AURA HEALTH INC.

(FORMERLY LAMÊLÉE IRON ORE LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

The following Management's Discussion and Analysis ("MD&A") is current to November 28, 2018, and constitutes management's assessment of the factors that affected the financial condition and operating performance of Aura Health Inc. ("Aura", "We" or the "Company") for the three and nine months ended September 30, 2018 ("Q3 2018"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2018, as well as the audited consolidated financial statements and related notes for the year ended December 31, 2017 of Aura Health Corp. (see "Reverse Takeover Transaction" for details). The Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and the financial information contained in this MD&A are prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. All figures in this MD&A are reported in Canadian dollars ("$" or "CAD") unless otherwise stated.

This MD&A contains forward-looking statements that are not historical in nature and involves risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements" below.

Additional information relating to Aura is available on SEDAR at www.sedar.com.

Business Overview

Aura is building an international network of vertically-integrated cannabis assets. The Company holds convertible debt that converts to 54% equity of HolyCanna Ltd. ("HolyCanna"), an Israeli cannabis cultivation and nursery license holder, and has a letter of intent ("LOI") in place to acquire the majority of CannabiSendak LTD. ("CannabiSendak"), the builder of a network of high-profile dispensaries in Israel. See "Outlook and Plans" for details.

Aura currently owns 30% in four Patient Assessment Clinics ("PACs") under the "Sun Valley Medical Clinics" brand name in the US Sun Belt. The medical health clinics examine prospective patients and issue medical-use certificates to qualified patients. Aura has an option to increase its interest in three of the clinics to 51%.

On August 9, 2018, Aura Health Corp. and Lamêlée Iron Ore Ltd. ("Lamêlée") completed a reverse takeover transaction (the "RTO Transaction"), providing for the acquisition by Lamêlée of all of the issued and outstanding common shares of Aura Health Corp. Concurrent with the closing of the RTO Transaction, Lamêlée changed its name to Aura Health Inc. (see "Recent Developments" and "Reverse Takeover Transaction" for details).

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

As at November 28, 2018, members of the Company's management team and Board of Directors (the "Board") consists of:

Daniel Cohen	Chief Executive Officer
Keith Li	Chief Financial Officer
Howard Brass	Chief Operating Officer
Chris Carl	President and Director
David Posner	Director
Jim Frazier	Director
Joel Freudman	Director
Paul McClory	Director
Robert Schwartz	Director

Outlook and Plans

Aura's mission is to build an international network of vertically integrated businesses in the medical cannabis industry. While the Company continues to own a 30% interest in the four medical marijuana clinics in the US (collectively, the "Sun Valley Clinics" or "PACs" or "Clinics", and each a "Clinic"), management is actively seeking to develop and expand its activities into Israel, Europe, and neighbouring markets. During Q3 2018, the Company signed two LOIs for assets in Israel, a country that is a pioneer of modern medical cannabis and a global centre for cannabis R&D. Management believes the country will continue to play a pivotal role globally that will accelerate if cannabis exports are legalized. While Israeli cannabis producers are still restricted from exporting product, a recent parliamentary committee recommended the export law be passed and the legislative process has begun. If that law is passed, we believe Israel will become a major supplier to the burgeoning European medical cannabis market.

The first LOI is an agreement to acquire a 54% stake in HolyCanna, an Israeli cannabis cultivation and nursery license holder. Aura will inject Israeli Shekel ("ILS") 10 million (approximately CAD $3.6 million) in the form of a note convertible (the "Convertible Note") into a 54% equity interest once Aura has been approved by the Israeli regulator and added to the license.

The second LOI is to build out a dispensary chain and medical cannabis branded product company in Israel, where CannabiSendak leverages the experience and profile of Shlomi Sendak, a well-known Israeli medical cannabis activist who assisted nearly one-third of Israeli prescription holders in the process of obtaining their patient cards. We plan to build and open the first dispensary in Tel Aviv by H2 2019. The dispensary plans to sell a Sendak-branded cannabis line supplied exclusively by HolyCanna.

Our goal is to produce high-quality and low-cost medical grade cannabis in Israel for both domestic consumption and, if permitted, exportation to Europe. We are also actively seeking to establish a medical grade extraction and manufacturing facility in Europe. Aura signed a LOI with Nutritional High International Inc. ("Nutritional High") in October 2018 to utilize Nutritional High's cryo ethanol extraction process and other operational expertise. This will enable Aura to set up facilities to produce high-quality oils and end products ranging from vapes to chocolates and chewable tablets. The partnership will take the form of a joint venture and final economics will be determined on a project by project basis.

Recent Developments

On August 9, 2018, Aura Health Corp. and Lamêlée completed the RTO Transaction, providing for the acquisition by Lamêlée of all of the issued and outstanding common shares of Aura Health Corp. Pursuant to the Securities Exchange Agreement, all Aura Health Corp. common shares were exchanged for common shares of Lamêlée, and Aura Health Corp. became a wholly-owned subsidiary of Lamêlée, which is continuing on with the business of Aura Health Corp. As a result, the unaudited condensed interim consolidated statements of financial position as at September 30, 2018 are presented as a continuance of Aura Health Corp. and comparative figures presented in the unaudited condensed interim consolidated financial statements for Q3 2018 are those of Aura Health Corp. Concurrent with the closing of the RTO Transaction, Lamêlée changed its name to Aura Health Inc.

On August 16, 2018, the Company's common shares began trading on the Canadian Securities Exchange (the "CSE") under the ticker symbol "BUZZ".

On August 16, 2018, Daniel Cohen was appointed as Chief Executive Officer ("CEO") of Aura, replacing Chris Carl, who will continue to serve as President and Corporate Secretary for the Company. Mr. Cohen has nearly 20 years of experience in the capital markets and previously served as a partner and head of institutional equity sales at Beacon Securities.

On August 22, 2018, the Company entered into a LOI to subscribe to the unsecured Convertible Note in HolyCanna. See "Proposed Transactions" for details.

On September 4, 2018, the Company entered into a term sheet to acquire 57% of the outstanding equity of CannabiSendak. See "Proposed Transactions" for details.

On October 3, 2018, Joel Freudman was appointed to the Board and as the Chair of the Board's Audit Committee. Mr. Freudman manages a merchant bank, Resurgent Capital Corp., and previously practiced law as a securities and M&A lawyer in private practice and then in-house with two major Canadian financial institutions. On the same date, Jimmy Gravel resigned from the Board.

On October 17, 2018, Aura announced a LOI with Nutritional High to cooperate on its extraction technologies. See "Outlook and Plans" for details.

On November 19, 2018, Howard Brass was appointed as Chief Operating Officer ("COO") of the Company. Mr. Brass has nearly a decade of capital markets experience and holds an HBA from the Richard Ivey School of Business and is a Chartered Financial Analyst.

On November 22, 2018, the Company entered into a definitive agreement with HolyCanna to subscribe to the Convertible Note. See "Subsequent Events" for details.

Financing Developments

On August 9, 2018, the Company closed a non-brokered private placement (the "Concurrent Financing") of 2,301,873 units at a price of $0.49 per unit, for gross proceeds of $1,127,918. Each unit consists of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one common share at a price of $0.75, expiring on August 9, 2020.

On August 9, 2018, the Company issued 816,327 common shares and 408,163 warrants exercisable at $1.00, as a result of the conversion of the Series A Debentures issued on April 20, 2017 ("Series A Debentures").

On September 24, 2018, the Company granted 650,000 stock options to the CEO and certain consultants of the Company. The options are exercisable at $0.31 per share and will expire on September 24, 2021. 300,000 of these options vested immediately on grant, while 350,000 options granted to an Investor Relations consultant vest 25% on grant, and 25% every six months thereafter.

On October 26, 2018, the Company closed a non-brokered private placement offering of unsecured convertible debentures for total gross proceeds of $400,000. See "Subsequent Events" for details.

