and whether or not the Canadian LPs and their partners are trying to force a square peg into a round hole. Can you talk a bit about your own views on how the value-added product market might develop inside Canada and what kind of opportunities you see on the vape side?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. I'll start and then I'd like to hear from Terry on this as well. I don't want to be too much of a negative on beverages. It's just that we've made what we think is a pretty rational decision to focus our priorities in terms of the new product forms in areas where we know that there is strong demand, in part based on the model that we've seen in the U.S. consumer legal state and where we believe that we can deliver something that's highly differentiated and good for consumers, and also where we think that we can generate the highest margins.

Now, we said before with respect to beverages, that may turn out to be a great market segment. It's not yet in the U.S. consumer legal state. As you point out, it's something like 2 percent or under of the market. There are some good products out there that are well formulated. It's just that perhaps it's going to take a little bit of time and some marketing and some experience to change consumer tastes whereas, as you noted, vape pens are exceedingly popular and they have rapid and high uptake. We think that that's going to be a terrific market segment that doesn't need a lot of market development that will be pretty much ready-made. They're so discreet you can stick them in your pocket, in your purse; they don't create smell, just a little bit of vapor. I think that that will be very attractive to new consumers who just want to try it out. What's all the fuss about? Let me try one of these vapes.

So we're focusing on what we think will be the best sectors or market segments for us, but with the highest margin and where the demand is already clear.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Right. The proven market is certainly not in beverage. There are some big players in the United States, Heineken, for example, do have some brands in California. It's a very different affect when you drink an intoxicating cannabis beverage. It's not like alcohol. It doesn't lead to another and another. It's actually the more you have, the less you want in a very short amount of time once it starts taking its affect. It also has the potential, if it doesn't have the rapid onset that we don't think it has, to have adverse effect over time. There are not going to be any cannabis bars like there are alcohol bars any time soon.

You mentioned that marketing in Canada, that's still not allowed and that won't be allowed for beverages either, as far as we know. The gummies and the vapes, they're the best sellers, they're the best margin in the state. Certainly, if we're leaning towards any beverage, it would be on a wellness side of the fence, which we think that there's a tremendous market potential there. But on the intoxification side of the fence with respect to cannabis drinks, the market is just not there; it's not proven to be a popular item anywhere; and it's not able to market like typical beer companies or booze companies are allowed to market. It's a small step for us, but certainly we're going to be focused on what we feel sells best and provides the best margins.

Luke Perda — Analyst, Seaport Global Securities, LLC

Thank you. Just one more for me; you've gone out and you've purchased Whistler. You also have an investment in TGOD (phon). It seems that you really believe in the forward market opportunity for organic cannabis. Do you see Aurora becoming a big player on this side of the market and can you talk about the forward market opportunity overall in your view?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I'll start and then pass this on to Terry. We see it obviously as a part of the picture and so, yes, there's going to be a segment of the market of consumers and patients who prefer an organic product. It's not necessarily the be-all-and-end-all. Organic has advantages and disadvantages. It's just another piece of the market to us. Terry?

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Yes. The organic market, and cannabis is a popular one, as is the organic market in hemp. We have the largest organic producer of hemp under our wing now in Lithuania, Agropro and Borela. We know that there continues to be a move toward organic products in the cannabis space and Whistler has the best, for sure, in the Canadian license producer space. We'll wait and see how TGOD executes on growing organic at scale. It is a difficult thing too. We wish them the best of luck. We do still have a right to 20 percent of their production supply.

Where you run into some problems with organic is, of course, microbial. You have to watch the dirt very, very close. It's a growing and living, breathing medium that if it gets out of control even a little bit, you can have crop loss. Whistler has been doing it for five years, so they've eliminated a crop loss over the years completely and know what they're doing with respect to organic with smaller room. It also demands the highest price with the (phon) tremendous job. But the provinces are maintaining they're not going to drop their price for their cannabis, and if you don't want it, you don't have to take it. But guess what? It flies off the shelf before everything else. That we will watch and we'll continue to increase organic supply if indeed organics are the way to go. On the food and beverage side, on the edibles, I think that that may be even a bigger picture for organic cannabis, making organic edibles and sugar-free edibles.

