



AURA HEALTH INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

AURA HEALTH INC.

Management's Discussion and Analysis
For the three months ended March 31, 2019

The following Management's Discussion and Analysis ("MD&A") is current to May 29, 2019, and constitutes management's assessment of the factors that affected the financial condition and operating performance of Aura Health Inc. ("Aura", "We" or the "Company") for the three months ended March 31, 2019 ("Q1 2019"). This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended March 31, 2019, as well as the audited consolidated financial statements for the years ended December 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures in this MD&A are reported in Canadian dollars ("\$" or "CAD") unless otherwise stated.

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

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

Business Overview

Aura is focused on building an international network of vertically-integrated cannabis assets, through development of a product line of cannabis-infused edible products and oil extracts. Aura is targeting a potentially high margin downstream business in the legalized medical marijuana sector in Europe.

The Company holds debt convertible into 54% equity of HolyCanna Ltd. ("HolyCanna"), a cultivation and nursery license holder in Israel. It had also acquired 80% of Pharmadrug Production GmbH ("Pharmadrug"), a German medical cannabis and pharmaceutical distributor, as well as a Letter of Intent ("LOI") to purchase 57% of CannabiSendak LTD. ("CannabiSendak"), the builder of a planned network of dispensaries in Israel. See "Recent Developments" and "Outlook and Plans" for more details.

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.

As at May 29, 2019, members of the Company's management team and Board of Directors (the "Board") consists of:

Daniel Cohen	Chief Executive Officer
Keith Li	Chief Financial Officer, Corporate Secretary
Howard Brass	Chief Operating Officer
David Posner	Chairman, Director
Alain Dobkin	Director
Jim Frazier	Director
Paul McClory	Director
Robert Schwartz	Director

Recent Developments

On January 24, 2019, the Company entered into a LOI to acquire 80% of Pharmadrug for EUR 5,000,000 (the "Pharmadrug Acquisition"). Pharmadrug is a cash flow positive company with over 20 years of operating history, and has a Schedule I European Union narcotics licence that allows the business to distribute medical cannabis to pharmacies

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in Germany and the rest of the Eurozone. The seller, Anquor Pharmaceuticals Ug ("Anquor"), will retain a 20% interest in Pharmadrug.

On February 27, 2019, the Company entered into a definitive share purchase agreement (the "SPA") with Pharmadrug, and on May 17, Aura closed the Pharmadrug Acquisition.

On March 26, 2019, Alain Dobkin was appointed to the Board as Chris Carl resigned as Director, President and Corporate Secretary of the Company. Mr. Dobkin has over 20 years of experiences, notably in investment banking, strategic mergers and acquisitions, and equity and debt capital raising transactions from both public and private markets globally. On the same day, Keith Li was appointed as Corporate Secretary of the Company.

On April 17, 2019, the Company entered into a share exchange agreement (the "Share Exchange") 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.

In connection with the Share Exchange, Pharmadrug has entered into a supply agreement and a consulting agreement with FSD, whereas Pharmadrug has agreed to assist FSD with obtaining euGMP certification at the existing licensed facility of FSD. Pharmadrug has also entered into a five-year supply agreement with FSD whereby, upon proper euGMP certification, Pharmadrug will commit to purchase an aggregate of 1,000 kilograms of Canadian produced cannabis product from FSD in the first two (2) years of the term and then 1,000 kilograms in each year thereafter at a firm price of \$7.00 per gram FOB Germany in the first year and then \$7.00 per gram FOB Germany thereafter (subject to downward adjustment should market exigencies dictate), provided that the product is saleable in the German market.

On April 30, 2019, the Company, through Green Global, entered into a definitive purchase and sale agreement (the "Purchase Sale Agreement") with Empower Healthcare Assets Inc. ("Empower"), a wholly-owned subsidiary of Empower Clinics Inc., pursuant to which Empower acquired Aura's 30% interest in the Sun Valley Clinics. In consideration, Green Global received a promissory note issued by Empower in the principal amount of USD \$125,000 (the "Promissory Note"). The Promissory Note bears interest at a rate of 4% per annum, matures on July 31, 2019.