Subsequent to September 30, 2018, 553,000 common shares were issued as a result of the exercise of 550,000 warrants and 3,000 broker warrants for total cash proceeds of $82,800. All issued shares are fully paid.

Canadian Companies with U.S. Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state's regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability

to operate in the US; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the Staff Notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

At this time, the Company's involvement in the US cannabis industry is limited and "Indirect" through its investments in the Sun Valley Clinics. In addition, the Company does not operate, nor control any subsidiary that is directly engaged in the cultivation or distribution of marijuana in accordance with a US state license. As a result of the Sun Valley Clinics providing cannabis certification and medical care to patients in the US (as described below), the Company is subject to the requirements of the Staff Notice and accordingly provides the following disclosures:

Compliance with Applicable State Laws in the US

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operations. The Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable US state for any of such Clinics' business and the Company is not aware of: (i) any non-compliance by these Clinics with respect to marijuana-related activities, or (ii) any notices of violation with respect to any Clinic's marijuana-related activities by its respective regulatory authorities.

Nature of Investments with US Cannabis-Related Activities

<u>Sun Valley Certification Clinics Holdings, LLC</u>

On November 11, 2016, the Company, through its wholly-owned subsidiary Green Global Properties Inc. ("Green Global"), entered into a Purchase Option Agreement with Sun Valley Certification Clinics Holdings, LLC ("Sun Valley"), a private company based in Phoenix, Arizona, whereby Green Global has the option to acquire a 30% interest in each of the next ten PACs that Sun Valley opens in the US for USD $100,000 each. Provided that the Company already owns 30% of a Clinic, the Company has at its discretion a further option within 18 months from the opening date of the Clinic to acquire an additional 21% of that Clinic for USD $100,000 and increase its ownership to 51%.

Each Clinic is established as a separate Limited Liability Company. An operating agreement is generally put into place once the Company invests 30%. Under the operating agreement, the Company and Sun Valley each appoint one Manager and the two Managers will appoint a third Manager. All major decisions and transactions that affect the Clinic are authorized by the Managers. Therefore, joint control exists, and the relationship meets the definition of a joint arrangement.

On November 15, 2016, the Company advanced USD $100,000 (CAD $134,270) to exercise its options to acquire a 30% ownership interest in a clinic in Las Vegas, Nevada (the "Sun Valley Nevada Clinic"). The Sun Valley Nevada Clinic began operations on September 21, 2016.

On December 20, 2016, the Company made a USD $50,000 (CAD $67,135) deposit for the acquisition of a 30% interest in a second clinic, which opened in Mesa, Arizona (the "Sun Valley Mesa Clinic") in 2017. On March 7, 2017, the Company completed the acquisition of the 30% interest by paying the remaining balance of USD $50,000 (CAD $67,980). An operating agreement on the above described terms has been put into place. The Sun Valley Mesa Clinic began operations on April 24, 2017.

On March 14, 2017, the Company made a USD $50,000 (CAD $69,220) deposit towards the acquisition of a 30% interest in a third clinic, which opened in Tucson, Arizona (the "Sun Valley Tucson Clinic"). On April 18, 2017, the Company completed the acquisition of the 30% interest by paying the remaining balance of USD $50,000 (CAD

$68,760). An operating agreement on the above described terms has been put into place. The Sun Valley Tucson Clinic began operations on May 22, 2017.

On July 24, 2017, the Company made a USD $50,000 (CAD $64,465) deposit towards the acquisition of a 30% interest in a fourth clinic, which opened in Hollywood, Florida (the "Sun Valley Hollywood Clinic"). On August 2, 2017, the Company completed the acquisition of the 30% interest by paying the remaining balance of USD $50,000 (CAD $64,650). An operating agreement on the above described terms has been put into place. The Sun Valley Hollywood Clinic began operations on August 11, 2017.

On November 27, 2017, the Company contributed a USD $20,000 (CAD $26,182) advance as additional capital to the Sun Valley Clinics.

On December 19, 2017, the Company contributed a USD $15,000 (CAD $19,934) advance as additional capital to the Sun Valley Clinics.

On December 28, 2017, the Company contributed a USD $75,400 (CAD $97,945) advance as additional capital to the Sun Valley Clinics.

As a result of the additional capital contributions made in November and December 2017, Green Global was issued 128.60 new units from each Clinic, in a manner consistent with the operating agreement, and in proportion to its respective membership.

On July 9, 2018, the Company contributed another USD $62,835 (CAD $82,736) advance as additional capital to the Sun Valley Clinics.

Investments in the Sun Valley Clinics

The investment in the Sun Valley Nevada Clinic is accounted for as of the effective date of ownership on September 1, 2016, as a joint venture as the operating agreement establishing joint control was in place effective that date. The Company's portion of the loss from the Sun Valley Nevada Clinic for the nine months ended September 30, 2018 was $27,645 (USD $21,470) (2017 – $40,067 (USD $30,660)).

The investment in the Sun Valley Mesa Clinic is accounted for as of the effective date of ownership on January 4, 2017, as a joint venture as the operating agreement establishing joint control was in place effective that date. The Company's portion of the loss from the Sun Valley Mesa Clinic for the nine months ended September 30, 2018 was $45,017 (USD $34,962) (2017 – $55,439 (USD $42,423)).

The investment in the Sun Valley Tucson Clinic is accounted for as of the effective date of ownership on April 18, 2017, as a joint venture as the operating agreement establishing joint control was in place effective that date. The Company's portion of the loss from the Sun Valley Tucson Clinic for the nine months ended September 30, 2018 was $25,263 (USD $19,621) (2017 – $51,326 (USD $39,276)).

The investment in the Sun Valley Hollywood Clinic is accounted for as of the effective date of ownership on August 2, 2017, as a joint venture as the operating agreement establishing joint control was in place effective that date. The Company's portion of the loss from the Sun Valley Hollywood Clinic for the nine months ended September 30, 2018 was $61,961 (USD $48,121) (2017 – $39,006 (USD $29,848)).

The following table summarizes the financial information of the four Sun Valley Clinics:

Statement of Financial Position

As at September 30, 2018	Nevada	Mesa	Tucson	Hollywood
	USD $	**USD $**	**USD $**	**USD $**
Cash	2,575	1,161	6,213	518
Fixed assets	15,082	58,622	29,003	3,101
Other assets	2,500	4,594	3,000	10,038
Total Assets	**20,157**	**64,377**	**38,216**	**13,657**
Current liabilities	108,285	90,337	32,533	46,993
Other liabilities	-	7,701	8,932	4,408
Members' equity	154,967	273,501	232,636	267,079
Deficit	(243,095)	(307,162)	(235,885)	(304,823)
Total Liabilities & Members' Equity	**20,157**	**64,377**	**38,216**	**13,657**

As at December 31, 2017	Nevada	Mesa	Tucson	Hollywood
	USD $	**USD $**	**USD $**	**USD $**
Cash	6,115	6,643	9,077	4,209
Fixed assets	18,334	82,034	33,918	2,465
Other assets	2,500	4,594	7,333	52,500
Total Assets	**26,949**	**93,271**	**50,328**	**59,174**
Current liabilities	23,820	50,312	12,057	31,857
Other liabilities	554	10,785	11,212	2,984
Members' equity	174,103	222,797	197,543	172,679
Deficit	(171,528)	(190,623)	(170,484)	(148,346)
Total Liabilities & Members' Equity	**26,949**	**93,271**	**50,328**	**59,174**

Statement of Loss and Comprehensive Loss

Nine months ended September 30, 2018	Nevada	Mesa	Tucson	Hollywood
	USD $	**USD $**	**USD $**	**USD $**
Revenue	134,881	147,624	224,788	47,775
Total expenses	(206,448)	(264,163)	(290,189)	(208,179)
Net Loss and Comprehensive Loss for the Period	**(71,567)**	**(116,539)**	**(65,401)**	**(160,404)**

Statement of Loss and Comprehensive Loss

Nine months ended September 30, 2017	Nevada	Mesa	Tucson	Hollywood
	USD $	**USD $**	**USD $**	**USD $**
Revenue	121,863	76,692	48,438	2,250
Total expenses	(224,064)	(218,103)	(179,355)	(101,744)
Net Loss and Comprehensive Loss for the Period	**(102,201)**	**(141,411)**	**(130,920)**	**(99,494)**

Regulatory Overview

US Federal Law

Marijuana is illegal under US federal law and enforcement of relevant laws is a significant risk. While marijuana and marijuana-infused products are legal under the laws of several US States (with vastly differing restrictions), presently the concept of "medical marijuana" and "retail marijuana" do not exist under US federal law. The US *Federal Controlled Substances Act* ("FCSA") classifies "marijuana" as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical-use in the US, and a lack of safety for the use of the drug under medical supervision.