I think that the organic supply of cannabis is a very important piece of the puzzle and it's just a matter of if we can grow it at scale or continue to grow at a smaller scale, much like the organic vegetable market.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I'll add that you've heard me say before that we like to, on important strategic questions, we like to measure twice and cut once. As Terry indicated, if we find that there's an increasing appetite for organic cannabis products, we'll be there, but we don't want to over commit to that until we see that the demand is there. So, measure twice and cut once. We think it's a prudent way to operate.

Luke Perda — Analyst, Seaport Global Securities, LLC

Thank you.

Operator

Your next question is from Michael Lavery with Piper Jaffray. Your line is open.

Michael Lavery — Analyst, Piper Jaffray

Good morning. Thank you.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hi, Michael.

Michael Lavery — Analyst, Piper Jaffray

Just wanted to touch on the U.S. You expect legalization federally in a few years, like roughly everybody. Can you just give us a sense of how you envision entering the market? Would I be hearing you right that you think some of your capacity you already have planned would be available for export to the U.S.; and if that's the case, what would be needed from a regulatory perspective to allow for that?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

The first thing I want to do here is to emphasize that we are not making any news on that point today. Then I want to reiterate what we said before. We obviously will be in the U.S. and we will be in the U.S. in a big way at some point in the future. It will always be in a way that is consistent with U.S. federal law. We will enter when it is permissible on a federal level in the U.S. There are some ways to enter earlier. We will also do this in a way that is consistent with the requirements of our exchanges. But, Terry, I know, wants to speak to this. Terry?

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Sure. Yes. The U.S. is an interesting country to say the least with respect to cannabis. The states all have much different regulations, varying regulations from state-to-state. I feel Nevada is probably the best state for a Canadian company to enter into. Regulatory changes that are forthcoming, we don't know what they'll look like. If they don't erase the state-to-state line in the cannabis space once those (inaudible) legalize, then it's a very difficult market to operate at scale in.

Right now we have multiple state operators, like multistate state operators, MSOs, that have small facilities in their various states. Well, that's not really the Aurora way of doing things, and if we do go to the States, we'll be focusing in on large population centers that are not fully established that have regulation that we are able to operate in with profit.

If they erase the state lines, that whole picture changes. If you're able to cross those state lines, then it becomes a massive cannabis market.

As far as the export into the States, again, we don't know when that will happen. We're allowed to export to a number of countries now. I don't know why we wouldn't be able to export into the United States. The demand will certainly be there, if indeed we're allowed to export into the United States, and we look forward to our brothers down in the south getting that going sooner rather than later.

The hemp industry in the United States, the FARM Act, allowed for the usage of CBD derived from hemp with 0.00 THC. That's a limited market at this point as it only includes topicals, if you really want to go through the letters of law (phon) of federal legislation. The FDA is looking at the ingestibles, CBDs and the (inaudible), and, yes, I know many states already sell it. They're selling it federally illegal as the states that have legal cannabis (inaudible) statewide are selling federally illegal. But it is something we have the finger on the pulse very, very close.

You have to understand, Aurora is not being blind to what's going on in the United States. Australis (phon) is doing well for a start-up company. It's done four or five yields. It's our little brother. We have backing (phon) rights with Australis and more to come on that later, but it's something we feel very confident, as do most, will be legalized. It's how it's legalized is the question. Is it going to be legalized medically state-to-state, or adult use state-to-state all at once? We don't know. Nobody knows. I don't think the government knows.

That's a ways away. It's one step at a time and we're taking the steps necessary to do that in an organized fashion. As Cam said, measure twice, cut once.