While management spent the better part of Q1 2019 committing capital and human resources to the Pharmadrug project in Germany, we are now actively starting the Israeli operations. The new medical cannabis regime in Israel is currently being rolled out, which will add new patients as well as the export law over time. Given the unknown timing of the new regime, we have worked with our partners HolyCanna to delay ground-breaking. We are now currently preparing the land to break ground to build 60,000 square feet of greenhouse space with the first phase of construction to begin in short order. For CannabiSendak, we are in the final stages of discussion to close the definitive agreement to acquire 57% of that business.

Financing Developments

On January 10, 2019, the Company closed a non-brokered private placement (the "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.

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

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of the Company. The maturity date of the Notes was subsequently postponed until fulfillment by the Company of the Escrow Release Conditions pursuant to the Offering of subscription receipts.

On February 27, 2019, the Company closed the first tranche ("Tranche 1") of the Offering of 8,726,954 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, 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 Escrow Release Conditions

On April 17, 2019, the Company closed the second tranche ("Tranche 2") 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 conjunction of the Share Exchange, the Company had secured a \$3 million bridge facility (the "Bridge Facility") from a private lender (the "Lender"). The proceeds from the Bridge Facility were used to close the Pharmadrug Acquisition. The Bridge Facility will bear interest at a rate of 18% per annum and mature on September 24, 2019. In connection with the Bridge Facility, the Company: (i) entered into a general security agreement with the Lender, (ii) granted the Lender exclusive control over the FSD Shares; and (iii) granted the Lender a power of attorney or trading authority in respect of the FSD Shares.

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.

Outlook and Plans

Aura's mission is to build a leading vertically-integrated medical cannabis company with a focus on the European and Israeli markets. Since completion of the RTO Transaction in August 2018, we have very quickly been executing on our plan.

Israel

We believe that Israel will be a medical cannabis jurisdiction that will continue to garner attention from capital markets in 2019 and beyond. First, we believe the nation is a natural global hub for medical cannabis. Israel is a pioneer of modern medical cannabis, a global centre for cannabis R&D, and boasts one of the highest consumption rates per capita. Second, in January of 2019, Israel became the third country globally to approve the export of medical cannabis, after the Netherlands and Canada.

Aura has a first-mover advantage with two (2) Israeli assets which we plan on advancing in 2019. The first business is HolyCanna, a cultivation and nursery licence holder, of which Aura holds convertible debt that will convert into 54% equity in the event Israeli regulatory approval is obtained. HolyCanna is a project to build an IMC GAP cannabis cultivation [facility/operation] 45 minutes north of Tel Aviv in Netanya. The first phase will be approximately 60,000 square feet of greenhouse, with more than 300,000 square feet of additional space available to us. Management has acquired the construction and operational expertise needed; we plan on breaking ground in the second quarter of 2019, with first production scheduled for 2020.

The second asset is an LOI to acquire 57% of CannabiSendak, the builder of a planned network of high-profile dispensaries in Israel. CannabiSendak leverages the experience and profile of Shlomi Sendak, a well-known Israeli medical cannabis activist who assisted nearly one-third of Israeli prescription holders in the process of obtaining their patient cards. We plan to build and open the first clinic in Tel Aviv by the September of 2019 and the first full-service dispensary and club by the end of the fourth quarter of 2019. The dispensary plans to sell Sendak-branded medical cannabis supplied exclusively by HolyCanna, once it begins commercial cultivation.

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We believe that our assets in Israel will unlock significant value for Aura as capital markets begin paying more attention to the country, as we get closer to cannabis production at HolyCanna, and with the opening of our first clinic/dispensary for CannabiSendak.

Europe

Management's thesis is that the European medical cannabis market will soon command significant attention. Europe is home to more than 740 million people, a population which is more than double that of the US and Canada combined. Industry analysts expect Europe to be one of the largest consumers of medical cannabis around the world.

Similar to the initiatives in Israel, management believes Aura is early to the medical cannabis game in Europe. The Acquisition of Pharmadrug, a German EU-GMP-approved pharmaceutical distribution company, makes Aura a player in the European medical cannabis market overnight once that transaction closes. Pharmadrug holds one (1) of less than dozen (12) coveted German class one narcotics licenses that is permitted the business to import and distribute medical cannabis throughout legalized areas in the European Union. Pharmadrug has received its first cannabis shipment and has begun deliveries to pharmacies in Germany.

The Company believes it will have a strategic advantage with Pharmadrug as it will be able to access significant quantities of cannabis from both Israel and Canada. Management is well-connected to the cannabis industry in Canada and already in talks with several players for supply agreements. In Israel, Aura will eventually be able to export our own cannabis production from HolyCanna as well as from other producers.