The US Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

The US Department of Justice (the "DOJ") has issued official guidance regarding marijuana enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use marijuana. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to marijuana. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to marijuana and has instead directed that federal prosecutors should follow the "Principles of Federal Prosecution" originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the US Attorney's Manual. These principles create broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole memorandum dated August 29, 2013 (the "Cole Memo") as being an enforcement priority.

Prior to 2018 and in the Cole Memo, the DOJ acknowledged that certain US states had enacted laws relating to the use of marijuana and outlined the US federal government's enforcement priorities with respect to marijuana notwithstanding the fact that certain states have legalized or decriminalized the use, sale, and manufacture of marijuana. The Cole Memo was addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the US, as may be supplemented or amended indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

(1) Distribution of cannabis to minors;
(2) Criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis;
(3) Transfer of cannabis from States where it is legal to States where it is illegal;
(4) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity;
(5) Violence or use of firearms in cannabis cultivation and distribution;
(6) Drugged driving and adverse public health consequences from cannabis use;
(7) Growth of cannabis on federal lands; and
(8) Cannabis possession or use on federal property.

On November 14, 2017, Jeff Sessions, the US Attorney General, made a comment before the House Judiciary Committee about prosecutorial forbearance regarding state-licensed marijuana businesses. In his statement, Attorney General Sessions stated that the US Federal Government's current policy is the same fundamentally as the Holder-Lynch policy, whereby the States may legalize marijuana for its law enforcement purposes, but it remains illegal with regard to federal purposes.

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Attorney General Sessions (the "Sessions Memo"). It is the Company's opinion that the Sessions Memo does not represent a significant policy shift as it does not alter the DOJ's discretion or ability to enforce federal marijuana laws; rather it just provides additional latitude to the DOJ to potentially prosecute state-legal marijuana businesses even if they are not engaged in marijuana-

related conduct enumerated by the Cole Memo as being an enforcement priority. The result of the rescission of the Cole Memo is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

Furthermore, the Sessions Memo did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from US Congress in the form of the Rohrabacher-Blumenauer Amendment (as defined herein) which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. See "US Enforcement Proceedings". Due to the ambiguity of the Sessions Memo in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See "Risk Factors".

Even though the Cole Memo has been rescinded, the Company will continue to abide by its principles and prescriptions, as well as strictly following the regulations set forth by the current US Federal enforcement guidelines and US states in which the Sun Valley Clinics operate.

On January 16, 2018, a bipartisan coalition of state Attorneys General issued a letter to Congressional leadership urging them to "advance legislation" to permit state-licensed marijuana businesses greater access to banking and other financial services. The letter is undersigned by the Attorneys General from the States of Alaska, California, Colorado, Connecticut, Hawaii, Illinois, Iowa, Maine, Maryland, Massachusetts, New Mexico, New York, Oregon, Pennsylvania, Vermont, and Washington, as well as from the District of Columbia and the US territory of Guam.

On March 22, 2018, the House of Representatives and Senate voted in favor of approving the Omnibus Spending Bill (the "Bill") and it was signed into law the following day by President Donald Trump. With the Bill's approval comes an extension of Rohrabacher-Leahy Amendment (as defined herein) until September 2018, which is represented by Section 538 of the Bill. Rohrabacher-Leahy Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use marijuana.

On April 13, 2018, the Washington Post reported that President Trump and Colorado Senator Cory Gardner reached an understanding that the marijuana industry in Colorado will not be the subject of interference from the federal government and that the DOJ's recession of the Cole Memo will not impact Colorado's legal marijuana industry. Furthermore, President Trump provided assurances that he will support a federalism-based legislative solution to fix the issue of states' rights to regulate cannabis. The Company is pleased to see reports that President Trump has promised top Senate Republicans that he will support congressional efforts to protect states that have legalized marijuana. The Company is cautiously optimistic that this represents a clear and positive sign that the industry is shifting towards a climate where cannabis users and business can participate in the industry without fear of interference from the federal government.

On November 7, 2018, Attorney General Sessions resigned after the US Mid-Term Elections, both of which would potentially impact the US cannabis industry. From the Mid-Term Elections, US voters delivered a split verdict for Congress, as the Democrats secured a majority in the House of Representatives (the "House") while the Republicans expanded their majority in the Senate. With the Democrats taking back control of the House, it may prove to be a catalyst for the sector to reinforce the notion that cannabis in the US has the tipping point on its way to eventual full legal status. While pro-cannabis legislation would still require passing the Senate and the Executive Branch, the path

to legalization seems to have opened up with Mr. Sessions's departure. With divided congressional power, there will be opportunity for bi-partisanship on a number of issues including the Strengthening the Tenth Amendment Through Entrusting States Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bi-partisan efforts initiated by Senator Gardner together with Massachusetts Senator Elizabeth Warren. Senator Warren won re-election which ensures she will push the change to federal law regarding cannabis. In addition, constituents of Michigan voted to legalize recreational marijuana, making Michigan the first state in the Midwest to do so and the 10th in the US overall demonstrating growing sentiment amongst Americans towards legalization. Voters in Missouri and Utah approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

However, there is no guarantee that the current presidential administration will not change its stated policy regarding the low-priority enforcement of US federal laws regarding cannabis that conflict with State laws. Additionally, any new US federal government administration that follows could change this policy and decide to enforce the US federal law vigorously. **Any such change in the US federal government's enforcement of current US federal law in regards to cannabis could cause adverse financial impact, and remains a significant risk to the Company and the Sun Valley Clinics' businesses, which could in turn have an impact on the Company's operations**. See "Risk Factors".

US Enforcement Proceedings

The US Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("Rohrabacher-Blumenauer Amendment"), which by its terms does not appropriate any federal funds to the DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memo on January 4, 2018, the US Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the "Rohrabacher-Leahy Amendment") and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. If Congress restores funding, the US Federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA's five-year statute of limitations.

State-Level Overview

The following sections present an overview of regulatory conditions for the marijuana industry in US States in which the Sun Valley Clinics have an operating presence:

<u>Arizona</u>

On November 2, 2010, Arizona passed legislation under Proposition 203 to legalize the use of medical marijuana under the "Arizona Medical Marijuana Act" ("AMMA"). The AMMA allows residents in the state with specific medical conditions to be treated with certain amounts of marijuana for personal use. The AMMA also appointed the Arizona Department of Health Services ("ADHS") as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. ADHS Regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "Rules").

In order for an applicant to receive a Dispensary Registration Certificate (a "Certificate") they must: (i) fill out an application proscribed by the ADHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit

fingerprints for each principal officer or board member of the applicant for a background check to exclude felons, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed annually so long as the dispensary is in good standing with the ADHS and pays the renewal fee and submits an independent third party financial audit.

Once an applicant has been issued a Certificate, they are allowed to establish one physical retail dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the dispensary receives an approval to operate from the ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Rules and consistency with the dispensary's applicable policies and procedures.

The ADHS may revoke a Certificate if a dispensary does not: (i) comply with the requirements of the AMMA or the Rules, (ii) implement the policies and procedures or comply with the statements provided to the Department with the dispensary's application.

