



## What Will Aurora Cannabis Inc. Do With \$185 Million Cash in 2017?

### Description

**Aurora Cannabis Inc.'s** (TSXV:ACB) cash position could rise to \$185 million by April 26, 2017, after the conclusion of its up-sized \$75 million convertible debenture offering announced on April 11 which increased the offering from \$40 million announced earlier the same day.

With such a well-funded position, an unquenchable thirst to catch up with industry leader **Canopy Growth Corp.** ([TSX:WEED](#)), and zeal to grow past **Aphria Inc.**, the year 2017 will be a very busy year for the Aurora management team.

The market could be in for several press releases of expansion programs from Aurora. The company is completing its 800,000-square-foot greenhouse production facility at Edmonton Airport and making operational the 40,000-square-foot facility in Quebec which was gained through the acquisition of Peloton Pharmaceuticals Inc. Some \$6.6 million has already been committed to the **Cann Group Limited** initial public offering (IPO) in Australia.

Aurora has expressly promised that the new debenture funds would be used primarily for international expansion and growth opportunities.

### Could Aurora takeover Cann Group Limited?

Aurora is hungry for international expansion. That Aurora became a cornerstone investor in Cann Group's IPO, taking up almost half the IPO's issued shares, snatching a 19.9% stake in Australia's first licensed medical cannabis producer, could be a sure sign the company actually wanted more, but was limited by legalities.

**Canaccord Genuity (Australia)** has been handling Cann Group's capital-raising and investment-funding activities, including the May 2017 IPO. Its sister company **Canaccord Genuity Corp.** is structuring Aurora's funding deals this side too. There could be a lot more connecting Aurora to Cann Group than we may know of.

Most interesting, a few weeks before the Cann Goup IPO announcement, the two majority shareholders in Cann Group sold the majority of their shares (a controlling stake) to some

private investors introduced by Canaccord Genuity who will only be named after the May 25th IPO.

Could these yet-to-be-revealed investors include Aurora itself or a related entity, like **Australis Capital Inc.**, a U.S.-based subsidiary of Aurora which was created for international expansion? Its name already sounds Australian.

Cann Group, says in its IPO prospectus that its success is largely dependent on its new Canadian technical partner Anandia Labs Inc. Anandia has partnered with Aurora in lab testing and issuing of quality assurance certificates to Aurora products to allay consumers' pesticide fears.

Could Aurora have made the business introductions between Cann Group and Anandia?

It's probable.

### **Why would Aurora be interested in growing weed in Australia?**

Reports from Australia say it is time consuming and very expensive to import marijuana into Australia, as marijuana is a heavily controlled product. Growing the product locally will significantly save a lot of money.

Cann Group is the first licensed marijuana grower on Australian soil, and investing in it could be like investing in Canopy in its infancy. However, the Australian marijuana market will not likely grow as fast and be as big as the North American one.

Aurora may be rushing to play catch-up with Canopy, which already has a 15% stake in **AusCann Group Holdings Ltd.** based in Australia

### **Technical issues with Cann Group acquisition**

There are legal issues to Aurora's assuming of control in Cann Group as Australian legislation limits a foreign entity's unchallenged acquisition of an Australian company's stake to a 20% threshold. Beyond this limit, some legal approvals would need be sought.

Legal processes consume a lot of time and may be limiting Aurora's Cann Group stake to 19.9% right now.

It's not surprising that Aurora could end up taking over the control of the company and could be raising capital to fund the new entity's construction of growing facilities.

### **Aurora could announce U.S. expansion plans soon**

Since its announcement of the creation of Australis Capital Inc. in April 2015, there haven't been any updates from Aurora on its U.S. expansion program in Washington.

I am positive we will get some news on the venture a few weeks after the debenture deal closes.

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