Michael Lavery — Analyst, Piper Jaffray

That's really helpful colour. Thanks. Just a follow-up, sort of the flip side of the question, to what extent do you have any of your capacity plans even sort of vaguely earmarked for the U.S.? (Inaudible) have the opportunity to export there. Would have to rethink a little bit how that gets put to use?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

You broke up there. Go ahead. Go ahead, Terry. Sorry.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Again, we don't know. That's certainly is not in our capacity plans at this point. We have a strategy of entering into the U.S. and that strategy is obviously confidential, but I would expect if we have an overcapacity in Canada and the rest of the world, we would love to ship to the U.S. I don't think we will have that capacity, depending upon the timing. Even if they announced that they're going to have a legal system, it would take years federally to get the regulations in place and a proper capacity in place.

Certainly, your first-mover advantage will go to your MSOs, which we will look at. There's some cherry-picking to do on the MSO side of things, but there's no need to rush into it. It's going to iron itself out. We've got over-valuation of (phon) there. I think there's significant rise of valuation if they move towards legalization, but valuing these MSOs just based on the retail doors is, in my opinion, a mistake because you can always open more retail space, you can always open the door to more retail. We're seeing that in Canada. We're seeing the value of the retail stores that had got lottery wins dropped significantly, so we're quite happy that we didn't jump into that tray.

Does that answer your question? We don't have any plans to export anything into the United States at this point. It's not in our future just yet.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

No. I think that's the key point. If I understood you correctly, you asked if we're counting on supplying the U.S. from Canada. Absolutely not, we have not built that into our plans at this point.

The other thing to emphasize is once the opportunities exist to build production in the U.S. for us, we build the best cannabis production facilities in the world. I think we've clearly demonstrated that. With the highest efficiency use of automation and technology that nobody else has thus far been able to touch, and the result of it is premium product at a real economical cost. Once the opportunity exists, you can expect that we're going to be looking at using our technological lead to build that capacity ourselves in countries around the world.

Michael Lavery — Analyst, Piper Jaffray

Thank you. That's really helpful colour. Thanks a lot, guys.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Great.

Operator

Your next question is from Graeme Kreindler with Eight Capital. Your line is open.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hi, Graeme.

Operator

Graeme Kreindler with Eight Capital, your line is open.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Graeme, are you still there? Did you go to sleep?

Operator

Your next question is from Jason Zandberg with PI Financial. Your line is open.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hey, Jason.

Jason Zandberg — Analyst, PI Financial

Hi, guys. Hey, I wanted to drill down a little bit on your Medical Cannabis sales. As an industry, we're starting to see medical sales decline and that's very typical in other regions that have adopted an adult use program, the medical sales tended to trail off a little bit. You guys have actually seen a growth in your Medical, although not a huge number, but, nonetheless, growth. What do you attribute that to? Is it your coverage of the excise tax, is it providing Product Identification Numbers? Can you sort of give your opinion as to why you're bucking that trend?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. I mean, it starts with the fact that we make great medical cannabis and everybody knows it. Listen, you say that it's ticked up a little bit, and you're right; it only increased about 5 percent in terms of patient count in the last quarter, 8 percent increase in Canadian Medical Cannabis revenue sequentially. But, let me emphasize that was our choosing. We wanted to make sure that we had exactly the right product allocation for each of our distribution channels, Canadian Medical, Canadian Consumer and International Medical. We actually could have turned on the taps and brought in a lot more patients.

Now, why is it? I'm not kidding when I say we produce great medical cannabis product. But we also have an extremely good reputation across all of our brands—Aurora, MedReleaf and CanniMed—among physicians. Our credibility, supported by our clinical program in the medical community, is outstanding.

Now, lets' get to where medical can go in Canada. Obviously, for us, we see increased demand and increased patient counts and increased Canadian Medical Cannabis sales, which is great because Medical Cannabis patients tend to be sticky. Consumers you never know, but with a medical patient, they're likely to stay with you as long as you keep them happy.

The other thing that would be a bit of a wild card to keep your eyes on would be the possibility that the excise tax, which, as you point on, we've been absorbing for our patients, could be eliminated. I'll remind everybody that we had a press conference not that long ago in Ottawa, along with a patient advocacy group called Canadians for Fair Access to Medical Marijuana. Also on the stage with us were members of Parliament from the Conservatives, the Liberals and the New Democratic Party. There is strong support in all three caucuses to start to treat medical cannabis the same as other prescription medicines.