Other Initiatives

We are also actively seeking to establish a medical grade extraction and manufacturing facility in Europe. Aura signed a LOI with NHII in October 2018 to utilize NHII's cryo-ethanol extraction process and other operational expertise. This will enable Aura to set up facilities to produce high-quality oils and end products ranging from vapes to chocolates and chewable tablets. The partnership will take the form of a joint venture and final economics will be determined on a project by project basis.

While the Company continues to own a 30% interest in four (4) medical marijuana clinics in the US (the "Sun Valley Clinics"), management is actively seeking to divest its interest in the Sun Valley Clinics in order to develop and expand its activities into Israel, Europe, and neighbouring markets.

Canadian Companies with U.S. Marijuana-Related Assets

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

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the US; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the Staff Notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

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

Compliance with Applicable State Laws in the US

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

Nature of Investments with US Cannabis-Related Activities

Sun Valley Certification Clinics Holdings, LLC

On November 11, 2016, the Company through its wholly-owned subsidiary in the US, Green Global Properties Inc. ("Green Global"), entered into a Purchase Option Agreement with Sun Valley Certification Clinics Holdings, LLC ("Sun Valley"), a private company based in Phoenix, Arizona, whereby Green Global has the option to acquire a 30% interest in each of the next ten (10) 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

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(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.

US Cannabis Regulatory Overview

US Federal Law

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

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

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

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

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

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

On January 4, 2018, the Cole Memo was rescinded by a one-page memo signed by Attorney General Sessions (the "Sessions Memo"). It is the Company's opinion that the Sessions Memo does not represent a significant policy shift as it does not alter the DOJ's discretion or ability to enforce federal marijuana laws; rather it just provides additional latitude to the DOJ to potentially prosecute state-legal marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memo as being an enforcement priority. The result of the rescission of the Cole Memo is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

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

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

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

On March 22, 2018, the House of Representatives and Senate voted in favor of approving the Omnibus Spending Bill (the "Bill") and it was signed into law the following day by President Donald Trump. With the Bill's approval comes an extension of Rohrabacher-Leahy Amendment (as defined herein) until September 2018, which is represented by Section 538 of the Bill. Rohrabacher-Leahy Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the

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use, distribution, possession, or cultivation of medical marijuana. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use marijuana. On April 13, 2018, the Washington Post reported that President Trump and Colorado Senator Cory Gardner reached an understanding that the marijuana industry in Colorado will not be the subject of interference from the federal government and that the DOJ's recession of the Cole Memo will not impact Colorado's legal marijuana industry. Furthermore, President Trump provided assurances that he will support a federalism-based legislative solution to fix the issue of states' rights to regulate cannabis. The Company is pleased to see reports that President Trump has promised top Senate Republicans that he will support congressional efforts to protect states that have legalized marijuana. The Company is cautiously optimistic that this represents a clear and positive sign that the industry is shifting towards a climate where cannabis users and business can participate in the industry without fear of interference from the federal government.

On November 7, 2018, Attorney General Sessions resigned after the US Mid-Term Elections, both of which would potentially impact the US cannabis industry. From the Mid-Term Elections, US voters delivered a split verdict for Congress, as the Democrats secured a majority in the House of Representatives (the "House") while the Republicans expanded their majority in the Senate. With the Democrats taking back control of the House, it may prove to be a catalyst for the sector to reinforce the notion that cannabis in the US has the tipping point on its way to eventual full legal status. While pro-cannabis legislation would still require passing the Senate and the Executive Branch, the path to legalization seems to have opened up with Mr. Sessions's departure. With divided congressional power, there will be opportunity for bi-partisanship on a number of issues including the Strengthening the Tenth Amendment Through Entrusting States Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bi-partisan efforts initiated by Senator Gardner together with Massachusetts Senator Elizabeth Warren. Senator Warren won re-election which ensures she will push the change to federal law regarding cannabis. In addition, constituents of Michigan voted to legalize recreational marijuana, making Michigan the first state in the Midwest to do so and the 10th in the US overall demonstrating growing sentiment amongst Americans towards legalization. Voters in Missouri and Utah approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

On December 20, 2018, the 2018 Farm Bill was signed by President Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the FCSA. Prior to its enactment, the 2014 Farm Bill allowed Industrial Hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. The Statement of Principles published by the USDA, the DEA and the FDA in 2016 confirmed that state departments of agriculture, and persons licensed, registered, or otherwise authorized by them to conduct research under an agricultural pilot program in accordance with the 2014 Farm Bill, or persons employed by or under a production contract or lease with them to conduct such research, may grow or cultivate Industrial Hemp as part of the agricultural pilot program.

