AURA HEALTH INC.

(FORMERLY LAMÊLÉE IRON ORE LTD.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Aura Health Inc. (formerly Lamêlée Iron Ore Ltd.):

Opinion

We have audited the consolidated financial statements of Aura Health Inc. (formerly Lamêlée Iron Ore Ltd.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes of equity flows and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at December 31, 2018, the Company had a working capital deficiency of $525,647 and had not yet achieved profitable operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

MNP LLP

Toronto, Ontario
April 30, 2019

Chartered Professional Accountants
Licensed Public Accountants

AURA HEALTH INC. (formerly Lamêlée Iron Ore Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2018	As at December 31, 2017
	$	$
Assets		
Current Assets		
Cash	**155,117**	499,475
Other receivables (Note 5)	**27,539**	16,182
Prepaid expenses (Note 6)	**93,656**	35,092
Loans receivable (Note 19)	**251,797**	-
Total Current Assets	**528,109**	550,749
Investment in joint ventures (Note 7)	**-**	386,124
Assets classified as held for sale (Note 8)	**163,525**	-
Investment in associate (Note 9)	**370,678**	-
Total Assets	**1,062,312**	936,873
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 10 and 15)	**423,077**	533,400
Convertible debentures (Note 11)	**630,679**	155,263
Total Current Liabilities	**1,053,756**	688,663
Convertible debentures (Note 11)	**329,519**	877,559
Derivative liability (Note 11)	**169,357**	13,200
Total Liabilities	**1,552,632**	1,579,422
Shareholders' Deficiency		
Share capital (Note 12)	**3,899,096**	410,749
Shares to be issued (Note 15)	**6,356**	6,356
Equity component of convertible debentures (Note 11)	**63,491**	32,043
Reserve for share-based payments (Note 13)	**170,078**	80,000
Reserve for warrants (Note 14)	**673,058**	188,922
Accumulated other comprehensive (loss) income	**(52,395)**	3,861
Accumulated deficit	**(5,250,004)**	(1,364,480)
Total Shareholders' Deficiency	**(490,320)**	(642,549)
Total Liabilities and Shareholders' Deficiency	**1,062,312**	936,873

Nature of operations and going concern (Note 1)
Subsequent events (Note 20)

Approved on behalf of the Board of Directors:

"Joel Freudman" (signed)
Director

"David Posner" (signed)
Director

The accompanying notes are an integral part of these consolidated financial statements

AURA HEALTH INC. (formerly Lamêlée Iron Ore Ltd.)

Consolidated Statements of Loss and Comprehensive Loss
For the years December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Expenses		
Management and consulting fees (Note 15)	**185,500**	228,285
Professional fees (Note 15)	**437,431**	466,922
Office and general	**9,789**	20,050
Filing fees	**20,651**	-
Travel and promotion	**207,076**	-
Share-based compensation (Note 13)	**90,078**	80,000
	(950,525)	(795,257)
Other Income (Expenses)		
Foreign exchange gain (loss)	**56,795**	(11,703)
Finance cost (Notes 11 and 19)	**(188,037)**	(75,914)
Fair value change in derivative liability (Note 11)	**(287,749)**	(4,900)
Reverse takeover acquisition costs (Note 4)	**(2,142,633)**	-
Tax penalty	**-**	(25,959)
Gain on settlement of debt (Note 15)	**-**	2,119
	(2,561,624)	(116,357)
Net Loss from Continuing Operations	**(3,512,149)**	(911,614)
Discontinued Operations		
Equity loss from joint ventures (Note 7)	**(159,886)**	(243,723)
Impairment losses (Note 8)	**(213,489)**	-
Loss on Discontinued Operations	**(373,375)**	(243,723)
Net Loss	**(3,885,524)**	(1,155,337)
Other Comprehensive Income (Loss)		
Exchange (loss) gain on translation of foreign operations	**(56,256)**	4,014
Net Loss and Comprehensive Loss	**(3,941,780)**	(1,151,323)
Weighted Average Shares Outstanding		
- Basic and diluted	**13,747,922**	16,551,973
Loss per Share		
- Basic and diluted – Continuing operations	**(0.26)**	(0.06)
- Basic and diluted – Discontinued operations	**(0.03)**	(0.01)

The accompanying notes are an integral part of these consolidated financial statements

AURA HEALTH INC. (formerly Lamêlée Iron Ore Ltd.)

Consolidated Statements of Cash Flows
For the years December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	$	$
Operating Activities		
Net loss for the year	**(3,885,524)**	(1,155,337)
Adjustments for non-cash items:		
Share-based compensation (Note 13)	**90,078**	80,000
Reverse takeover acquisition costs (Note 4)	**2,142,633**	-
Equity loss from joint ventures – discontinued operations (Note 7)	**159,886**	243,723
Impairment loss – discontinued operations (Note 8)	**213,489**	-
Fair value change in derivative liability (Note 11)	**287,749**	(4,900)
Finance cost (Notes 11 and 19)	**188,037**	74,984
Gain in settlement of debt (Note 15)	**-**	(2,119)
Foreign exchange loss	**(7,284)**	18,213
	(810,936)	(745,436)
Net change in non-cash working capital items:		
Other receivables (Note 5)	**7,765**	6,558
Prepaid expenses (Note 6)	**(58,564)**	(34,994)
Accounts payable and accrued liabilities (Note 10)	**(425,550)**	400,321
Cash Flows (used in) Operating Activities	**(1,287,285)**	(373,551)
Financing Activities		
Net proceeds from private placement (Note 12)	**952,729**	-
Proceeds from debentures financings (Note 11)	**400,000**	900,000
Issuance costs from debentures financings	**-**	(34,624)
Interest payment made on debentures (Note 11)	**(27,814)**	-
Cash acquired on reverse takeover (Note 4)	**190,901**	-
Exercise of warrants (Notes 11(a) and 12)	**257,465**	-
Cash Flows from Financing Activities	**1,773,281**	865,376
Investing Activities		
Capital contributions towards investment in joint venture – discontinued operations (Note 7)	**(133,062)**	(479,075)
Advances made on investments (Note 9)	**(370,678)**	-
Advances made to acquisition target (Note 19)	**(270,360)**	-
Cash Flows (used in) Investing Activities	**(774,100)**	(479,075)
(Decrease) increase in cash	**(288,104)**	12,750
Effects of foreign exchange on cash	**(56,254)**	4,014
Cash, beginning of year	**499,475**	482,711
Cash, end of year	**155,117**	499,475

The accompanying notes are an integral part of these consolidated financial statements

AURA HEALTH INC. (formerly Lamêlée Iron Ore Ltd.)