If we get that excise tax and, ultimately, the GST and HST removed from medical cannabis, it will be, first of all, justice, but it will also be an appropriate reason for patients to stay in the medical system. Before we stop on this point, I want to emphasize that patients who are using medical cannabis to manage the symptoms of a chronic health condition should be getting their medication by prescription. They should be getting their cannabis by prescription and consulting with their physician. Physicians and, frankly, pharmacists should know about all of their medications that patients are consuming. So there're good reasons for patients to stay patients, and certainly good reasons for patients to come to Aurora.

Jason Zandberg — Analyst, PI Financial

That's a great answer. Looking forward in upcoming quarters, would you expect to see that trend to continue in terms of continued growth on your Medical Cannabis? Obviously, the rec market will continue to grow, but do you expect that to happen continually with your Medical sales?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. I don't want to predict the whole market, although I think it will actually be good, but on an Aurora basis, yes, we expect our patient count in our Canadian Medical Cannabis revenue to continue to grow.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Yes, was your question global or just a Canadian question because obviously the other 22 countries that we're operating in do not have adult use systems and those medical systems are just starting out to blossom?

Jason Zandberg — Analyst, PI Financial

No. I was referring to the Canadian market, yes.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Okay.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I understand the question because we've seen kind of differential results across different companies in the sector. But, we've always emphasized Medical Cannabis. We've supported that with a great clinical program. We are really, really good to our patients as customers and so, yes, we do anticipate continued growth on the Canadian Medical side.

Jason Zandberg — Analyst, PI Financial

Okay. Great. Thanks very much.

Operator

Your next question is from John Chu with Desjardins Capital Markets. Your line is open.

John Chu — Analyst, Desjardins Capital Markets

Hi. Good morning. Maybe just a quick question on Europe and how you plan to allocate your increased production between Europe and as well as the value added markets. The way I look at it is Europe is effectively certainly a little bit of competition to direct that many EU GMP certified facilities and then you also have edibles, which has a lot of competition among (phon) all the solid players here in

Canada. How would you try to prioritize too, and maybe just talk about what the margins you get, which ones are higher (inaudible)?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Sure. Yes. Let me start and I know Terry will want to weigh in on this as well. Let me start by telling you how much we love Europe. Europe is a market where, as you point out, there's very little competition. There's only one producer in Europe right now and it actually is one of I think eight that are EU GMP certified, and that is (inaudible) in the Netherlands. Of the remaining EU GMP certified facilities, we've got two, two out of seven, and we're undergoing audits right now to add additional facilities. So, very, very limited competition, very limited supply. It's a supply constrained market and we are really ramping up now to be able to supply that market.

The bigger picture here is a question of product allocation. We've developed a very sophisticated product allocation protocol and team that we're very proud of that works on demand planning so we know where the demand is going to be, and helps us calculate where we're going to generate the highest margins. Now, it's no secret that the Canadian Consumer system is a lower margin distribution channel for us than Canadian Medical and International Medical. The margins in Germany, for example, are extremely good in part because of currency differences, but not completely. You will see us allocating more of our product to Europe and, frankly, to other jurisdictions around the world, as those markets open up. Again, we're going to be a big part of that simply by removing supply constraints.

We do make a constant series of decisions on a rolling basis with respect to product allocation. Terry?

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

Sure. Thanks, Cam. The interesting, the Product Allocation Team I feels sorry for them for the last year or sure because we didn't have the product for them to allocate. We're now definitely starting to have that product allocate. Certainly, in the Canadian Consumer usage market it is lower. The provinces underestimated the demand, we underestimated the demand, and it continues to go up. We don't know what that demand is until it's met.

The European market, we have boots on the ground now in Italy, Germany, Malta, Portugal, the U.K., the Netherlands, and these are our boots on the ground, not small contracts, a small piece of the Company. We distribute cannabis ourselves in Germany. Getting that contract, only three LPs of the 79 applicants were awarded that contract. Obviously, the demand in that contract is going to go up and obviously the first movers that successfully execute will have first crack at the expansion of facilities. That's when (inaudible).