Following the issuance of the Sessions Memo, no public comments have been made by the Office of the Attorney General in Arizona. However, in October 2018, Attorney General Brnovich withdrew his office's argument to the Arizona Supreme Court to declare hashish and extracts of marijuana illegal in all situations under the state's medical marijuana law, fearing unintended consequences for patients. To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Arizona.

Nevada

In 2001, the use of medical marijuana was legalized in the State of Nevada, and state-certified medical marijuana establishments, like dispensaries, became operational in 2015. The Nevada Medical Marijuana Program is governed by Nevada Revised Statute ("NRS") 453A and Nevada Administrative Code 453A. Patients meeting certain criteria can apply for a Nevada medical marijuana card. The medical marijuana card allows the patient to legally purchase marijuana from a state-certified medical marijuana dispensary and a registry of medical marijuana patient cardholders is administered by the Division of Public and Behavioral Health.

The sale of marijuana for adult-use in Nevada was approved by ballot initiative on November 8, 2016 and NRS 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of marijuana. It also requires the Nevada Department of Taxation ("NDT") to begin receiving applications for the licensing of marijuana establishments on or before January 1, 2018. As of July 1, 2017, NDT is responsible for licensing and regulating and retail marijuana businesses in Nevada and for the State medical marijuana program. The legalization of retail marijuana does not change the medical marijuana program.

Licensing and operations requirements for production and distribution of medical marijuana are set out in NRS 435A. Each medical marijuana establishment must register with the NDT and apply for a medical marijuana establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony conviction or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, owner, officer and board member of a medical marijuana establishment must be registered with the NDT as a medical marijuana agent and hold a valid

medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products must be pre-approved by the NDT.

In determining whether to issue a medical marijuana establishment registration certificate pursuant to NRS 453A.322, the NDT, in addition the application requirements set out, considers the following criteria of merit:

(1) The total financial resources of the applicant, both liquid and illiquid;
(2) The previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non-profit organizations;
(3) The educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;
(4) Any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;
(5) Whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;
(6) The likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;
(7) The adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;
(8) Whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;
(9) The amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and
(10) Any other criteria of merit that the Division determines to be relevant.

A medical marijuana establishment registration certificate expires 1 year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the NDT.

The regular retail marijuana program under Nevada's Regulation and Taxation of Marijuana Act is set to begin in early 2018 and for the first 18 months of the program, only existing medical marijuana establishment certificate holders can apply for a retail marijuana establishment license. In November 2018, the NDT may open up the application process to those not holding a medical marijuana establishment certificate. There are five types of retail marijuana establishment licenses under Nevada's retail marijuana program:

(1) Cultivation Facility – licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.
(2) Distributor – licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.
(3) Product Manufacturing Facility – licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.
(4) Testing Facility – licensed to test marijuana and marijuana products, including for potency and contaminants.

(5) Retail Store – licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

Administration of the regular retail program in Nevada will be governed by permanent regulations, currently being drafted by the NDT. The NDT has been conducting public consultation and receiving public comments on the Revised Proposed Adult-Use Marijuana Regulation (LCB File No. R092-17) dated December 13, 2017 (the "Nevada Adult-Use Regulation"). As of November 29, 2018, the Nevada Adult-Use Regulation has not been adopted by the NDT and the NDT is not seeking applications for adult-use marijuana or medical marijuana registration certificates.

In response to the Sessions Memo, Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the US attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana. To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

Florida

In 2016, Florida voters passed a constitutional amendment known as the "Florida Medical Marijuana Legalization Initiative" ("Amendment 2"). Amendment 2 came info effect on January 3, 2017, and legalized medical marijuana for individuals with specific debilitating diseases or comparable debilitating conditions as determined by a licensed state physician. Amendment 2 protects qualifying patients, caregivers, physicians, and medical marijuana dispensaries and their staff from criminal prosecutions or civil sanctions under Florida laws.

The State of Florida Statutes 381.986(8)(a) provides a regulatory framework that requires licensed producers, which are statutorily defined as "'Medical Marijuana Treatment Centers" ("MMTC"), to both cultivate, process and dispense medical cannabis in a vertically integrated marketplace.

Applicants must demonstrate (and licensed MMTCs must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture ("Department"), (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any byproducts to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the 2-year approval cycle, including the provision of certified financial statements to the department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees.

Upon approval of the application by the Department, the applicant must post a performance bond of up to USD $5 million, which may be reduced by meeting certain criteria.

Following the issuance of the Sessions Memo, no public comments have been made by the Office of the Attorney General, headed by Florida Attorney General Pam Bondi, or any US attorneys from the other Districts of Florida.

The Company understands that each state has its own unique regulatory and communication requirements. As such, the Company monitors each state's legislative process to ensure compliance with any regulatory changes. To the best of the Company's knowledge, each of its Sun Valley Clinics meets all applicable licensing and regulatory requirements at the state and municipal level.

Reverse Takeover Transaction

On August 9, 2018, Lamêlée and Aura Health Corp. completed the RTO Transaction, whereby, the shareholders of Aura Health Corp. held a majority of the outstanding common shares of the resulting issuer. The substance of the RTO Transaction is a reverse acquisition of a non-operating company. As a result, the RTO Transaction has been accounted for as a capital transaction with Aura Health Corp. being identified as the acquirer and the equity consideration being measured at fair value, using the acquisition method of accounting. The RTO Transaction has been accounted for in the unaudited condensed interim consolidated financial statements as a continuation of the financial statements of Aura Health Corp., together with a deemed issuance of shares equivalent to the shares held by the former shareholders of Lamêlée.

Details of the RTO Transaction are presented as follows:

Purchase Price Consideration Paid	$
Fair value of common shares issued (i)	1,497,083
Fair values of options issued (ii)	-
Fair value of warrants issued (iii)	238,606
	1,735,689

Net Identifiable Assets Acquired	$
Cash	190,901
Sales tax receivable	19,122
Accounts payable	(172,397)
Due to related party	(217,830)
Total net identifiable assets acquired	(180,204)
Excess of consideration paid over net assets acquired, representing a cost of the RTO Transaction	**1,915,893**

The Company has accounted for the RTO Transaction as an asset acquisition under the scope of IFRS 2 – Share Based Payments. Consideration consisted entirely of shares, options and warrants of the Company which were measured at the estimated fair value on the date of the acquisition:

(i) The fair value of the 3,961,584 common shares, issued to former Lamêlée shareholders, was determined to be $1,497,083 based on the fair value of common shares issued through the Concurrent Financing on August 9, 2018. Immediately after the RTO Transaction was completed, the number of shares of the resulting issuer held by Lamêlée shareholders was approximately 16.3%.

(ii) The estimated fair value of the 92,500 options issued as consideration are based on the Black-Scholes valuation model with the following assumptions: current stock price – $0.38 per share, expected dividend yield – 0%, expected volatility – 49%, risk-free interest rate – 1.46% and an expected life of 0.25 years. In making the assumptions for expected volatility, the Company used the historical volatility of comparable companies.

(iii) The estimated fair value of the 1,052,996 warrants issued as consideration are based on the Black-Scholes valuation model with the following assumptions: current stock price – $0.38 per share, expected dividend yield

– 0%, expected volatility – 81%, risk-free interest rate – 2.11% and an expected life of 1.70 years. In making the assumptions for expected volatility, the Company used the historical volatility of comparable companies.