Consolidated Statements of Changes of Equity Flows
For the years December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of Shares	Amount	Shares to be Issued	Conversion Component of convertible debentures	Reserve for Share-Based Payments	Reserve for Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$	$
Balance, December 31, 2016	**16,550,000**	**404,749**	**-**	**32,043**	**-**	**188,006**	**(153)**	**(209,143)**	**415,502**
Shares issued on private placement (Notes 12 and 14)	**80,000**	**6,000**	-	-	-	-	-	-	6,000
Warrants issued on private placement	-	-	-	-	-	916	-	-	916
Stock-based compensation (Note 13)	-	-	-	-	80,000	-	-	-	80,000
Shares to be issued (Note 15)	-	-	6,356	-	-	-	-	-	6,356
Exchange gain on translating foreign operations	-	-	-	-	-	-	4,014	-	4,014
Net loss for the year	-	-	-	-	-	-	-	(1,155,337)	(1,155,337)
Balance, December 31, 2017	**16,630,000**	**410,749**	**6,356**	**32,043**	**80,000**	**188,922**	**3,861**	**(1,364,480)**	**(642,549)**
Units and warrants issued on private placement (Notes 12 and 14)	2,301,873	869,811	-	-	-	258,107	-	-	1,127,918
Broker warrants issued on private placement (Note 14)	-	-	-	-	-	14,980	-	-	14,980
Share issue costs (Notes 12 and 14)	-	(76,819)	-	-	-	(18,350)	-	-	(95,169)
Reverse takeover transaction (Note 4)	3,961,584	1,497,083	-	-	-	238,606	-	-	1,735,689
Issuance on conversion of debentures (Notes 11 and 12)	816,327	444,754	-	-	-	23,938	-	-	468,692
Issuance on conversion of promissory notes (Note 11)	4,028,272	176,243	-	(32,043)	-	59,924	-	-	204,124
Warrants exercised (Note 12)	720,375	139,551	-	-	-	(33,145)	-	-	106,406
Warrants exercised on conversion of promissory notes (Note 11)	2,014,136	210,984	-	-	-	(59,924)	-	-	151,060
Stock-based compensation (Note 13)	-	-	-	-	90,078	-	-	-	90,078
Share-based payments (Note 4)	600,000	226,740	-	-	-	-	-	-	226,740
Issuance of convertible debentures (Note 11)	-	-	-	63,491	-	-	-	-	63,491
Exchange (loss) on translating foreign operations	-	-	-	-	-	-	(56,256)	-	(56,256)
Net loss for the year	-	-	-	-	-	-	-	(3,885,524)	(3,885,524)
Balance, December 31, 2018	**31,072,567**	**3,899,096**	**6,356**	**63,491**	**170,078**	**673,058**	**(52,395)**	**(5,250,004)**	**(490,320)**

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Aura Health Inc. ("Aura" or the "Company") is focused on building an international network of vertically-integrated cannabis assets. Aura is targeting a downstream business in the legalized medical marijuana sector in the European and Israeli markets. The Company also owns a 30% interest in four (4) medical marijuana clinics in the United States (the "US"), for which the Company had committed a plan to dispose of (see Note 7 for details).

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. Pursuant to a Securities Exchange Agreement, all common shares of Aura Health Corp. 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 consolidated statements of financial position are presented as a continuance of Aura Health Corp. and comparative figures presented in the consolidated financial statements are those of Aura Health Corp. See Note 4 for details. Concurrent with the closing of the RTO Transaction, Lamêlée changed its name to Aura Health Inc. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "BUZZ".

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

The business of medical marijuana involves a high degree of risk, and there is no assurance that any prospective project in the medical cannabis industry will be successfully initiated or implemented. Further, regulatory evolution and uncertainty may require the Company to alter its business plan to react to regulatory changes.

As at December 31, 2018, the Company had a working capital deficiency of $525,647 (December 31, 2017 – working capital deficiency of $137,914), and had not yet achieved profitable operations and is dependent on its ability to obtain additional financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the 12-month period following December 31, 2018. Subsequent to year-end, various financing initiatives were completed:

- The Company closed a non-brokered private placement offering of 11,493,998 units at a price of $0.15 per unit, for gross proceeds of $1,724,100;
- The Company closed the first tranche of its brokered private placement offering of 8,726,954 subscription receipts at a price of $0.22 per subscription receipt, for gross proceeds of $1,919,930;
- The Company also closed the second tranche of the offering of 12,818,500 subscription receipts for gross proceeds of $2,820,070 under the same terms as the first tranche; and
- The Company is actively monitoring cash forecasts and managing performance against its forecasts.

These consolidated financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized by the Audit Committee and the Board of Directors of the Company on April 29, 2019.

2. BASIS OF PRESENTATION (continued)

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies as set out in Note 3. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Aura Health Corp. and Green Global Properties Inc. ("Green Global") which is formed in the State of Delaware.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Functional Currency

These consolidated financial statements are presented in Canadian dollars ($ or "CAD"), which is the Company's functional currency. The functional currency of Green Global is the US dollar (USD $).

(e) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources and future obligations.

Business combination

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

2. BASIS OF PRESENTATION (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation model. This pricing 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.

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 term. Such judgments and assumptions are inherently uncertain.

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.

Investment in associates and joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost, excluding financial assets that are not in-substance common shares and inclusive of transaction costs.

The consolidated financial statements include the Company's share of the income and expenses and equity movement of equity accounted investees. In accordance with IFRS, the investee's most recent available financial statements are used in the application of the equity method. Where the investee's reporting period differs from the Company's, the investee prepares financial information as of the same period end as the Company, unless it is impracticable to do so. Otherwise, the Company will adjust for its share of income and expenses and equity movement based on the investee's most recently completed financial statements, adjusted for the effects of significant transactions. The Company does not recognize losses exceeding the carrying value of its interest in associates or joint ventures.

Assets held for sale

Classification of a non-current asset held for sale depends on whether the criteria to be classified as held for sale is met in accordance with IFRS. Management exercises judgement in assessing whether the carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use, and whether the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and if the sale is highly probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

Cash in the consolidated statements of financial position comprises cash at Canadian chartered banks and funds held in trust with the Company's legal counsel which is available on demand.