The fall in 2020, again, I lose sleep over being able to supply this global market. The European market is going to go nowhere but up, maybe not this quarter on a hockey stick, but we'll start shipping in bulk to Europe before too long. We were the first to sell high-value derivatives in Germany which are now starting to get some traction. With the doctors we're going to educate the entire EU the best we can with our team of physicians and PhDs and thought leaders in the cannabis space. It is just waiting to be cracked. It's not even scratched the surface yet in Europe, yet you're seeing the increases. They still will take whatever we can give them, but we have to take care of our Medical patients here in Canada and we have to have a presence in the adult usage market in Canada.

If it was a pure business decision on a mature industry 20 years down the road, we might, at these prices, we may pull the pin on the adult usage market in Canada 20 years from now. But we're not going to do that. We're Canadians, the Canadian Medical patient is first, it's European patient second, and it's adult usage market third. But we will dominate in the adult usage market as well because of the quality of cannabis that we grow, because of the cost per gram of cannabis that we have, and because of the increased capacity that we continue to bring online.

Everybody remember, we are building a high-class facility in Denmark as we speak and we're growing cannabis in Denmark quite well in our Phase 1 of the Aurora Nordics. Once we can start supplying Europe from there, it will help with our other International initiatives.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. In terms of helping you understand another reason why we love Europe so much, if you think about it, that's a population, including the U.K. of around 500 million, okay, so well larger than the U.S. But whereas in the U.S. with its kind of patchwork regulatory system, there are thousands upon thousands of producers, in Europe there's one and us and a handful of other Canadian companies, with high barriers to entry, because they believe in tight regulation. We'll be in the U.S. obviously as soon as that's permissible.

We're also prepared to operate in two very, very different markets. The U.S. and Europe appear for years and year to come to be very, very different, and so we want to be set up to succeed and win in Europe. We're already building the infrastructure for that right now. We're very, very pleased with the direction Europe is going.

John Chu — Analyst, Desjardins Capital Markets

Okay. Great. That's very helpful. Then just quickly, maybe just a quick update on EnWave. When do you think that's going to get integrated and can make a meaningful impact? Then same on the Radient; you received your first shipment, are you happy with what you got, and then when can we start to see a more meaningful impact to your numbers and on the efficiency and everything else? Thank you.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Glen, we haven't heard from you in a bit. Do you want to address that one? Glen are you still there?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Sorry. Yes. Can you repeat that? Sorry, just missed it.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

We're talking about when we anticipate contribution from the integration of the EnWave Technologies and also Radient's demonstrating commercial capabilities and, yes, we're very, very pleased with RTI. When do we expect to see contribution?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Yes. As you would've seen through the press release, Radient has just been recently licensed and we've, I believe, received our first commercial batch back from them, still relatively small volumes. We expect to see that actually impacting our ability to produce derivative products towards the end of this quarter. Actually, we're kind of in the last six weeks now, so I'll say in June we'll start to see some of the product making it into our production chain. Most of that extraction goes into products that still take a little bit of time to show up on the shelves, so towards the very end of the quarter.

EnWave will just shorten the drawing time, allow us to speed up extraction, which, in effect, does kind of accelerate our capacity. That's still being implemented, so we won't see that in Q4. We'll see that in Q1.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

The other point I'll add with EnWave is they also reduce the risk of crop failure or a production failure with a very short timeframe from off the plant to dry. There is risk in drying systems where mold can come in and other bad creatures and more people are around. When you shorten that time it, once again, de-risks the process of production of cannabis.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. I do want to emphasize, we haven't had that problem, but we know it exists. What we just really talked about here, and you've got two great examples—RTI and EnWave. Those are really consistent with our overall business strategy which is to reduce all risks as much as possible and also to accelerate the entire process from cultivation through to production, getting it to market. That is consistently across the board our strategy. You've picked two really good ones to focus on and they are entirely in line with our global strategy.

Operator

Your next question is from Doug Miehm with RBC Capital Markets. Your line is open.

Douglas Miehm — Analyst, RBC Capital Markets

Good morning.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Hi, Doug.