(iv) The transaction costs relating to the RTO Transaction plus the aggregate of the fair value of the consideration paid has been recognized as reverse takeover acquisition costs, in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Overall Performance

Selected Financial Information

The Company's selected financial information as at the end of the reporting period and for the two most recently completed financial years ended December 31 are summarized as follows:

	As at and for the nine months ended September 30, 2018	As at and for the year ended December 31, 2017	For period from incorporation (November 8, 2016) to December 31, 2016
	$	$	$
Operating expenses	(738,100)	(795,257)	(181,447)
Equity loss from joint venture	(159,886)	(243,723)	(19,915)
Reverse takeover acquisition costs	(1,915,893)	-	-
Other expenses	(407,047)	(116,357)	(7,781)
Net loss	(3,207,639)	(1,155,337)	(209,143)
Total assets	1,017,761	936,873	687,039
Total liabilities	1,334,552	1,579,422	271,537
Shareholders' (deficiency) equity	(316,791)	(642,549)	415,502

Selected Quarterly Financial Results

Selected financial information for the previous eight quarters as follows:

	Q3 2018	Q2 2018	Q1 2018	Q4 2017
	$	$	$	$
Operating expenses	(581,990)	(133,142)	(22,968)	(197,100)
Other expenses	(2,298,219)	(84,237)	(87,083)	(104,886)
Net loss	(2,880,209)	(217,379)	(110,051)	(301,986)
Loss per share – basic and diluted	(0.14)	(0.01)	(0.01)	(0.02)

	Q3 2017	Q2 2017	Q1 2017	For period from Incorporation (November 8, 2016) to December 31, 2016
	$	$	$	$
Operating expenses	(183,541)	(186,749)	(227,867)	(181,447)
Other expenses	(159,997)	(86,468)	(8,729)	(27,696)
Net loss	(343,538)	(273,217)	(236,596)	(209,143)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.01)	(0.02)

Financial Results for the Three Months ended September 30, 2018

Results of Operations

To date, the Company had accounted for its investments in the Sun Valley Clinics using the Joint Venture Accounting method. The Company did not report any operating revenue during the three months ended September 30, 2018. Aura's share of loss from its joint venture investment for Q3 2018 was $53,971 (Q3 2017 – loss of $140,730).

During the three months ended September 30, 2018, the Company incurred total operating expenses of $581,990, as compared to $183,541 for Q3 2017. The substantial increase in operating expenses is primarily attributable to non-cash stock-based compensation of $86,404 (Q3 2017 – $nil) from stock options granted during the period, share-based payments of $226,740 (Q3 2017 – $nil) recorded from shares issued for advisory and finder fees connected to the RTO Transaction, and travel and promotion expenses of $104,288 (Q3 2017 – $nil) incurred as a result of marketing efforts to promote the Company as a public company and for its projects to acquire certain Israeli cannabis assets.

During Q3 2018, the Company recorded a one-time reverse takeover acquisition costs of $1,915,893, which represented the transaction costs relating to the RTO Transaction plus the fair value of the consideration paid.

During Q3 2018, finance costs, comprising interest and accretion on the convertible debentures, totaled $46,123 (Q3 2017 – $24,512). The conversion feature and the warrants component of the convertible debentures were accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The fair value change of the derivative liabilities resulted in a loss of $270,733 (Q3 2017 – $nil), as the fair value of the derivative liability on the Series B Debentures increased during the quarter, while the fair value of the derivative liability also increased for the Series A Debentures prior to their conversion into shares.

Net loss for the three months ended September 30, 2018 was $2,880,209 (loss of $0.14 per share on a basic and diluted basis), as compared to $343,538 (loss of $0.02 per share) for Q3 2017.

Cash Flows

Net cash used in operating activities for the three months ended September 30, 2018 was $856,457, as compared to cash flows used in operating activities of $121,455 in Q3 2017. The higher cash used in operations in the current quarter is due to the increased scope of operations, especially as the Company became publicly listed.

Net cash from financing activities for Q3 2018 was $1,147,961, which primarily comprised proceeds from the Concurrent Financing of $1,032,918, share issue costs of $80,189, cash acquired in the RTO Transaction of $190,901, and proceeds from warrant exercises of $4,331. No financing activities took place during Q3 2017.

Net cash used in investing activities was $82,736 for the three months ended September 30, 2018, as compared to $127,437 in Q3 2017. The funds were paid for the investments in the Sun Valley Clinics.

Financial Results for the Nine Months ended September 30, 2018

Results of Operations

To date, the Company had accounted for its investments in the Sun Valley Clinics using the Joint Venture Accounting method. The Company did not report any operating revenue during the nine months ended September 30, 2018. Aura's share of loss from its joint venture investments for the nine months ended September 30, 2018 was $159,886 (2017 – loss of $190,808).

During the nine months ended September 30, 2018, the Company incurred total operating expenses of $630,400, as compared to $548,161 for the nine months ended September 30, 2017. The operating expenses incurred for the

current period are primarily related to the Company's effort in obtaining a public listing in relation to the RTO Transaction, while the operating expenses from the prior period were mainly incurred for the purposes of setting up the new business and the investments in the Sun Valley Clinics. Included in the operating expenses are non-cash stock-based compensation of $86,404 (2017 – $nil) from stock options granted during the period, share-based payments of $226,740 (2017 – $nil) recorded from shares issued for advisory and finder fees connected to the RTO Transaction, and travel and promotion expenses of $108,857 (2017 – $nil) incurred as a result of the need to market the Company as a public company and for its projects to acquire certain Israeli cannabis assets.

During the nine months ended September 30, 2018, the Company recorded a one-time reverse takeover acquisition costs of $1,915,893, which represented the transaction costs relating to the RTO Transaction plus the fair value of the consideration paid.

During the nine months ended September 30, 2018, finance costs, comprising interest and accretion on the convertible debentures, totaled $146,599 (2017 – $50,624). The conversion feature and the warrants component of the convertible debentures were accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The fair value change of the derivative liabilities resulted in a loss of $264,433 (2017 – $nil), as the fair value of the derivative liability on the Series B Debentures increased, while the fair value of the derivative liability also increased for the Series A Debentures prior to their conversion into shares during the period.

Net loss for the nine months ended September 30, 2018 was $3,207,639 (loss of $0.18 per share on a basic and diluted basis), as compared to $853,351 (loss of $0.05) for the comparative period in 2017.

Cash Flows

Net cash used in operating activities for the nine months ended September 30, 2018 was $1,096,475, as compared to cash flows used in operating activities of $378,612 in 2017. The higher cash used in operations in the current period is due to the increased scope of operations, especially as the Company became publicly listed.

Net cash from financing activities for the nine months ended September 30, 2018 was $1,147,961, which primarily comprised proceeds from the Concurrent Financing of $1,032,918 net of share issue costs of $80,189, cash acquired in the RTO Transaction of $190,901, and proceeds from warrant exercises of $4,331. For the comparative period in 2017, the Company raised total funds of $296,475 through debenture financings.

Net cash used in investing activities was $82,736 for the nine months ended September 30, 2018, as compared to $335,045 in 2017. The funds were paid for the investments in the Sun Valley Clinics.

Working Capital and Liquidity Outlook

The Company currently has no regular cash flows from operations, and the level of operations is principally a function of availability of capital resources. The primary source of funding has been through the completion of private placement financings. Going forward, the Company will have to continue to rely on equity or debt financings for its working capital requirements. There is no guarantee that the Company will be able to successfully complete such financings, as market conditions may dictate availability and interest.

As at September 30, 2018, the Company had total assets of $1,017,761, total liabilities of $1,334,552 and a shareholders' deficiency of $316,791. This compares to total assets of $936,873, total liabilities of $1,579,422 and a shareholders' deficiency of $642,549 as at December 31, 2017. The increase in total assets is primarily attributed to funds raised through the Concurrent Financing.

As at September 30, 2018, the Company had current assets of $698,726 (December 31, 2017 – $550,749), including cash of $455,139 (December 31, 2017 – $499,475) to settle current liabilities of $529,014 (December 31, 2017 – $533,400), for a working capital of $169,712 (December 31, 2017 – working capital of $17,349).

Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at period-end. Also see "Commitments and Contingencies" below.