(b) Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (1) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (2) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (3) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

Expected credit loss impairment model

IFRS 9 – Financial Instruments ("IFRS 9") introduced a single expected credit loss ("ECL") impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had no impact on the Company's consolidated financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

The Company’s classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9	
	Classification	**Measurement**
Cash	FVTPL	Fair value
Other receivables	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Derivative liability	FVTPL	Fair value

(c) Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debentures are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Compound Instruments (continued)

In situations where the convertible debentures contain contractual terms that result in the potential adjustment in the conversion or exercise price, the conversion feature does not meet equity classification and is accounted for as a derivative liability as the fair value is affected by changes in the fair value of the Company's common shares. The effect is that the debt component will be accounted for at amortized cost, with the derivative liability being measured at fair value with changes in value being recorded in profit or loss.

(d) Assets Held for Sale

Certain assets are classified as held for sale, when they meet the criteria to be assets classified as held for sale in accordance to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations ("IFRS 5"). A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval (if required in the jurisdiction) are also considered as part of the assessment of whether the sale is highly probable.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(e) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at December 31, 2018 and 2017, the Company had no material provisions.

(f) Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income Taxes (continued)

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Estimates

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax‑related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(g) Share Capital

In situations where the Company issues units, the value of units is bifurcated and the value of warrants is included as a separate reserve for warrants of the Company's equity.

(h) Share Issuance Costs

Costs incurred in connection with the issuance of share capital are netted against the proceeds received. Costs related to the issuance of share capital and incurred prior to issuance are recorded as deferred share issuance costs and subsequently netted against proceeds when they are received.

(i) Share-Based Payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received, or at the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The fair value of options is determined using a Black–Scholes valuation model.

The fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in the reserve for share-based payments.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Loss Per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes conversion, exercise or contingent issuance of options, warrants and securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

For the years ended December 31, 2018 and 2017, no potential convertible securities are included in the computation as they are anti-dilutive.

(k) Foreign Currency Translation

Monetary assets and liabilities denominated in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities are translated at the historical rates. Revenues and expenses are translated at the transaction exchange rate. Foreign currency gains and losses resulting from translation are reflected in net comprehensive loss for the period.

The assets and liabilities of entities with a functional currency that differs from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the financial period end;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions);
- Equity transactions are translated using the exchange rate at the date of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity as reserve for foreign exchange.

When a foreign operation is disposed of, the relevant amount in the reserve for foreign exchange in other comprehensive income is transferred to profit or loss as part of the profit or loss on disposal.

On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future, and which in substance, is considered to form part of the net investment in the foreign operation, are recognized in the reserve for foreign exchange.

(l) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Joint Arrangements

A joint arrangement represents an arrangement where two or more parties hold joint control. Joint control is deemed to exist under contractual agreement where decisions regarding relevant activities of the arrangement require the unanimous consent of those parties sharing control.

A joint venture is a joint arrangement and represents a company or other entity in which each venturer has an interest, holds joint control and holds rights to the net assets of the entity. Interests in joint ventures are accounted for using the equity method of accounting.

A joint operation is a joint arrangement and represents a company, partnership or other entity in which each venture has an interest, holds joint control and rights to the assets and obligations for the liabilities of the entity. Interests in joint operations are accounted for by recognizing the Company's share of the assets, liabilities, revenue and expenses.

(n) Investment in Associates

Investments in associates are accounted for using the equity method based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's net income or losses after the date of investment, additional contributions made and dividends received. Investments are written down when there has been a significant or prolonged decline in fair value.

(o) Adoption of New Accounting Standards

The Company adopted the following new standards, effective January 1, 2018. These changes and amendments were made in accordance with the applicable transitional provisions. On adoption of these new standards and amendments, the Company had assessed that there was no material impact on the Company's consolidated financial statements:

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and will replace 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. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the consolidated financial statements as the Company is currently not generating operating revenues.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee have issued the following new and revised Standards and Interpretations which are effective for annual periods beginning on or after January 1, 2019:

IFRS 16 – Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The Company will adopt IFRS 16 as of January 1, 2019. The Company had assessed that the adoption of this new standard will not have a material impact on the consolidated financial statements.

4. 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 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 value 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 and accrued liabilities	(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**
Finders' compensation paid on closing of RTO Transaction (iv)	226,740
Total RTO acquisition costs	**2,142,633**

(Expressed in Canadian Dollars)

4. REVERSE TAKEOVER TRANSACTION (continued)

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 (as defined below) on August 9, 2018 (see Note 12). Immediately after the RTO Transaction was completed, the number of shares of the resulting issuer held by Lamêlée shareholders was approximately 17.3%.

(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) On August 9, 2018, the Company issued 300,000 common shares to a financial advisor as compensation for advisory services provided and 300,000 common shares to a finder on closing of the RTO Transaction. The fair value of these common shares was estimated at $226,740 based on the fair value of common shares issued in the Concurrent Financing, and was recorded as share-based payments during the year ended December 31, 2018.

(v) 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 consolidated statements of loss and comprehensive loss.

5. OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
	$	$
Sales tax receivables	**22,039**	11,384
Other receivables	**5,500**	4,798
	27,539	16,182

The Company's sales tax receivables arise from harmonized sales tax refunds and amounts due from government taxation authorities. The Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables, which are due in less than one year.

6. PREPAID EXPENSES

	December 31, 2018	December 31, 2017
	$	$
Advances made to suppliers	**91,823**	35,000
Other prepaid expenses	**1,833**	92
	93,656	35,092

7. INVESTMENT IN JOINT VENTURES

Sun Valley Certification Clinics Holdings, LLC

On November 11, 2016, the Company through 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 clinics ("Clinic" or "Clinics") 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 will each appoint one Manager and the two (2) Managers will appoint a third Manager. All major decisions and transactions that affect the Clinic will be 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 USD $20,000 (CAD $26,182) as additional capital to the Clinics.

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

On December 28, 2017, the Company contributed USD $75,400 (CAD $97,945) as additional capital to the 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 USD $62,835 (CAD $82,736) as additional capital to the Clinics.

On October 5, 2018, the Company contributed USD $22,403 (CAD $29,084) as additional capital to the Clinics.

On November 28, 2018, the Company contributed USD $15,779 (CAD $21,243) as additional capital to the Clinics.

