

Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Aura Health Inc. (the “**Company**”)
77 King Street West, Suite 2905
Toronto, ON M5K 1H1

Item 2 Date of Material Change

April 17, 2019

Item 3 News Release

A news release (the “**News Release**”) with respect to the material changes described herein was issued by the Company on April 17, 2019 through the facilities of Globe Newswire and was filed under the Company’s profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”).

Item 4 Summary of Material Change

The Company closed the second tranche of its previously announced “best efforts” private placement subscription receipt offering for gross proceeds of \$2,820,070, as well as a share exchange transaction with FSD Pharma Inc. (“**FSD**”), a licensed producer under the *Cannabis Act* whereby, among other things, the Company acquired 13,181,019 common shares of FSD valued at \$3 million, in exchange for 13,562,386 common shares of the Company, valued at \$3 million.

See Schedule A for a copy of the News Release for additional information.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

(a) Description of the transaction:

On or about April 17, 2019, the Company closed the second tranche of its previously announced “best efforts” private placement subscription receipt offering for gross proceeds of \$2,820,070 (the “**Second Tranche Offering**”). The Company also closed a share exchange transaction with FSD, whereby, among other things, the Company acquired 13,181,019 common shares of FSD valued at \$3 million, in exchange for 13,562,386 common shares of the Company, valued at \$3 million.

The Company issued a cumulative amount of 21,545,454 subscription receipts (each a “**Subscription Receipt**”) at a price of \$0.22 per Subscription Receipt for aggregate gross proceeds of \$4,740,000 under both the previously closed first tranche and Second Tranche Offering.

(b) The purpose and business reasons for the transaction:

The gross proceeds from the Second Tranche Offering, along with the gross proceeds from the previously closed first tranche, will generate required funds for the Company to close the proposed acquisition (the “**Acquisition**”) of an 80% equity interest in Pharmadrug Production GmbH (“**Pharmadrug**”), a German pharmaceutical distribution company located in Germany which was previously announced in a press release dated January 25, 2019.

(c) The anticipated effect of the transaction:

The transaction will enable the Company to close the Acquisition of Pharmadrug.

(d) Description of:

- i. the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties**

Clickguru participated in the Second Tranche Offering. Howard Brass, Chief Operating Officer of the Company is the sole director and shareholder of Clickguru. The purchase of Subscription Receipts by Clickguru in this transaction constituted a related party transaction within the meaning of MI 61-101.

- ii. the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person referred to in subparagraph (i) for which there would be a material change in that percentage**

Not applicable.

(e) Review and approval process, if any:

Not applicable.

(f) Summary of the formal valuation:

Not applicable.

(g) Disclosure of every prior related valuation:

- i. that has been made in the 24 months before the date of the material change report**

Not applicable.

- ii. the existence of which is known, after reasonable inquiry, to the Issuer or to any director or senior officer of the Issuer**

Not applicable.

(h) General nature material terms of any agreement between the issuer or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction

Except as set out in Item 5.1(a) above and the public record of the Company, there are no other agreements in connection with this transaction between the Company and any related party, interested party or joint actor with an interested party.

(i) Disclosure of the formal valuation and minority approval exemptions, if any:

The transaction between the Company and Clickguru Inc. is considered a related party transaction within the meaning of MI 61-101. However, since neither the fair market value of the securities subscribed for, nor the consideration paid by the Clickguru exceed 25 percent of the Company's market capitalization, the Company

can rely on the formal valuation and minority approval exemptions available to the Company pursuant to Sections 5.5(a) and 5.7(a) of MI 61-101. The Company can also rely on formal valuation exemption in Section 5.5(b) of MI 61-101, since the securities of the Company are only listed on the Toronto Stock Exchange Venture.