Related Party Transactions and Key Management Compensation

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2018 and 2017 were as follows:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
	$	$
Consulting fees	**30,000**	228,285
Professional fees	**44,750**	36,000
Stock-based compensation	**44,577**	64,000
	119,327	328,285

During the nine months ended September 30, 2018, the former CEO and the former COO of the Company charged consulting fees of $15,000 and $nil (2017 – $118,500 and $109,785) respectively, for services provided up to the RTO Transaction. As at September 30, 2018, amounts of $22,520 and $88,020 (December 31, 2017 – $91,802 and $88,020) owing to the former CEO and the COO, respectively, were included in accounts payable and accrued liabilities. Also included in other receivables as at September 30, 2018 was $4,798 (December 31, 2017 – $4,798) due from the former CEO for an advance made in respect of expenses to be incurred on behalf of the Company.

On August 16, 2018, the Company appointed Daniel Cohen as the new CEO, and entered into a consulting agreement, providing for CEO services. In consideration for the services provided, the Company agreed to pay a monthly fee of $10,000. During the nine months ended September 30, 2018, the Company was charged $15,000 (2017 – $nil) for services provided by the CEO. As at September 30, 2018, $16,950 (December 31, 2017 – $nil) owing to the CEO was included in accounts payable and accrued liabilities.

During the nine months ended September 30, 2018, the Company incurred professional fees of $44,750 (2017 – $36,000) from Branson Corporate Services Inc. ("Branson"), where Keith Li, the Chief Financial Officer ("CFO") of the Company is employed. Branson is party to a management services agreement, for providing CFO services to the Company, as well as other accounting and administrative services. As at September 30, 2018, $36,217 (December 31, 2017 – $13,587) owing to Branson was included in accounts payable and accrued liabilities, and $6,356 (December 31, 2017 – $6,356) was included in shares to be issued to settle with Branson.

On September 24, 2018, the Company granted 300,000 stock options to Daniel Cohen. The grant date fair value of $44,577 attributable to these options was recorded as stock-based compensation during the nine months ended September 30, 2018.

Unit subscription

In connection with the Concurrent Financing, Daniel Cohen subscribed for 100,000 units at a price of $0.49 per unit. In addition, the CEO also holds title to 250,000 units of the Company previously subscribed from the December 9, 2016 private placement.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, shares to be issued, equity component of convertible debentures, reserve for share-based payments and warrants, accumulated other comprehensive income and accumulated deficit. As at September 30, 2018, the Company's capital consisted of a deficit of $316,791 (December 31, 2017 – deficit of $642,549).

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

Financial Risk Management

Fair value

The carrying amount of cash, other receivables, accounts payables and accrued liabilities on the unaudited condensed interim consolidated statements of financial position approximate fair value due to the relative short maturity of these financial instruments.
The fair value of the derivative liability was estimated based on the assumptions disclosed in Note 8 of the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018.

Fair value hierarchy

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at September 30, 2018, the Company does not have any financial instruments measured at fair value after initial recognition, except for the derivative liability which was calculated using Level 2 inputs.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivables. Cash is held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash and other receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at September 30, 2018, the Company had a cash balance of $455,139 (December 31, 2017 – $499,475) to settle current liabilities of $529,014 (December 31, 2017 – $533,400). Although the Company does not maintain a revolving credit facility, it has sufficient funds available to meet its current and foreseeable financial requirements

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. The Company invests into the Sun Valley Clinics and from time to time, other investments denominated in foreign currencies, notably in US dollars. The Company's primary exposure to foreign exchange risk is that investments in foreign securities may expose the Company to the risk of exchange rate fluctuations.

Summary of Significant Accounting Policies

Refer to Note 3 of Aura Health Corp.'s audited consolidated financial statements for the year ended December 31, 2017 for a detailed description of significant accounting policies.

Changes in Accounting Policies

The Company had adopted the following new standards, effective January 1, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's unaudited condensed interim consolidated financial statements:

<u>IFRS 9 – Financial Instruments ("IFRS 9")</u>

IFRS 9 was issued by the IASB in July 2014 and replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

<u>IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")</u>

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") replaces IAS 18 – Revenue, IAS 11 – Construction Contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22")

IFRIC 22 was issued on December 8, 2016 and clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018.

Recent Accounting Pronouncements

The IASB and the IFRIC have issued certain pronouncements that are mandatory for accounting periods commencing on or after January 1, 2019. The Company does not expect the adoption of these standards to have a material impact on the unaudited condensed interim consolidated financial statements. For details, refer to Note 3.2 of the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018.

Significant Accounting Judgments and Estimates

The preparation of the Company's unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Derivative liabilities

The conversion feature and the warrants component of convertible debentures which contain contractual terms that result in the potential adjustment in the conversion or exercise price, are accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's common shares. The estimates, assumptions and judgments made in relation to the fair value of derivative liabilities are subject to measurement uncertainty. The conversion feature of the convertible debentures is required to be measured at fair value at each reporting period. The valuation techniques used to determine fair value require inputs that involve assumptions and judgments such as estimating the future volatility of the stock price, expected dividend yield, and expected life. Such judgments and assumptions are inherently uncertain.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This valuation model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Commitments and Contingencies

Two founders of the Company have compensation contracts effective September 1, 2016, in the amount of $12,000 per month, with $6,000 per month to be paid immediately and $6,000 per month to be paid subject to available financing. Upon the successful completion of an investment into a fifth PAC, the compensation amount will be increased to $18,000 per month, with $9,000 per month to be paid immediately and $9,000 per month to be paid subject to available financing. Effective September 1, 2017, the former CEO and the former COO agreed to defer the accrual of any salary or consulting fees until a public listing was obtained by the Company. As at September 30, 2018, total accrued salary was $110,540 (December 31, 2017 – $168,000).

Proposed Transactions

HolyCanna

On August 22, 2018, the Company entered into a LOI to subscribe to an unsecured Convertible Note in HolyCanna, an Israel-based company with a cultivation and sales license application ("License Application") submitted to the Israeli Ministry of Health. Terms of the LOI are as follows:

- The Company will provide HolyCanna with a bridge loan ("Bridge Loan") in the principal amount of approximately $356,606 (ILS 1,000,000). The Bridge Loan will be non-interest-bearing and is due on November 1, 2018, upon which the Bridge Loan will be cancelled and converted to principal within a Convertible Note investment;
- On November 1, 2018, the Company will subscribe for the Convertible Note in the maximum principal amount of approximately $3,566,060 (ILS 10,000,000), which will be advanced in tranches on the following timetable:
    - Approximately $713,212 (ILS 2,000,000) by December 15, 2018;
    - Approximately $1,248,121 (ILS 3,500,000) by February 1, 2019; and
    - The remaining sum of approximately $1,248,121 (ILS 3,500,000) will be advanced after February 1, 2019 upon request made by HolyCanna.
- Upon approval of the License Application, the Convertible Note will be automatically converted into a majority (54%) equity stake.

As HolyCanna will be the holder of the License, conversion of the Convertible Note which will grant the Company a majority equity stake will be subject to regulatory approval from the Ministry.

Subsequent to period-end, the Company entered into a definitive agreement with HolyCanna. See "Subsequent Events".

CannabiSendak

On September 4, 2018, the Company entered into a LOI to acquire 57% of the outstanding equity of CannabiSendak, an Israeli company intending to establish licensed medical cannabis dispensaries in Israel. CannabiSendak will use HolyCanna as its primary provider of branded cannabis products. Terms of the LOI are as follows:

- The Company will purchase common shares of CannabiSendak for USD $300,000 upon closing as set out in

the LOI, and will make contingent payments of USD $200,000 after CannabiSendak reaches clientele of 500 active medical cannabis patients, and additional payments of USD $250,000 for every incremental 500 active patients CannabiSendak achieves thereafter;

- The Company will purchase common shares of CannabiSendak for USD $200,000, payable in equal tranches of USD $40,000 over a 5-month period, commencing once CannabiSendak obtains the necessary licenses and approvals for the establishment of dispensaries; and
- The Company will purchase common shares of CannabiSendak for USD $200,000 for the establishment of dispensaries. This consideration will be divided into 4 equal payments of USD $50,000 paid every 45 days, commencing the day of signing the Agreement.