7. INVESTMENT IN JOINT VENTURES (continued)

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 year ended December 31, 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 year ended December 31, 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 year ended December 31, 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 year ended December 31, 2018 was $61,961 (USD $48,121) (2017 – $39,006 (USD $29,848)).

In October 2018, management classified the Sun Clinics as held for sale (see Note 8).

8. ASSETS HELD FOR SALE

In October 2018, management had approved the sale of its 30% interest in the Sun Valley Clinics and the proposed sale transaction is expected to close within the next 12 months. Upon management's decision to divest of its interest in the Sun Valley Clinics, the investments were no longer a significant part of Aura's operations, as the Company began exploring the European cannabis markets. As at December 31, 2018, the investments in the Sun Valley Clinics were classified as held for sale on the consolidated statements of financial position.

The carrying value of the investments in the Sun Valley Clinics was higher than the estimated fair value less costs to sell, and as a result, the Company recognized an impairment loss of $213,489 – included in loss on discontinued operations – on the consolidated statements of loss and comprehensive loss. The Company will continue to assess the fair value less costs to sell of the assets classified as held for sale at the end of each reporting period and adjust the carrying amounts accordingly. To determine the fair value less costs to sell, the Company will consider factors such as expected future cash flows using appropriate market rates, the estimated costs to sell and an appropriate discount rate to calculate the fair value. The carrying amounts of the assets classified as held for sale are not necessarily indicative of their fair value, as it has been recorded at the lower of their carrying amounts and fair values less costs to sell in accordance with IFRS 5.

(Expressed in Canadian Dollars)

9. INVESTMENT IN ASSOCIATE

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

- The Company will provide HolyCanna with a bridge loan ("Bridge Loan") in the principal amount of 1,000,000 Israeli Shekels ("ILS"). 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.

On November 22, 2018, the Company entered into a definitive agreement with HolyCanna 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. As part of HolyCanna's founders' agreement, Aura was awarded four (4) of the seven (7) Board votes of HolyCanna. As a result, it was determined that the Company had significant influence and will account for the investment in HolyCanna as an investment in associate using the equity basis of accounting.

As at December 31, 2018, the Company had advanced total funds of $370,678 (ILS 1,000,000) to HolyCanna.

As at December 31, 2018, the Company did not have any equity interest in HolyCanna, and as a result, it had not recorded any equity pickup for the year ended December 31, 2018.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

The following is an aged analysis of the accounts payable and accrued liabilities:

	December 31, 2018	December 31, 2017
	$	$
Less than 90 days	**230,470**	303,945
Greater than 90 days	**192,607**	229,455
	423,077	533,400

11. CONVERTIBLE DEBENTURES

(a) Nutritional High Debentures

On November 14, 2016, the Company closed a non-brokered private placement of an unsecured convertible debenture ("Nutritional High Debenture") for total proceeds of USD $120,000. Subject to the approval of the CSE, on or after November 14, 2017 and prior to the maturity date, the principal together with accrued and unpaid interest on the principal amount shall be convertible, at the option of the holder, into units of the Company at a price equal to $0.05. Each unit is comprised of one (1) common share of the Company and one-half (1/2) of a warrant, with each whole warrant exercisable until August 16, 2020, which is two (2) years from the date of listing of the Company's common shares on the CSE, into one (1) common share of the Company at an exercise price of $0.075 per common share (the "Warrant Share").

On November 14, 2016, USD $100,000 was transferred to the Company, and the remaining USD $20,000 was held by the debenture holder for legal expenses of the issuance. On March 28, 2017, the debenture holder paid the remaining balance of $10,601 to the Company. The amount represents the balance of the USD $20,000 ($26,936) after deduction of legal expenses of $16,335.

The Nutritional High Debenture bears interest at 12% per annum, payable on the maturity date. Interest on any overdue interest and all other amounts due from the Company to the debenture holder shall be calculated and payable at the same rate and in the same manner if not paid when due. In consideration of the debenture holder providing the loan to the Company, the Company issued 4,000,000 common shares to the debenture holder in November 2016.

The Nutritional High Debenture was classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than the face value. The discount is being accreted over the term utilizing the effective interest rate method at a 26.7% effective interest rate.

On closing of the RTO Transaction, Nutritional High Debentures were placed in escrow, to be released over a period of 36 months, with 10% to be released upon the listing of the Company's common shares on the CSE, and 15% each six months thereafter.

The Nutritional High Debenture was due to mature on November 14, 2018. On December 10, 2018, the Nutritional High Debenture was converted into 4,028,272 units, for the equivalent balance of the debenture principal and interest accrued to date. Each unit is comprised of one (1) common share of the Company and one-half (1/2) of a warrant, exercisable at $0.075 per common share. In addition, Nutritional High exercised 2,014,136 common share purchase warrants received on the conversion, resulting in an aggregate issuance of 6,042,408 common shares of Aura.

(b) Series A Debentures

On April 20, 2017, the Company closed a non-brokered private placement of unsecured convertible debentures ("Series A Debentures") for total proceeds of $300,000. The Series A Debentures bear interest at a rate of 12% per annum and mature on April 20, 2019. Upon the listing of the Company's common shares on the CSE, the Series A Debentures are automatically convertible into units of the Company at a conversion price which shall be the lower of (i) $0.60 per unit and (ii) the price equal to 75% of the Concurrent Financing price. Each unit is comprised of one (1) common share of the Company and one-half (1/2) of a common share purchase warrant, with each whole such warrant exercisable until 12 months from the date on which the Company's common shares are listed on the CSE. As the Concurrent Financing was completed on August 9, 2018, the conversion price is now set at $0.368 and each warrant is exercisable until August 9, 2019. One warrant entitles the holder to purchase one additional common share at a purchase price of $1.00. Total costs of raising the debt includes cash paid for commissions and legal costs of $20,263 and the issuance of 20,000 broker warrants with a fair value of $116.

The discount is being accreted over the term of the Series A Debentures utilizing the effective interest rate method at a 18.5% effective interest rate.

11. CONVERTIBLE DEBENTURES (continued)

(b) Series A Debentures (continued)

The conversion feature meets the definition of a derivative liability instrument because the conversion rate is variable and therefore does not meet the "fixed-for-fixed" criteria outlined under IFRS. As a result, the conversion feature is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income. On April 20, 2017, the value of the derivative liability was $8,500.

On August 9, 2018, the Series A Debentures were converted into 816,327 units of the Company. The debentures and the derivative liability had been derecognized as a result. Immediately prior to the conversion of the Series A Debentures, a loss of $127,792 was included in fair value change in derivative liability for the year ended December 31, 2018 (2017 – gain of $4,700).