The Company did not file a material change report 21 days before the closing of the Offering since details were not settled until shortly prior to closing and the Company wished to complete the Second Tranche Offering as soon as possible.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Daniel Cohen, Chief Executive Officer
Telephone: 1-647-202-1824

Item 9 Date of Report

April 29, 2019

SCHEDULE "A"



Aura Health Announces \$5.82 Million Closing of the Second Tranche of Its Subscription Receipt Offering and Share Exchange Transaction

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TORONTO, April 17, 2019 (GLOBE NEWSWIRE) -- Aura Health Inc. (the "**Company**" or "**Aura**") (**CSE:BUZZ**) is pleased to announce that it has closed the second tranche of its previously announced "best efforts" private placement subscription receipt offering (the "**Offering**") for additional gross proceeds of \$2,820,070 (the "**Second Tranche Offering**"), as well as a share exchange transaction with FSD Pharma Inc. ("**FSD**"), a licensed producer under the Cannabis Act whereby, among other things, FSD issued \$3 million of FSD shares (the "**FSD Shares**") to the Company in exchange for \$3 million of Aura shares (the "**Aura Shares**"). Since the FSD Shares were issued to the Company on a private placement basis, the Company is in the process of finalizing an up to \$3 million bridge facility (the "**Bridge Facility**") to cover the value of the FSD Shares until they are freely tradeable.

The gross proceeds of \$1,919,929 raised pursuant to the closing of the first tranche of the Offering, the gross proceeds of \$2,820,070 raised pursuant to the Second Tranche Offering, the \$3 million of FSD Shares issued to Aura in connection with the Share Exchange and, the Bridge Facility, will generate \$7,740,000 for the Company and will provide the Company with the funds required to close the proposed acquisition (the "**Acquisition**") of an 80% equity interest in Pharmadrug Production GmbH ("**Pharmadrug**"), previously announced in a press release dated January 25, 2019.

Pharmadrug is a cash flow positive German pharmaceutical distribution company with over 20 years of operating history and a Schedule I European Union narcotics license that allows it to distribute medical cannabis to pharmacies in Germany and throughout the Eurozone as markets become legalized. Pharmadrug currently has supply agreements with Bedrocan International B.V. and with a Canadian Licensed Producer, and has received its first cannabis shipment and has commenced deliveries to pharmacies in Germany.

The Offering was led by Mackie Research Capital Corporation as the lead agent (the "**Lead Agent**") and sole book runner, with a syndicate consisting of Haywood Securities Inc., PI Financial Corp., and Foundation Markets Inc. (together with the Lead Agent, the "**Agents**").

The Offering

Under the Offering, Aura issued a cumulative amount of 21,545,454 subscription receipts (each a "**Subscription Receipt**" and together, the "**Subscription Receipts**") at a price of \$0.22 per Subscription Receipt (the "**Issue Price**") for aggregate gross proceeds of \$4,740,000 (the "**Offering**"). Each Subscription Receipt issued under the Offering entitles the holder thereof to receive, without any further action on the part of the holder or payment of any additional consideration, one unit of Aura (each a "**Unit**" and together,

the “Units”) consisting of one common share in the capital of the Company (each, an “Aura Share” and together, the “Aura Shares”) and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”), with each Warrant exercisable at a price of \$0.28, into one Aura Share for a period of 24 months following the date of the release of the proceeds of the Offering from escrow.

The proceeds of the Offering have been placed in escrow with Capital Transfer Agency, ULC (the “Escrow Agent”) on behalf of the purchasers of the Subscription Receipts and will be released to Aura upon satisfaction of certain escrow release conditions (the “Offering Escrow Release Conditions”), which include, among other things, that (i) all conditions precedent, undertakings and other matters to be satisfied, completed and otherwise met at or prior to the completion of the Acquisition have been met or waived in accordance with the agreement governing the Acquisition and (ii) the disposition of all of the Company’s interests in cannabis operations located in the United States on or before 5:00 p.m. (Toronto time) on or prior to May 10, 2019 or such later date as the Lead Agent may consent to in writing (the “Termination Time”). Should the Offering Escrow Release Conditions not be satisfied prior to the Termination Time, the Subscription Receipts will be cancelled and all proceeds from the Offering will be returned to the subscribers.