Off-Balance Sheet Arrangements

As at September 30, 2018 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

On October 26, 2018, the Company closed a non-brokered private placement offering of unsecured convertible debentures ("Debentures") for total gross proceeds of $400,000. The Debentures bear interest at a rate of 10% per annum, payable quarterly in arrears. Each Debenture is convertible at the conversion price of $0.365 into units of the Company consisting of one (1) common share and one-half (1/2) of a share purchase warrant, with each whole such warrant exercisable at the conversion price of $0.50 to acquire one common share for a period of 24 months from the date of issuance.

On November 12, 2018, subject to the CSE's approval, the Company approved the grant of 3,000,000 common shares (the "Compensation Shares") to be issued over three years as stock-based compensation. CEO Daniel Cohen and COO Howard Brass will receive an aggregate of 2,000,000 and 1,000,000 Compensation Shares, respectively. The Compensation Shares are to be issued in equal portions annually over three years, the first issuance being on the anniversary of respective individual's commencement of services to the Company.

On November 22, 2018, the Company entered into a definitive agreement with HolyCanna and to advance up to approximately $3.57 million (ILS 10,000,000) to HolyCanna and subscribed to the Convertible Note which automatically converts to 54% equity in HolyCanna once the Company is added to the License Application. The Company will be immediately entitled to a control position on the board of HolyCanna.

Subsequent to September 30, 2018, 92,500 options issued to former option holders of Lamêlée expired unexercised.

Subsequent to September 30, 2018, 553,000 common shares were issued as a result of the exercise of 550,000 warrants and 3,000 broker warrants for total cash proceeds of $82,800. All issued shares are fully paid.

Disclosure of Outstanding Share Data as of November 28, 2018

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited number of common shares	24,899,909 common shares

Securities convertible or exercisable into voting or equity		a) 7,139,797 warrants exercisable to acquire common shares of the Company; and b) 2,250,000 outstanding stock options, of which 2,080,000 stock options are exercisable into common shares of the Company.

Segmented Information

As at September 30, 2018, the Company's operations were comprised of a single reporting operating segment engaged in the development and acquisition of medical marijuana health certification clinics in the US. The breakdown between operations in Canada and the US are as follows:

Statements of Financial Position

As at September 30, 2018	Canada	US	Total
	$	$	$
Current assets	375,662	4,029	379,691
Investment in joint venture	-	319,035	319,035
Total Assets	**375,662**	**323,064**	**698,726**
Current liabilities	503,124	25,890	529,014
Long-term liabilities	805,538	-	805,538
Total Liabilities	**1,308,662**	**25,890**	**1,334,552**

Statements of Loss and Comprehensive Loss

Nine months ended September 30, 2018	Canada	US	Total
	$	$	$
Operating expenses	693,658	44,443	738,101
Other expenses	2,309,652	159,886	2,469,538
Net Loss and Comprehensive Loss	**(3,003,310)**	**(204,329)**	**(3,207,639)**

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such case, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. In additional to those risks set out above under "Regulatory Overview", the following is a summary of other risks that could be applicable to the business of the Company:

Limited operating history in cannabis industry

The Company, with a limited operating history in the cannabis industry, is in the early-stage of development and must be considered as a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings. Because the Company has a limited operating history in an emerging area of business, investors should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its patients' or customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving legal and regulatory regime for cannabis that varies significantly by jurisdiction.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Risks inherent in the nature of the health clinic industry

Changes in operating costs (including costs for maintenance, insurance), inability to obtain permits required to conduct the Company's business, change in health care laws and governmental regulations, and various factors may significantly impact the ability of the Company to generate revenues. Certain significant expenditures, including legal fees, borrowing costs, maintenance costs, insurance costs and related charges must be made to operate the Sun Valley Clinics in which the Company invests, regardless of whether the Company is generating income. The Sun Valley Clinics may also experience difficulties in recruiting and retaining Qualified Physicians.

Additional financing

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its international growth strategy, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive cannabis-related businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, Aura will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit Aura's operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Non-compliance with laws and regulations

Non-compliance with federal, provincial or state laws and regulations, or the expansion of current or enactment of new laws or regulations, could adversely affect the Company's business in the US, Israel, and elsewhere it operates in invests. The activities of the Sun Valley Clinics in which the Company invests are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the carrying on of business at the Sun Valley Clinics. The Company cannot predict the time required to secure all appropriate regulatory approvals for its business or other businesses in which the Company invests, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will operate its Sun Valley Clinics business and may invest in other businesses that are directly or indirectly engaged in the medical and adult-use marijuana industry in the US where local state law permits such activities. However, the distribution, possession, and consumption of cannabis remain illegal under US federal law. There is a growing movement in the US supporting the legalization of cannabis for medical, as well as non-medical purposes. The states of Arizona, Nevada and Florida have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the US federal government has not enacted similar legislation and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the FCSA. While the US federal government has stated its present policy not to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable US State law, there can be no guarantee that it will not enforce such laws in the future. Further, there is no guarantee that US State laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the US federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's interests in the Sun Valley Clinics in such states would be materially and adversely affected.

There can be no assurances the federal government of the US or other jurisdictions will not seek to enforce applicable cannabis or other laws against the Company. The consequences of such enforcement would likely be materially detrimental to the Company and the businesses in which the Company invests, and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Further, the Company's third-party service providers could suspend or withdraw services as a result of non-compliance with federal, state or local laws and regulations regarding cannabis.

It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the marijuana industry. Most US States that permit marijuana for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult-use marijuana businesses in their jurisdictions. If local municipalities where the Sun Valley Clinics have established facilities decide to prohibit marijuana businesses from operating, any given Clinic could be forced to relocate operations at great cost, and that Clinic may have to cease operations in such State entirely if alternative facilities cannot be secured.

For additional details see above under "Canadian Companies with U.S. Marijuana-Related Assets" and "Regulatory Overview".

Qualified Physicians operating out of the Sun Valley Clinics could face potential disciplinary action

US State medical boards could take disciplinary action against Clinic Qualified Physicians for excessive medical marijuana recommendations. Of the three current US States where the Sun Valley Clinics conduct business, Florida and Nevada's laws expressly state that physician recommendation patterns will be tracked. Nevada law further states that such information may be used to impose disciplinary action on Qualified Physicians who certify medical-use marijuana at an "unreasonably high" rate. While Arizona's medical marijuana laws do not expressly indicate that it will track Qualified Physician recommendations, the ADHS has indicated that it will periodically review patient demographic information, which may be used to initiate a referral to the licensing board for disciplinary action. If any of the Qualified Physicians are deemed to be providing excessive medical marijuana recommendations, such Qualified Physicians could face disciplinary action, including revocation of the Qualified Physician's license.

The US federal courts have upheld a ruling prohibiting US federal investigations or prosecutions of Qualified Physicians based solely upon those Qualified Physicians' professional recommendations of medical marijuana to patients. Such prohibition is still in effect. Qualified Physicians solely providing professional recommendation of medical marijuana to patients within the boundaries of the behavior indicated in the US federal courts' injunction are protected; however, for example, if a Qualified Physician gives patients information on how to obtain medical marijuana or charges graduated fees based on the amount of marijuana recommended, the Qualified Physician could

face disciplinary action for not following the injunction, up to and including, revocation of the Qualified Physician's license.

Any disciplinary action or license revocation of Qualified Physicians who work at a PAC in which the Company has invested could result in the PAC not having sufficient Qualified Physicians to address patient needs, and could adversely affect the Company, its business and its investments.