(c) Series B Debentures

On December 22, 2017, the Company closed a non-brokered private placement of secured convertible debentures (the "Series B Debentures") for total proceeds of $600,000. The Secured Debentures bear interest at a rate of 12% per annum and mature on December 22, 2019. The Series B Debentures are convertible at the option of the holder at any time prior to the maturity date into common shares of the Company at a conversion price which shall be the lower of (i) $0.60 per share, (ii) the price equal to 75% of the Concurrent Financing price, (iii) the lowest price that Aura common shares are issued from treasury during the period from the Series B Debentures issuance date up to the conversion date, or (iv) if a liquidity event (being the RTO Transaction) has not occurred by June 30, 2018, or such later date agreed by the Series B Holders in writing, the price equal to the higher of (a) $0.20, and (b) 50% of the lowest price that Aura shares are issued from treasury during the period from the first liquidity deadline to the conversion date.

As the Concurrent Financing was completed on August 16, 2018, the conversion price is now set at $0.368. The Series B Debentures rank pari passu with respect to the security and collateral granted in connection therewith, and have first priority security against the Company.

Total costs of raising the debt includes cash paid for commissions and legal costs of $15,292, the issuance of 80,000 common shares with a value of $6,000 for commissions and the issuance of 80,000 broker warrants with a fair value of $800.

The conversion feature meets the definition of a derivative liability instrument because the conversion rate is variable and therefore does not meet the "fixed-for-fixed" criteria outlined under IFRS. As a result, the conversion feature is required to be recorded as a derivative liability recorded at fair value and marked-to-market each period with the changes in fair value each period being charged or credited to income.

As at December 31, 2018, the derivative liability was valued at $169,357 (December 31, 2017 – $9,400) and a loss of $159,957 was included in fair value change in derivative liability for the year ended December 31, 2018 (2017 – gain of $200).

(d) Unsecured Debentures

On October 26, 2018, the Company closed a non-brokered private placement offering of unsecured convertible debentures (the "Unsecured Debentures") for total gross proceeds of $400,000. The Unsecured Debentures bear interest at a rate of 10% per annum, payable quarterly in arrears. Each Unsecured 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 (1) common share of the Company for a period of 24 months from the date of issuance.

Total costs of raising the Unsecured Debentures include legal costs of $20,000, which had been capitalized.

(Expressed in Canadian Dollars)

11. CONVERTIBLE DEBENTURES (continued)

(d) Unsecured Debentures (continued)

The Unsecured Debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debentures being less than face value. The discount is being accreted over the term of the debentures utilizing the effective interest rate method at a 23.15% discount rate.

The following table reflects the continuity of convertible debentures as at December 31, 2018:

	$
Balance, December 31, 2017	**1,032,822**
Convertible debentures issued	316,509
Interest and accretion expense	167,000
Conversion of debentures into common shares	(541,226)
Payment of interest on debentures	(27,814)
Foreign exchange loss	12,907
Balance, December 31, 2018	**960,198**

The following table reflects the breakdown of convertible debentures as at December 31, 2018:

	$
Current	
Series B Debentures	630,679
Long-term	
Unsecured Debentures	329,519
Balance, December 31, 2018	**960,198**

(Expressed in Canadian Dollars)

12. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Common shares issued and outstanding as at December 31, 2018 are as follows:

	Number of common shares	Amount
	#	$
Balance, December 31, 2016	**16,550,000**	**404,749**
Shares issued as finders' fee	80,000	6,000
Balance, December 31, 2017	**16,630,000**	**410,749**
Shares issued by private placement	2,301,873	869,811
Share issuance costs	-	(76,819)
Shares issued on RTO Transaction	3,961,584	1,497,083
Shares issued on conversion of Series A Debentures	816,327	444,754
Shares issued on conversion of Nutritional High Debenture	4,028,272	176,243
Shares issued on exercise of warrants from conversion of Nutritional High Debenture	2,014,136	210,984
Shares issued for advisory and finder fees	600,000	226,740
Shares issued from exercise of warrants	720,375	139,551
Balance, December 31, 2018	**31,072,567**	**3,899,096**

Share capital transactions for the year ended December 31, 2018

On August 9, 2018, the Company closed 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 of the Company and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share of the Company at a price of $0.75, expiring on August 9, 2020. In connection with the Concurrent Financing, the Company issued 78,015 finder warrants (see Note 14) and paid finders' fees of $40,326.

On August 9, 2018, the Company issued 3,961,584 common shares to former shareholders of Lamêlée. See Note 4 for details of the RTO Transaction.

On August 9, 2018, the Company issued 816,327 common shares as a result of the conversion of the Series A Debentures at the conversion price of $0.368 (see Note 11(b)).

On December 10, 2018, the Company issued 4,028,272 units on conversion of the Nutritional High Debenture (see Note 11(a)). Each unit is comprised of one (1) common share and one-half (1/2) of a warrant. Upon conversion, the 2,014,136 warrants were exercised into 2,014,136 common shares of the Company for total proceeds of $151,060.

During the year ended December 31, 2018, 720,375 common shares were issued as a result of the exercise of warrants for cash proceeds of $106,406.

Share capital transactions for the year ended December 31, 2017

On December 22, 2017, the Company issued 80,000 common shares for a total fair value of $6,000, as a finders' fee equal to 8% of the gross proceeds raised from the Series B Debentures financing (see Note 11(c)).

(Expressed in Canadian Dollars)

13. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. The maximum number of common shares that are issuable under the Plan is limited to 10% of the number of issued and outstanding common shares. As at December 31, 2018, the Company had 857,257 common shares available for issuance under the Plan.

Under the Plan, the exercise price of each option may not be less than the closing price of the Company's shares on the trading day prior to the grant date or the grant date itself, whichever is higher. Vesting of options is determined at the discretion of the Board of Directors.