Although Jeff Sessions has been replaced by President Trump with William Barr, there is still very little clarity as to how President Trump, or Attorney General Barr, will enforce federal law or how they will deal with states that have legalized medical or recreational marijuana. There is no guarantee that the current presidential administration will not change its stated policy regarding the low-priority enforcement of US federal laws regarding cannabis that conflict with State laws. Additionally, any new US federal government administration that follows could change this policy and decide to enforce the US federal law vigorously. **Any such change in the US federal government's enforcement of current US federal law in regards to cannabis could cause adverse financial impact, and remains a significant risk to the Company and the Sun Valley Clinics' businesses, which could in turn have an impact on the Company's operations.** See "Risk Factors".

US Enforcement Proceedings

The US Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 ("Rohrabacher-Blumenauer Amendment"), which by its terms does not appropriate any federal funds to the DOJ for

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the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memo on January 4, 2018, the US Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the "Rohrabacher-Leahy Amendment") and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up to and through the 2018 appropriations deadline of September 30, 2018, subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with a key amendment intact (Section 538) (the "Joyce Amendment"). As it stands, the Joyce Amendment will provide the medical marijuana industry with protection against federal prosecution until September 30, 2019.

American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of federal law. If Congress restores funding, the US Federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA's five-year statute of limitations.

State-Level Overview

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

Arizona

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

In order for an applicant to receive a Dispensary Registration Certificate (a "Certificate") they must: (i) fill out an application proscribed by the ADHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felons, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Rules to ensure that the dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the dispensary. Certificates are renewed annually so long as the dispensary is in good standing with the ADHS and pays the renewal fee and submits an independent third party financial audit.

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

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

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Following the issuance of the Sessions Memo, no public comments have been made by the Office of the Attorney General in Arizona. However, in October 2018, Attorney General Mark Brnovich withdrew his office's argument to the Arizona Supreme Court to declare hashish and extracts of marijuana illegal in all situations under the state's medical marijuana law, fearing unintended consequences for patients.

On May 8, 2019, Attorney General Brnovich, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies. To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Arizona.

Florida

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

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

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

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

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

While residents of Florida overwhelmingly voted in favor of a constitutional amendment to allow medical marijuana in 2016, then Governor Rick Scott signed a law in 2017 that banned marijuana smoking in all forms. The ban was overturned on March 18, 2019, when Governor Ron DeSantis signed legislation to repeal it. Shortly after Governor DeSantis took office in January 2018, he called on the Florida legislature to send a bill to his desk that would legalize medical marijuana. The newly enacted law allows patients to receive 2.5 ounces of whole flower cannabis every 35 days. Patients younger than 18 can smoke medical marijuana if they have a terminal condition and get a second opinion from a pediatrician.

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Legalizing recreational marijuana in Florida will likely be on the ballot in upcoming elections, according to Florida Senator Jeff Brandes, who co-sponsored the medical marijuana legislation back in 2016. "I think the likelihood that it passes is pretty good in 2022 or 2024, and we should prepare for its passage" said Senator Brandes.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

Nevada

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

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

Licensing and operations requirements for production and distribution of medical marijuana are set out in NRS 435A. Each medical marijuana establishment must register with the NDT and apply for a medical marijuana establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony conviction or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, owner, officer and board member of a medical marijuana establishment must be registered with the NDT as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products must be pre-approved by the NDT.

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

- (1) The total financial resources of the applicant, both liquid and illiquid;
- (2) The previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non-profit organizations;
- (3) The educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;
- (4) Any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;
- (5) Whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;
- (6) The likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;

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- (7) The adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;
- (8) Whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;
- (9) The amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and
- (10) Any other criteria of merit that the Division determines to be relevant.

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

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

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

Administration of the regular retail program in Nevada will be governed by permanent regulations, currently being drafted by the NDT. The NDT has been conducting public consultation and receiving public comments on the Revised Proposed Adult-Use Marijuana Regulation (LCB File No. R092-17) dated December 13, 2017 (the "Nevada Adult-Use Regulation"). As of April 30, 2019, the Nevada Adult-Use Regulation has not been adopted by the NDT and the NDT is not seeking applications for adult-use marijuana or medical marijuana registration certificates.