Regulatory approvals and permits

The Company is and may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions in which it operates. There can be no assurance that the Company will be able to obtain and/or maintain the necessary permits, licenses and approvals. Any regulatory authority with jurisdiction could also impose certain restrictions on the Company's ability to operate in the relevant jurisdiction. Any material delay or failure to receive these items, or onerous regulatory restrictions would delay and/or inhibit the Company's ability to conduct its business and would adversely affect the Company's business, financial condition and results of operations.

Marijuana regulations

The operations of the business in which the Company has invested, including the Sun Valley Clinics, HolyCanna and CannabiSendak, are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment.

Local, State and federal laws and regulations in the US governing marijuana for medicinal and adult-use purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance.

The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the operations of the Company's investees. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

US Federal laws render cannabis illegal

The business operations of the Sun Valley Clinics, in which the Company has invested, are dependent on State laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the business of Sun Valley Clinics. Also refer to the risk factor "Non-compliance with laws and regulations", and to "Regulatory Overview – US Federal Law" further above.

Violations of any US federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Sun Valley Clinics, and as a result on the Company, including their reputation and ability to conduct business, their financial position, operating results, profitability or liquidity and the listing of Aura's securities on the CSE or another stock exchange. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final

resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Israel currently prohibits exports of cannabis

Presently, the government of Israel does not allow the export of medical cannabis. Although a parliamentary committee has declared its support for permitting cannabis exports, the legalization process moves slowly and there can be no assurances that exports will be permitted at all or in a manner that benefits the Company's investment in HolyCanna. If HolyCanna succeeds in growing cannabis at a mass scale and subsequently cannot export the cannabis it eventually produces, it may be materially adversely affected by factors such as oversupply in the domestic Israeli market, competitive pressures on prices, and inability to secure enough domestic buyers for its cannabis. Any of these factors or others could have a material adverse impact on the Company's investment in HolyCanna, and/or CannabiSendak.

Risks associated with increasing competition

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medicinal and adult-use industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, local competitive factors, cost and availability of raw material and labour, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

The Company expects to face additional competition from new entrants. If the number of legal users of marijuana increases in the US, Israel and/or other jurisdictions where the Company currently operates or plans to operate, the demand for cannabis-related products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in acquisitions and investments, research and development, and marketing. The Company may not have sufficient resources to maintain such activities on a competitive basis which could adversely affect the business, financial condition and results of operations the Company.

US regulation that may hinder the Company's ability to establish and maintain US bank accounts

The US federal prohibitions on the sale of marijuana may result in certain licensed operators being restricted from accessing the US banking system, and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed against the Sun Valley Clinics. Affected operators at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Sun Valley Clinics and, by extension, the Company. Additionally, similar risks are associated with large amounts of cash at these businesses.

US tax issues

US federal prohibitions on the sale of marijuana may result in the Sun Valley Clinics not being able to deduct certain costs from their revenue for US federal taxation purposes if the Internal Revenue Service ("IRS") determines that revenue sources of any Clinic are generated from activities which are not permitted under US federal law. Section 280E of the Internal Revenue Code of 1986 prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the FCSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the US that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

Reliance on management

The success of the Company is dependent on the performance of its senior management. The loss of services of these persons would have a material adverse effect on the Company's business and prospects in the short-term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business, nor that the Company can successfully recruit qualified replacements if necessary.

Non-referrals

Physicians may not refer patients to the Sun Valley Clinics or other PACs. In addition, as the market grows and general practitioners become more comfortable and knowledgeable about the medical marijuana industry and products available, they may choose to make recommendations with regards to qualifying conditions for their own patients rather than refer them to an outside clinic.

Uninsurable risks

It is not always possible for the Company to fully insure against its business and other risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies in place, and any liabilities that may arise as a result any of the risks set out in this MD&A may cause a material adverse effect on the financial condition of the Company.

Other marijuana-related risks

The Company, through its investments in the Sun Valley Clinics, HolyCanna, and CannabiSendak, may be indirectly exposed to a wide variety of cannabis-related risks, including without limitation:

- potential product liability claims or professional negligence claims against the Qualified Physicians at the Sun Valley Clinics who prescribe medical cannabis;
- threats posed by illegal drug dealers, seeking to compete with legal marijuana businesses; and
- potential imposition of rules and regulations by the US Food and Drug Administration or any Israeli regulatory authority relating to cannabis manufacturing, cultivation, distribution, and other related business activities.

Volatile global financial market and economic conditions

Current global financial market and economic conditions remain volatile, which may impact the Company's ability to obtain financing in the future on favorable terms or at all. Additionally, uncertainty over global economic conditions may cause a long-term decrease in financial and real asset values. If such volatility and market turmoil continue, the Company's operations and financial condition could be adversely impacted.

Securities markets are subject to a high level of price and volume volatility, and the market prices of securities of many companies have experienced substantial volatility in the past. Continued volatility, whether or not related to Aura's business performance and financial results, may affect the ability of holders of Aura's securities to sell their securities at an advantageous price. The market price of Aura's securities may decline even if Aura's underlying asset values or growth prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur, and the trading price of the Company's common shares and the market value of its convertible debentures and warrants may be materially adversely affected.

Management of growth

Due to its early stage of development, Aura may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it

to continue to implement and improve its operational and financial systems and to expand, train and manage its personnel base. The inability of the Company to deal with this growth may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

No dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Company's shares in the foreseeable future.

Foreign currency exchange rates

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in USD and/or ILS. The Company's financial results are reported in Canadian Dollars and costs are incurred primarily in USD in its PACs. The depreciation of the Canadian Dollar against the USD could increase the actual capital and operating costs of the Sun Valley Clinics and materially adversely affect the results presented in the Company's consolidated financial statements.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares or convertible debentures will develop or be maintained, and an investor may find it difficult to resell such securities.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Shares or Warrants to sell their securities at an advantageous price. Market price fluctuations in the Shares and Warrants may be due to the Company's or the Sun Valley Clinics' operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Shares and Warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the shares and warrants may be materially adversely affected.

Ability to access public and private capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. Since the Company had started making investments in the Sun Valley Clinics, it has completed private placement financings, including the December 2016 private placement offering which raised $655,000 of capital, and the Concurrent Financing which raised $1.12 million for the Company. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants, given that marijuana is illegal under US federal law. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company has never needed to access public equity capital in the US.

The Company may be vulnerable to unfavorable publicity or consumer perception regarding cannabis

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, social media, and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, social media, or other publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future industry coverage perceived as less favorable than, or that questions, earlier research or publicity could adversely affect the demand for cannabis and thus the prospects for those businesses in which the Company has invested.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have a material adverse effect. Such adverse publicity reports or other media attention could hinder market growth and consumer adoption due to inconsistent public opinion and perception of the medical-use and adult-use cannabis industry. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

Disclosure of Internal Controls over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements; and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to non-venture issuers this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

Cautionary Note Regarding Forward-Looking Statements

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements herein include those relating to, without limitation: Aura's international expansion strategy and plans, including plans relating to those entities in which it has invested; the status of Israeli export laws with respect to cannabis; and Aura's financing plans and needs. Such statements are based on numerous

assumptions believed by management to be reasonable in the circumstances, including among others that the Company will succeed with its international expansion plans and that Israel will permit the export of cannabis.

The risks and uncertainties that could affect such forward-looking statements include, but are not limited to, those set out in this MD&A under "Risk Factors" and "Regulatory Overview" as well as: rapidly changing legal and regulatory environment affecting the cannabis industry in the US, Israel, and other jurisdictions globally; inability to identify and complete future strategic investments and acquisitions on favourable terms or at all; operating internationally and/or in emerging markets; and agricultural risks. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any such statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements herein are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the unaudited condensed interim consolidated financial statements in all material aspects.

The Audit Committee has reviewed the unaudited condensed interim consolidated financial statements and this MD&A with management of Aura. The Board has approved the unaudited condensed interim consolidated financial statements and this MD&A on the recommendation of the Audit Committee.

November 28, 2018

Daniel Cohen
Chief Executive Officer