The following summarizes the stock option activity for the year ended December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**1,600,000**	**0.10**	-	-
Granted	**50,000**	**0.10**	1,600,000	0.10
Granted	**650,000**	**0.31**		
Issued on RTO Transaction	**17,500**	**1.00**	-	-
Issued on RTO Transaction	**12,500**	**2.80**	-	-
Issued on RTO Transaction	**62,500**	**2.90**	-	-
Expired	**(142,500)**	**1.68**		
Outstanding, end of year	**2,250,000**	**0.16**	1,600,000	0.10
Exercisable, end of year	**1,987,500**	**0.14**	1,600,000	0.10

Option grants for the year ended December 31, 2018

On March 1, 2018, the Company granted 50,000 stock options to an officer of the Company. The options are exercisable at $0.10 per share and will expire on August 16, 2020, two (2) years after completion of the RTO Transaction. The options vested immediately on grant. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 87%, expected dividend yield of 0%, risk-free interest rate of 1.922% and an expected life of 2.85 years. The grant date fair value attributable to these options of $1,813 was recorded as stock-based compensation in connection with the vesting of these options during the year ended December 31, 2018.

On August 9, 2018, the Company issued 92,500 options to former option holders of Lamêlée which expired in November 2018 (see Note 4 for details).

On September 24, 2018, the Company granted 650,000 stock options to an officer 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 (6) months thereafter over the ensuing 18 months. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 89%, expected dividend yield of 0%, risk-free interest rate of 2.22% and an expected life of 3 years. The grant date fair value attributable to these options was $121,130, of which $88,265 was recorded as stock-based compensation in connection with the vesting of these options during the year ended December 31, 2018.

(Expressed in Canadian Dollars)

13. RESERVE FOR SHARE-BASED PAYMENTS (continued)

Option grants for the year ended December 31, 2017

On January 4, 2017, the Company granted 1,600,000 stock options to various directors, officers and consultants of the Company at an exercise price of $0.10 expiring two (2) years after the Company completes a going public transaction or five years from the date of grant, whichever is earlier. The options vested immediately on grant. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 123%, expected dividend yield of 0%, risk-free interest rate of 0.73% and an expected life of 2.72 years. The grant date fair value attributable to these options was $80,000.

The following table summarizes information of stock options outstanding and exercisable as at December 31, 2018:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
August 16, 2020	1,600,000	1,600,000	0.10	1.63
September 24, 2021	650,000	387,500	0.31	2.73
	2,250,000	**1,987,500**	**0.16**	**1.95**

14. RESERVE FOR WARRANTS

The following summarizes the warrant activity for the year ended December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of year	**3,875,000**	**0.16**	3,775,000	0.14
Issued from private placement	**2,301,873**	**0.75**	20,000	1.00
Issued from private placement	**78,015**	**0.49**	80,000	0.60
Issued on reverse takeover	**1,052,996**	**0.20**	-	-
Issued on conversion of debentures	**408,163**	**1.00**	-	-
Issued on conversion of NHII Debenture	**2,014,136**	**0.08**	-	-
Exercised on conversion of NHII Debenture	**(2,014,136)**	**0.08**	-	-
Exercised	**(708,000)**	**0.15**	-	-
Issuance of underlying warrants	**16,500**	**0.15**	-	-
Underlying warrants exercised	**(12,375)**	**0.15**	-	-
Outstanding, end of year	**7,012,172**	**0.41**	3,875,000	0.16

Warrant issuances for the year ended December 31, 2018

On August 9, 2018, the Company issued 2,301,873 warrants in conjunction with the Concurrent Financing, as disclosed in Note 10. Each warrant is exercisable at $0.75 to purchase one (1) common share of the Company for 24 months after closing of the RTO Transaction. The grant date fair value of the 2,301,873 warrants issued was estimated to be $258,107 using the Black-Scholes valuation model with the following assumptions: expected volatility of 87% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.11% and an expected life of two (2) years.

(Expressed in Canadian Dollars)

14. RESERVE FOR WARRANTS (continued)

Warrant issuances for the year ended December 31, 2018 (continued)

In connection with the Concurrent Financing, 78,015 finder warrants were issued as compensation. The finder warrants are exercisable at $0.49 to purchase one (1) common share of the Company and one-half (1/2) of a common share purchase warrant, with each whole warrant exercisable into a common share at $0.75. The finder warrants are exercisable for a period of two (2) years. The grant date fair value of the finder warrants issued was estimated to be $14,980 using the Black-Scholes valuation model with the following assumptions: market price of $0.43, expected volatility of 87% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.11% and an expected life of two (2) years.

On August 9, 2018, the Company issued 1,052,996 warrants to former warrant holders of Lamêlée (see Note 4 for details). The warrants are exercisable into one (1) common share of the Company at an exercise price of $0.20.

On August 9, 2018, the Company issued 408,163 warrants exercisable at $1.00 into one (1) common share of the Company, as a result of the conversion of the Series A Debentures into units at the conversion price of $0.368 (see Note 11(b)). The warrants issued were measured at a fair value of $23,938 using the Black-Scholes valuation model with the following assumptions: market price of $0.38, expected volatility of 92% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.94% and an expected life of one (1) year.

On December 10, 2018, the Nutritional High Debenture was converted into 4,028,272 units, resulting in the issuance of 2,014,136 warrants exercisable at $0.075 into one (1) common share of the Company. These warrants were measured at a fair value of $59,924 using the Black-Scholes valuation model with the following assumptions: market price of $0.18, expected volatility of 89% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.98% and an expected life of 1.7 year. Upon conversion, the 2,014,136 warrants were exercised into 2,014,136 common shares of the Company for total proceeds of $151,060.

Warrant issuances for the year ended December 31, 2017

On April 20, 2017, in conjunction with the Series A Debentures offering, the Company issued 20,000 broker warrants. Each broker warrant is exercisable into one (1) common share of the Company at $1.00 per share for a period of two (2) years. The broker warrants were valued at $116 by using the Black-Scholes valuation model with the following assumptions: expected volatility of 105%, expected dividend yield of 0%, risk-free interest rate of 1.66% and an expected life of two (2) years.

The following table summarizes information of warrants outstanding as at December 31, 2018:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life**
	#	**$**	**Years**
April 20, 2019	20,000	1.00	0.30
August 9, 2019	408,163	1.00	0.61
December 22, 2019	80,000	0.60	0.98
April 21, 2020	1,052,996	0.20	1.31
August 9, 2020	2,301,873	0.75	1.61
August 9, 2020	78,015	0.49	1.61
August 9, 2020	1,500	0.15	1.61
August 9, 2020	2,625	0.15	1.61
August 16, 2020	2,600,000	0.15	1.63
August 16, 2020	467,000	0.10	1.63
	7,012,172	**0.41**	**1.50**

(Expressed in Canadian Dollars)

15. 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 year ended December 31, 2018 and 2017 were as follows:

	2018	2017
	$	$
Consulting fees	**112,500**	228,285
Professional fees	**66,050**	49,040
Stock-based compensation (Note 13)	**48,402**	59,000
	226,952	336,325

During the year ended December 31, 2018, Chris Carl, the former Chief Executive Officer of the Company charged consulting fees of $15,000 (2017 – $118,500) respectively, for services provided up to the RTO Transaction. As at December 31, 2018, $17,040 (December 31, 2017 – $91,802) owing to the former officer was included in accounts payable and accrued liabilities.