Douglas Miehm — Analyst, RBC Capital Markets

Hi. Just with respect to how we're thinking about the Q4, I know that you've indicated that you are going to show some positive EBITDA, so, really, Part A and B there. How important is it that you actually do that? Is it more important that you have enough product for the value-add launch, or is seeing what you're going to do in terms of producing that EBITDA for Q4 the most important thing? Then Part B of that is just with respect to the recent acquisitions, so Whistler, Hempco and Chemi, are they contributing to you guys having positive EBITDA in Q4?

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

I'm going to start and then hand over to Glen. Actually, I would say that one of the most important things that we did when we put out that guidance in January that we were targeting positive EBITDA in the June quarter, in this current quarter, was we signaled our discipline and it's showing. If you take a look at our revenue growth compared to our SG&A growth, SG&A being relatively flat, it's showing. We've been just focusing on that disciplined execution. Setting that target on its own has been remarkably beneficial to us and we've been getting that feedback from institutions as well.

It is important, I think, to differentiate by showing a clear path to profitability and it's something that we've made a commitment to that differentiates us from a lot of our peers, and so it is very important to us. But the nice thing is with where our production has gone, we can kind of have our cake and eat it too. We can continue to track towards positive EBITDA in this current quarter and have sufficient product supply to have the inventory to produce those new higher value-added products that will be allowed by regulation. It's a great, great situation to be in and it's happening at exactly the right time for us.

The second question that you had was with respect to the recent acquisition and whether they are anticipated to contribute to achieving positive EBITDA. I'll defer to Glen on that, but certainly not substantially. We were tracking that way before these things (phon). Glen?

Glen Ibbott— Chief Financial Officer, Aurora Cannabis, Inc.

Yes. Thanks, Cam. Just the first part of your question, though, on the Whistler and the Chemi and those, they're not running negative, they're running positive. They'll contribute, but not substantially, as Cam said. We based our EBITDA positive forecast on our core cannabis business. We do have this quarter about $6.5 million of revenue from other business lines that are non-core cannabis, and they do contribute at least a 50 percent or greater margin on average. That'll help, but we're really trying to drive the discipline and the growth in the core cannabis piece of this.

The allocation decision, there are some really healthy debates internally, but as you would expect, a lot of this is dependent on when Health Canada is going to allow the introduction of these new products into the market, you see various signals at times from the regulators as to when LPs will actually be able to start shipping new products to eventual distribution centers. Should that happen towards the end of the year, should we get clarity that those sales won't start towards the end of the calendar year, we may have more product allocated into revenue in Q4 and Q1; should it be available earlier, then we'll have (inaudible) make, how much of that actually goes into inventory as opposed to revenue.

But, as Cam said, at least we've got the production now coming to make those decisions. The EBITDA piece of this is very, very important to us, not only in terms of the commitments we've made to the market but also just as internal guidance as to our priorities. But, we still have a focus on the long-term value that we're creating and it's very important to launch properly into those product segments that we want to capture towards the end of the year.

Douglas Miehm — Analyst, RBC Capital Markets

Okay. That's very helpful. Then just my follow-up question. Cam, with respect to basically the capabilities that you're putting in place outside of Aurora Polaris in anticipation of the launch of the value-add products, could you just give us a little bit more detail because as I think about this marketplace and this sort of, the problems that we observed in Q4 of 2018, the direct launch, I just want to make sure that you guys are following the proper steps to ensure that you're going to have product? Do you have all your vape lines going and where (phon) are they going in, where do they stand, licensing, that sort of stuff? Then I'm finished. That's great. Thank you.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Okay. You asked for a little bit more detail. We can give you a little bit, but not a lot. We don't want to show necessarily all our cards. What I can tell you is that all of the capabilities for the market segments that we prioritize, it's all in place. As Glen indicated in his comments, we wanted to make sure that from an Aurora perspective anyway, we won't be seeing some of the challenges that the entire industry faced not being ready for consumer legalization in October of last year.

We have across multiple facilities, we've got the capabilities in place to produce those products. Polaris is going to be amazing. It'll be world-class and I think there will be nothing like it once it's opened up. But we do not need to wait for it to be online for us to deliver those product forms.