In connection with the Offering, the Agents were paid a cash commission equal to 7% of the gross proceeds of the Offering (the “Cash Fee”). Upon closing, the Agents also received compensation options (each, a “Compensation Option”) in a number equal to 7% of the number of Subscription Receipts sold under the Offering, with each Compensation Option being exercisable to purchase Subscription Receipts, or Common Shares and Warrants (if the Subscription Receipts have converted into Units as of the time of exercise of the Compensation Options), at the Issue Price for a period of 24 months from the date of closing of the Offering.

The Share Exchange with FSD Pharma Inc.

In connection with the Offering, Aura entered into a share exchange agreement (the “Share Exchange Agreement”) with FSD, a leading licensed producer under the Cannabis Act, whereby FSD acquired 13,562,386 Aura Shares valued at \$3 million issued from treasury in exchange for 13,181,019 FSD Shares issued from treasury (the “Share Exchange”) valued at \$3 million. The value of the Aura Shares and FSD Shares were determined by dividing \$3 million by the 10 day VWAP of the Aura Shares and FSD Shares immediately prior to closing of the Share Exchange, disregarding any fractional shares. As party of the Share Exchange, FSD agreed to provide a “make-whole” payment to Aura immediately following the end of the applicable statutory hold period (the “Hold Period Expiry Date”) for the FSD Shares, payable in the form of additional FSD Shares issued from treasury, having a value equal to the excess, if any, of the per share price at which the FSD Shares were initially issued to Aura (the “Issue Price”) over the VWAP of the FSD Shares for the 10 consecutive trading days immediately prior to the Hold Period Expiry Date multiplied by the number of FSD Shares initially issued to Aura and divided by the price of the FSD Shares at the Hold Period Expiry Date. Alternatively, in the event that the aggregate realized price of the FSD Shares issued to Aura exceeds the aggregate Issue Price of such shares, after the principal of and accrued interest under the Bridge Facility has been repaid to the lender in full, Aura shall pay 50% of the excess to FSD immediately thereafter. As a result of the Share Exchange, FSD will become a new insider of Aura.

In connection with the Share Exchange, the FSD Shares and Aura Shares will be placed in escrow with an escrow agent (the “Escrow Agent”) and released to Aura and FSD respectively, upon the Escrow Agent receiving from the Company prior to 5:00 p.m. (Toronto time) on or prior to May 10, 2019 (or such later date as the Lead Agent may consent to in writing in accordance with the terms of the Offering) a certificate executed by FSD and the Company to the effect that: (i) the Offering Escrow Release Conditions have been satisfied; (ii) the Acquisition has closed; (iii) each of FSD and Aura are satisfied with their due diligence

review of the other party; (iv) the Supply Agreement (as hereinafter defined) has been executed by FSD and Pharmadrug; and (v) the Consulting Agreement (as hereinafter defined) has been executed by FSD and Aura (collectively, the “**Share Exchange Release Conditions**”).

As part of the Share Exchange Release Conditions, Aura and FSD will enter into a consulting agreement (the “**Consulting Agreement**”) whereby Aura will assist FSD with obtaining euGMP certification at the existing licensed facility of FSD. While Aura has a pre-existing supply agreement with another producer that it is required to honour in priority, it is anticipated that FSD will become a preferred Canadian cannabis supplier to Pharmadrug for the German market. Pharmadrug will enter into a supply agreement with FSD (the “**Supply Agreement**”) whereby, upon proper euGMP certification Pharmadrug will commit to purchase 1,000 kilograms (or such greater or lesser amount as may be agreed from time to time by the parties) of Canadian produced cannabis product from FSD at a price of \$7.00 per gram FOB Germany (subject to downward adjustment should market exigencies dictate), provided that the product is saleable in the German market (the “**Purchase Commitment**”). The Supply Agreement is not a “take or pay” arrangement. For greater certainty, the Supply Agreement will in no way limit or restrict the ability of Pharmadrug to freely source product from other suppliers in any other country, provided that the Purchase Commitment is satisfied.