On March 1, 2018, the Company granted 50,000 stock options to Keith Li, the Chief Financial Officer ("CFO") of the Company. The options vested immediately on grant, and the grant date fair value of $1,813 attributable to these options was recorded as stock-based compensation during the year ended December 31, 2018.

On August 16, 2018, the Company appointed Daniel Cohen as its new Chief Executive Officer ("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 year ended December 31, 2018, the Company was charged $45,000 (2017 – $nil) for services provided by the CEO. As at December 31, 2018, $50,850 (December 31, 2017 – $nil) owing to the CEO was included in accounts payable and accrued liabilities.

On September 24, 2018, the Company granted 250,000 stock options to the CEO of the Company (see Note 13). The options vested immediately on grant, and the grant date fair value of $46,588 attributable to these options was recorded as stock-based compensation during the year ended December 31, 2018.

On November 19, 2018, the Company appointed Howard Brass as its Chief Operating Officer ("COO"), and entered into a consulting agreement, providing for consulting services. In consideration for the services provided, the Company agreed to pay a monthly fee of $10,000. During the year ended December 31, 2018, the Company was charged $30,000 (2017 – $nil) for services provided by the COO. As at December 31, 2018, $34,699 (December 31, 2017 – $nil) owing to the COO was included in accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Company incurred professional fees of $66,050 (2017 – $49,040) from Branson Corporate Services Ltd. ("Branson"), where the CFO 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 December 31, 2018, $8,475 (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.

During the year ended December 31, 2018, David Posner, the Chairman of the Company, charged consulting fees of $22,500 (2017 – $109,785) for services provided to the Company. As at December 31, 2018, $103,500 (December 31, 2017 – $88,020) owing to the Chairman was included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Units subscription

In connection with the Concurrent Financing, the CEO 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 a private placement in 2016. The CEO also subscribed 200 units of Unsecured Debentures for the amount of $200,000. The COO also subscribed for 100,000 Concurrent Financing units of the Company.

16. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective tax rate is as follows:

Provision for income tax

	2018	2017
	$	$
Net loss before recovery of income taxes provision:	**(3,885,524)**	(1,155,337)
Expected income tax (recovery) expense	**(1,029,664)**	(306,160)
Difference in foreign tax rates	**(15,467)**	17,080
Tax rate changes and other adjustments	**(45,351)**	(19,820)
Share-based compensation and non-deductible expenses	**572,447**	37,800
Change in tax benefits not recognized	**518,035**	271,100
	-	-

Deferred tax

	2018	2017
	$	$
Deferred Tax Assets		
Non-capital losses carried forward – US	**-**	70
Non-capital losses carried forward – CAD	**6,172**	-
Deferred Tax Liabilities		
Property, plant and equipment	**-**	(70)
Unrealized foreign exchange differences	**(6,172)**	-
Net Deferred Tax Assets	**-**	-

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
	$	$
Share issuance costs	**308,245**	95,730
Non-capital losses carried forward – Canada	**3,996,695**	887,930
Net operating loss – US	**565,567**	350,540
Other temporary differences	**358,856**	11,700

Share issuance and financing costs will be fully amortized by 2022. The remaining deductible temporary differences may be carried forward indefinitely.

(Expressed in Canadian Dollars)

16. INCOME TAXES (continued)

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

	$
2032	97,487
2033	279,077
2034	650,518
2035	569,884
2036	462,702
2037	980,674
2038	1,002,932
	4,043,274

The Company's US net operating losses expire as follows:

	$
2036	49,823
2037	291,752
Indefinite	223,992
	565,567

17. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts 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 December 31, 2018, the Company's capital consisted of a deficit of $490,320 (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.

18. FINANCIAL INSTRUMENTS RISK

Fair value

The carrying amount of cash, other receivables, accounts payables and accrued liabilities on the consolidated statements of financial position approximate fair value due to the relatively short maturity of these financial instruments. The fair value of the derivative liability was estimated based on the assumptions disclosed in Note 11.

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 December 31, 2018, the Company does not have any financial instruments measured at fair value after initial recognition, except for cash included at Level 1 and 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, other receivables and loans receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash, other receivables and loans receivable 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 December 31, 2018, the Company had a cash balance of $155,117 (December 31, 2017 – $499,475) to settle current liabilities of $1,053,756 (December 31, 2017 – $688,663). 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 USD and Euro ("EUR"). As the Company looks to expand into Europe, some of the Company's financial instruments and transactions are denominated in currencies other than the CAD. The results of the Company's operations are subject to currency transaction and translation risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Company's debentures have fixed interest rates. As at December 31, 2018, the Company had no hedging agreements in place with respect to floating interest rates.

19. PROPOSED TRANSACTION

CannabiSendak LTD.

On September 4, 2018, the Company entered into a LOI to acquire 57% of the outstanding equity of CannabiSendak LTD. ("CannabiSendak") (the "CannabiSendak Transaction"), 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, 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 four (4) equal payments of USD $50,000 paid every 45 days, commencing the day of signing the Agreement.

Prior to the above taking place, in accordance with the LOI with CannabisSendak, the Company will make a loan (unsecured) to the existing shareholders of CannabiSendak in the total principal amount of USD $300,000. Aura shall make advances to the shareholders as follows:

(a) USD $100,000 – Within 10 days after signing the term sheet and Aura Loan Note (advanced in 2018);

(b) USD $100,000 – Within 45 days after signing the term sheet and Aura Loan Note (advanced in 2018); and

(c) USD $100,000 – Within 90 days after signing the term sheet and Aura Loan Note (not advanced in 2018).

The loan is due and payable at the earlier of the closing date (defined as the completion of (a) and (b) noted above) and one (1) year from the date of the execution of the term sheet. The shareholders of the loan will have a one-sided option to extend the maturity date for an additional 180 days (option period). The loan is non-interest bearing prior to maturity. The loan will bear interest during the option period (if exercised) at an annual rate of 12% on or after the original maturity date.