Douglas Miehm — Analyst, RBC Capital Markets

Perfect. Thank you.

Operator

Your next question comes from Rob Wertheimer with Melius Research. Your line is open.

Rob Wertheimer — Analyst, Melius Research

Hi. Everybody. Your production ramp has been impressive so far with no real material hiccups and stumbles and so forth. The question is a little bit if you can give us any more background on just how you do it. Other people in the industry have had crop failures. There the product that hasn't grown quite as well as yours. How do you evaluate the risk of that? Do you see the issues pop up and you quickly mitigate them and fix them so there's no risk of a larger issue, or do you not have the issues pop up because of more automation, because of more—anyway, I'm wondering you can just expand on that a bit.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. Yes. I really want to speak to this and I'm going to start by making Terry blush because the first and greatest credit for this is Terry's vision. Terry went in a different direction from every other Founder and CEO in this sector when he decided that cannabis production should be purpose-built. North of Calgary, our mountain facility, that's the first purpose-built cannabis production facility in the world to our knowledge. What that does is it gives you GMP by the way, GMP standard, everything from the cultivation rooms to the airflow inside and the ability to manage all of the environmental variables, the lighting, the temperature, the humidity, the CO2, the nutrients.

Every other peer of ours that is producing at mass scale has done something different, again as we've all scaled up, whereas we've gone with these massive indoor facilities with a glass roof, the sky-glass (phon) facilities. All of our peers producing at mass scale are doing it in retrofitted greenhouses. You can argue there are advantages and disadvantages to each approach. We really like our approach because, as you heard me say earlier, at this phase in the sector's development, the number one critical success factor is the ability to consistently produce and move and sell a large amount of cannabis. Our entire business strategy is set up to do exactly that.

You control the environment. That reduces the risk of pathogens and pests and, therefore, crop loss. Touch wood, we've never had a crop loss and I hope we never do.

Terry, you probably want to weigh in on this because you're the expert here.

Terry Booth — Chief Executive Officer, Aurora Cannabis, Inc.

I do what to weigh in. You nailed it on the head, Cam. To most respective environmental control, CO2, micromoles, humidity, temperature all those factor in. We have to stay within certain band (phon) or you will lose control of your facilities; one thing affects the other. With a typical greenhouse you have environmental risk with the roofs opening to cool them down. You have risks with the variable temperatures, whether it be raining or snowing or hot and sunny. Environmental control is in a short phrase, but a very, very difficult thing to do right.

Secondly, you mentioned automation. You nailed it on the head a bit there because automation takes the human being out of the picture with direct contact to the plant. That is one of your highest risks of disease, are the human beings.

Then last one is GMP. GMP is the direction of, really, essentially, the direction of the product growth. You never go backwards; you never go from a dirty room to clean room. It’s a slow process. It’s a pharmaceutical process. It’s highly recognized well in the farming industry.

Those three factors, along with 40 PhDs and the top (inaudible) team in the world and some very experienced horticulturists and growers equate to no crop loss.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

By the way, I’ve got to add this before we wrap up—and I know we only have a couple of minutes left—we truly believe that we’ve invented 21st century cannabis cultivation. We also believe—and this is central to our business strategy—that you have to do that if you want to build a global enterprise. You've got to have that consistency. You've got to mitigate risk. You've got to do it economically and it's got to be scalable and replicable on a global basis. That's what we set out to do from the beginning, and now at Aurora Sky we think that we've validated that sky-glass concept to do exactly what we've been planning to do from the beginning.

Rob Wertheimer — Analyst, Melius Research

Thank you much.

Operator

This concludes the Q&A portion of today's call. I will now turn things back over to Cam Battley for any closing remarks.

Cam Battley — Chief Corporate Officer, Aurora Cannabis, Inc.

Yes. I just want to thank everybody for joining us for the call. Obviously we're really looking forward to the next on as well for our year end. Take care and everybody have a great rest of the day.

Operator

This concludes today's conference call. You may now disconnect.