In connection with the Share Exchange, Aura has agreed to pay the Lead Agent a corporate finance and structuring fee equal to 813,743 Aura Shares issued from treasury and to issue to the Lead Agent 813,743 Compensation Options.

All securities issued pursuant to the Offering and Share Exchange will be subject to a four month and one day hold period, from the closing date of the Offering, in accordance with applicable Canadian securities laws.

About FSD Pharma Inc.

FSD Pharma is focused on the development of the highest quality indoor grown, pharmaceutical grade cannabis and on the research and development of novel cannabinoid-based treatments for several central nervous system disorders, including chronic pain, fibromyalgia and irritable bowel syndrome. The Company has 25,000 square feet available for production at its Ontario facility with an additional 220,000 square feet currently in development (with an estimated cost of \$250 per square foot to be completed in 2019). FSD facilities sit on 70 acres of land with 40 acres primed for development and an expansion capability of up to 3,896,000 square feet.

FSD’s wholly-owned subsidiary, FV Pharma, is a licensed producer under the Cannabis Act and Regulations, having received its cultivation license on October 13, 2017. FV Pharma’s vision is to transform its current headquarters in a Kraft plant in Cobourg, Ontario into the largest hydroponic indoor grow facility in the world. FV Pharma intends to cover all aspects of this exciting new industry, including cultivation, legal, processing, manufacturing, extracts and research and development.

About Aura Health Inc.

Aura Health is building an international network of vertically integrated cannabis assets. Through an established product line of cannabis- infused edible products and oil extracts, Aura is dedicated to building a high margin downstream business in the medical marijuana sector. The Company holds convertible debt that converts to 54% equity of HolyCanna, a cultivation and nursery license holder in Israel and is focused on acquiring strategic assets across the cannabis value chain, initially in Israel and Germany.

For further information, please contact:

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Caution Regarding Forward-Looking Information:

THE CANADIAN SECURITIES EXCHANGE HAS NOT REVIEWED NOR DOES IT ACCEPT RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE.

This news release may contain forward-looking statements and information based on current expectations. These statements should not be read as guarantees of future performance or results. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from those implied by such statements. Such statements include the entering into and the closing of the Bridge Facility, the satisfaction by the Company of the Offering Escrow Release Conditions (including the disposition of US assets), the satisfaction of the Share Exchange Release Conditions, the closing of the Acquisition, the completion of the Supply Agreement, obtaining proper euGMP certification, the fulfillment of the Purchase Commitment on favourable terms, the completion of the Consulting Agreement on favourable terms and the fulfillment by the Company of its obligations under the agreements referred to herein or in related press releases involving the Acquisition or the Offering, among others. There is no certainty that any of these events will occur. Although such statements are based on management's reasonable assumptions, there can be no assurance that such assumptions will prove to be correct. We assume no responsibility to update or revise them to reflect new events or circumstances. Moreover, while the Company has the intention to dispose of its US assets which are not considered material, there is no guarantee that such disposition will occur.

The Company's securities have not been registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or applicable state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States or "U.S. Persons", as such term is defined in Regulation S under the U.S. Securities Act, absent registration or an applicable exemption from such registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in the United States or any jurisdiction in which such offer, solicitation or sale would be unlawful.

Additionally, there are known and unknown risk factors which could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein, such as but not limited to dependence on obtaining regulatory approvals, owning interests in companies or projects that are engaged in activities currently considered illegal under United States federal law; changes in laws; limited operating history, reliance on management, requirements for additional financing, competition, hindering market growth; regulatory and political change.

All forward-looking information herein is qualified in its entirety by this cautionary statement, and the Company disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.