As at December 31, 2018, the Company had advanced total loans of $270,360 (USD $200,000) to CannabiSendak shareholders. As the loan is non-interest bearing, the loan was recorded at its fair present value of $241,404. The fair value was determined by using a discount rate of 12%. As at December 31, 2018, the value of the loan was $251,796 and $7,920 was recorded as interest income included in finance costs in the consolidated statements of loss.

As the purpose of the loan noted above are contractual cash flows for the purpose of payments of principal and interest, the loan has been classified as a financial asset measured at amortized cost. The Company deems the ECL insignificant due to the fact that the Company's intentions on repayment of the loan will be to reinvest the proceeds into CannabiSendak. The effective interest rate of the loan is 11%

The CannabiSendak Transaction is subject to final due diligence by the respective parties, execution of a definitive acquisition agreement, receipt of applicable corporate approvals, and other regulatory approval

20. SUBSEQUENT EVENTS

Private placement financings

On January 10, 2019, the Company closed a non-brokered private placement of 11,493,998 units at a price of $0.15 per unit, for gross proceeds of $1,724,100. Each unit is comprised of one (1) common share of the Company and one-half (1/2) of a common share purchase warrant exercisable at $0.25 for a period of 24 months from closing. In connection with the private placement, the Company issued 122,160 finders warrants (each a "Finder's Warrant") and paid cash commissions of $18,324. Each Finder's Warrant is exercisable into one (1) common share of the Company at a price of $0.25 for a period of 24 months from closing.

On January 28, 2019, the Company issued promissory notes (the "Notes") in the principal amount of $600,000, bearing interest at 2% per month and due on March 28, 2019. The funds were lent by three (3) directors and officers of the Company. The maturity date of the Notes was subsequently postponed until fulfillment by the Company of the escrow release conditions of the ensuing Offering.

On February 27, 2019, the Company closed the first tranche of a "best efforts" private placement offering (the "Offering") of 8,726,954 subscription receipts (the "Subscription Receipts") at an issue price of $0.22 (the "Issue Price") per Subscription Receipt, for gross proceeds of $1,919,930. Upon satisfaction by the Company of certain escrow release conditions (the "Conditions"), each Subscription Receipt will entitle the holder to receive, without any further action on the part of the holder or payment of any additional consideration, one (1) unit of the Company consisting of one (1) common share and one-half (1/2) of a warrant, with each warrant exercisable at $0.28 into one (1) common share of the Company for a period of 24 months from the date of satisfaction of the Conditions. The Offering proceeds will be refunded to subscribers in the event the Conditions are not satisfied.

On April 17, 2019, the Company closed the second tranche of the Offering of 12,818,500 Subscription Receipts at the Issue Price, for gross proceeds of $2,820,070 under the same terms as the first tranche of the Offering.

In connection with the Offering, a syndicate of agent (the "Agents") were paid a cash commission equal to 7% of the gross proceeds. 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. A total of 2,321,928 Compensation Options were issued, with each Compensation Option being exercisable to purchase one (1) Subscription Receipt (or its constituent securities), at the Issue Price for a period of 24 months from the date of closing of the Offering.

Share exchange agreement

On April 17, 2019, the Company also entered into a share exchange agreement with FSD Pharma Inc. ("FSD"), a licensed producer under the Cannabis Act (Canada) whereby FSD acquired 13,562,386 common shares of Aura ("Aura Shares") valued at $3 million issued from treasury in exchange for 13,181,019 common shares of FSD ("FSD Shares") issued from treasury (the "Share Exchange") valued at $3 million. In connection to the Share Exchange, 813,743 Compensation Options were issued to the lead agent. The agreement governing the Share Exchange also contains adjustment provisions that depend on the price of the FSD Shares at the end of the applicable statutory hold period.

Options, warrants and convertible debentures

Subsequent to December 31, 2018, 4,000,000 common shares of the Company were issued as a result of the conversion of the Series B Debentures at the conversion at the conversion price of $0.15.

Subsequent to December 31, 2018, 4,125 common shares of the Company were issued as a result of the exercise of 4,125 warrants for total cash of $619. All issued shares were fully paid.

Subsequent to December 31, 2018, 20,000 warrants exercisable at $1.00 expired unexercised.

20. SUBSEQUENT EVENTS (continued)

Options, warrants and convertible debentures (continued)

On January 17, 2019, the Company granted 200,000 options to a director at an exercise price of $0.235, expiring on January 17, 2021. The options vested immediately on grant. The Company also granted 350,000 options to a consultant under the same terms and expiry, of which 200,000 options vested immediately on grant, while the remaining 150,000 options vested on April 17, 2019.

On April 25, 2019, 260,000 common shares of the Company were issued as a result of the exercise of 260,000 options for total cash of $26,000. All issued shares were fully paid.

Acquisition

On January 24, 2019, the Company entered into a binding LOI to acquire 80% of Pharmadrug Production GmbH ("Pharmadrug"), a German pharmaceutical distribution company, for EUR 5,000,000 (the "Acquisition"). The seller, Anquor Pharmaceuticals Ug ("Anquor"), will retain a 20% interest in Pharmadrug. As per the terms of the LOI, the Company will pay for the shares of Pharmadrug as follows:

- An advance of EUR1,000,000 as at January 31, 2019;
- An advance of EUR1,000,000 as at February 28, 2019; and
- An advance of EUR3,000,000 as at May 31, 2019.

On February 27, 2019, Aura entered into a definitive share purchase agreement (the "SPA") with Pharmadrug, which supersedes and replaces the LOI. The total purchase price for the acquisition is EUR 4,600,000. In addition, Aura will advance EUR 400,000 to Pharmadrug as a shareholder loan to assist Pharmadrug to maintain appropriate levels of working capital. The SPA provides that Anquor will be entitled to receive an earn-out payment of EUR 400,000 if the total revenues of the pharmaceutical tender business of Pharmadrug for the 2019 financial year are 90% or more of the total revenues of that business segment for the 2018 financial year. The earn-out, if any, will be due and payable to Anquor on March 1, 2020.

The Company has, to date, paid EUR 2,000,000 of the total purchase price through instalments of EUR 1,000,000 on each of January 31, 2019 and February 28, 2019, which are fully refundable should the transaction not close.

Closing of the Acquisition is subject to satisfaction of customary conditions, including receipt of all required regulatory approvals.