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

In the November 2018 election, Nevada elected a new governor, Steve Sisolak, and a new Attorney General, Aaron Ford. Both have historically been supportive of Nevada's marijuana industry and allowing it to grow in a healthy, regulated market in the state. They began their four-year terms of office at the beginning of January 2019.

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To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

Assets Held for Sale

In October 2018, management had approved the sale of its 30% interest in the Sun Valley Clinics, which operate four (4) Clinics in the States of Nevada, Arizona and Florida, in the US. 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 March 31, 2019, the investments in the Sun Valley Clinics were classified as held for sale on the unaudited condensed interim consolidated statements of financial position.

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. 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, in accordance to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

As at March 31, 2019, the assets classified as held for sale were measured at a fair value less of costs to sell of \$160,181 (December 31, 2018 – \$163,525). On April 30, 2019, the Company completed the sale of the Clinics.

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 audited consolidated financial statements as a continuation of the financial statements of Aura Health Corp., together with a deemed issuance of shares equivalent to the shares held by the former shareholders of Lamêlée.

Details of the RTO Transaction are presented as follows:

Purchase Price Consideration Paid	
	\$
Fair value of common shares issued ⁽ⁱ⁾	1,497,083
Fair values of options issued ⁽ⁱⁱ⁾	-
Fair value of warrants issued ⁽ⁱⁱⁱ⁾	238,606
	1,735,689
Net Identifiable Assets Acquired	
	\$
Cash	190,901
Sales tax receivable	19,122
Accounts payable 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)	
Total RTO acquisition costs	2,142,633

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

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

Overall Performance

Selected Financial Information

The Company's selected financial information as at the end of the reporting period and for the three (3) most recently completed financial years ended December 31, derived from the Company's audited consolidated financial statements and the related notes prepared in accordance with IFRS, are summarized as follows:

	As at and for the year ended December 31, 2018	As at and for the year ended December 31, 2017	For period from incorporation (November 8, 2016) to December 31, 2016
	\$	\$	\$
Operating expenses	(950,525)	(795,257)	(181,447)
Reverse takeover acquisition costs	(2,142,633)	-	-
Other expenses	(418,991)	(116,357)	(7,781)
Net loss from continuing operations	(3,512,149)	(911,614)	(209,143)
Net loss on discontinued operations	(373,375)	(243,726)	-
Net loss and comprehensive loss	(3,941,780)	(1,151,323)	(209,143)
Total assets	1,062,312	936,873	687,039
Total liabilities	1,552,632	1,579,422	271,537
Shareholders' (deficiency) equity	(490,320)	(642,549)	415,502

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Selected Quarterly Financial Results

Selected financial information for the previous eight quarters as follows:

	Q1 2019	Q4 2018	Q3 2018	Q2 2018
	\$	\$	\$	\$
Operating expenses	(578,273)	(439,165)	(355,250)	(133,142)
Other expenses	(291,506)	(92,085)	(2,298,219)	(84,237)
Net loss	(869,779)	(677,885)	(2,880,209)	(217,379)
Loss per share – basic and diluted	(0.02)	(0.10)	(0.16)	(0.01)

	Q1 2018	Q4 2017	Q4 2017	Q3 2017
	\$	\$	\$	\$
Operating expenses	(24,871)	(197,100)	(197,100)	(183,541)
Other expenses	(87,083)	(51,971)	(51,971)	(159,997)
Net loss	(111,864)	(301,986)	(301,986)	(343,538)
Loss per share – basic and diluted	(0.01)	(0.02)	(0.02)	(0.02)

Financial Results for the Three Months ended March 31, 2019

Results of Operations

During Q1 2019, the Company incurred total operating expenses of \$578,273, as compared to \$24,871 for Q1 2018. The substantial increase in operating expenses is primarily attributable to management and consulting fees of \$195,000 (Q1 2018 – \$nil) for services provided by the new management team, professional fees of \$184,091 (Q1 2018 – \$22,700) incurred primarily to legal costs on the various transactions that the Company had been taking initiatives on, and travel and promotion expenses of \$124,600 (Q1 2018 – \$nil) due to marketing efforts to promote the Company as a public company and for its projects to acquire certain Israeli and German cannabis assets.

During Q1 2019, finance costs, comprising interest and accretion on the convertible debentures and promissory notes, totaled \$39,111 (Q1 2018 – \$49,180). The conversion feature and the warrants component of the convertible debentures were accounted for as derivative liabilities as their fair value is affected by changes in the fair value of the Company's shares. The fair value change of the derivative liabilities resulted in a loss of \$222,043 (Q1 2018 – gain of \$3,650), as the fair value of the derivative liability on the remaining Series B unsecured debentures issued on December 22, 2017 (the "Series B Debentures") increased during the current quarter.

Net loss for the three months ended March 31, 2019 was \$869,779 (loss of \$0.024 and \$nil per share on a basic and diluted basis), as compared to \$111,864 (loss of \$0.003 and \$0.003 per share) for Q1 2018.

Cash Flows

Net cash used in operating activities in Q1 2019 was \$465,448, as compared to cash flows used in operating activities of \$98,630 in Q1 2018. Substantially more cash was spent on operations during the current period, as the Company had been driving toward for an expansion for the European expansion. The increased in spending aligns with the Company's renewed focus for the cannabis market in Israel and the Eurozone. In contrast, the Company was fairly inactive in the comparative period, aside from getting setup for the listing activities which picked up steam toward the second fiscal quarter of 2018.

Net cash provided from financing activities for Q1 2019 was \$4,084,253, comprised of gross proceeds of \$1,724,100 raised from the \$0.15 round of financing which closed on January 10, 2018, and proceeds of \$1,919,900 raised from the Offering of Subscription Receipts which closed on February 27, 2019. The Company also received advances of \$600,000 from three (3) of its officers and directors in the form of promissory notes. In Q1 2018, the Company did not undertake any financing activities.

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Net cash used in investing activities was \$3,193,710 for Q1 2019 (Q1 2018 - \$nil). The use of funds was primarily attributed to advances made for the CannabiSendak investment. The Company also advanced \$3,060,100 to Pharmadrug under the terms of the Acquisition, which closed subsequent to the current quarter.

Working Capital and Liquidity Outlook

The Company's objective when managing its liquidity and capital resources is to maintain sufficient liquidity to support financial obligations when they come due, while executing operating and strategic plans. The Company manages liquidity risk by monitoring its operating requirements and preparing budgets and cash flow forecast to identify cash flow needs for general corporate and working capital purposes, as well as for expansion initiatives.

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

As at March 31, 2019, the Company had current assets of \$1,081,522 (December 31, 2018 – \$528,109), including cash of \$600,471 (December 31, 2018 – \$155,117) to settle current liabilities of \$1,391,396 (December 31, 2018 – \$1,053,756), for a working capital deficiency of \$309,874 (December 31, 2018 – working capital deficiency of \$525,647).

For more information on key cash flows related to operations, investing and financing activities during the year, refer to the "Financial Results" discussion in the previous section.

In assessing whether sufficient funds will be on hand, Management took into consideration all relevant information available about the future, which was at least, but not limited to, the 12-month period following March 31, 2019. Subsequent to March 31, 2019:

- The Company closed Tranche 2 of the Offering of 12,818,500 Subscription Receipts for gross proceeds of \$2,820,070; and
- The Company secured the Bridge Facility for \$3,000,000.

Management has been actively monitoring cash forecasts and managing performance against its forecasts. As such, it believes there is sufficient capital in order to meet short-term business obligations, after taking into consideration cash flow requirements from operations and the Company's cash position at year-end.

Capital expenditures

The Company's major capital expenditures during the three months ended March 31, 2019 consisted of the new advances to CannabiSendak, and the initial deposits for the Pharmadrug Acquisition. Our recent financing for \$7.72 million was used to pay for the balance of the Pharmadrug Acquisition for which Aura financed through the Subscription Receipt Offering, the Share Exchange and the Bridge Facility. The Company plans to pay back the Bridge Loan with the proceeds of the FSD Share Exchange once the 4-month hold comes off. The Share Exchange agreement has a downside price protection provision should the shares decline in value at the end of the 4-month hold period.

There is sufficient capital to meet short-term business obligations, including the initial stages of HolyCanna's greenhouse grow facility. We expect to raise additional capital this year to fund the balance of our Israeli operations and future working capital. More specifically, Aura plans to complete CannabiSendak in the fourth quarter of 2019 and HolyCanna in the first half of 2020.

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Proposed Transactions

As previously discussed, Aura is actively involved in transactions which we will again highlight here. For CannabiSendak, management believes we are close to finalizing a definitive agreement to close the 57% interest in that business.

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 three months ended March 31, 2019 and 2018 were as follows:

	2019	2018
	\$	\$
Consulting fees	75,000	-
Professional fees	22,500	12,000
Stock-based compensation	16,421	1,813
	113,921	336,325

On August 16, 2018, the Company appointed Daniel Cohen as its 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 three months ended March 31, 2019, the Company was charged \$30,000 (2018 – \$nil) for services provided by the CEO. As at March 31, 2019, \$51,836 (December 31, 2018 – \$50,850) owing to the CEO was included in accounts payable and accrued liabilities.

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 three months ended March 31, 2019, the Company was charged \$30,000 (2018 – \$nil) for services provided by the COO. As at March 31, 2019, \$33,900 (December 31, 2018 – \$34,699) owing to the COO was included in accounts payable and accrued liabilities.

During the three months ended March 31, 2019, the Company incurred professional fees of \$22,500 (2018 – \$12,000) from Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Chief Financial Officer ("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 March 31, 2019, a \$nil no balance was owed to Branson (December 31, 2018 – \$8,475 was included in accounts payable and accrued liabilities), and a balance \$6,356 (December 31, 2018 – \$6,356) was included in shares to be issued to settle with Branson.

During the three months ended March 31, 2019, David Posner, the Chairman of the Company, charged consulting fees of \$15,000 (2018 – \$nil) for services provided to the Company. As at March 31, 2019, \$81,000 (December 31, 2018 – \$103,500) owing to the Chairman was included in accounts payable and accrued liabilities.

On January 17, 2019, the Company granted 200,000 options to Joel Freudman, a director of the Company. The options vested immediately on grant, and the grant date fair value of \$16,421 attributable to these options was recorded as stock-based compensation during the three months ended March 31, 2019.

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On March 1, 2018, the Company granted 50,000 stock options to the CFO. 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 three months ended March 31, 2018.

Units subscription

During the three months ended March 31, 2019, the CEO had subscribed for 400,000 units at a price of \$0.15 per unit from the Private Placement, and 500,000 Subscription Receipts at an Issue Price of \$0.22 from Tranche I of the Offering. He also holds title to 350,000 units of the Company subscribed in prior years.

During the three months ended March 31, 2019, the COO had subscribed for 100,000 units at a price of \$0.15 per unit from the Private Placement. He also holds title to 100,000 units of the Company subscribed in prior years.

Notes payable

On January 28, 2019, the CEO, the COO and the Chairman of the Company had each advanced \$200,000 in the form of promissory notes.

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board 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 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 loss and accumulated deficit. As at March 31, 2019, the Company's capital consisted of an equity of \$2,717,294 (December 31, 2018 – deficit of \$490,320).

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

The Company is not subject to externally imposed capital requirements.

Financial Instruments Risk

Fair value

The carrying amount of cash, other receivables, accounts payables and accrued liabilities on the audited 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 13 of the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019.

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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 March 31, 2019, 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 and other receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities.

As at March 31, 2019, the Company had a cash balance of \$600,471 (December 31, 2018 – \$155,117) to settle current liabilities of \$1,391,396 (December 31, 2018 – \$1,053,756). 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 March 31, 2019, the Company had no hedging agreements in place with respect to floating interest rates.

Significant Accounting Judgments and Estimates

The preparation of the Company's unaudited condensed interim 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

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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 judgment 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.

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 unaudited condensed interim 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.

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Investment in associates

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 unaudited condensed interim 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.

Summary of Significant Accounting Policies

The accounting policies applied in the unaudited condensed interim consolidated financial statements of the Company are the same as those applied by the Company in its audited consolidated financial statements as at and for the year ended December 31, 2018. For a summary of significant accounting policies adopted by the Company, please refer to Note 3 of Aura's audited financial statements for the year ended December 31, 2018.

Adoption of New Accounting Standards

The Company adopted the following new standards, effective January 1, 2019. The changes and amendments were made in accordance with the applicable transitional provisions. On adoption of the new standard and amendment, the Company had assessed that there was no material impact on the Company's unaudited condensed interim consolidated financial statements:

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.

Recent Accounting Pronouncements

At the date of authorization of the Company's unaudited condensed interim consolidated financial statements, the IASB and IFRS Interpretations Committee have issued the following new and revised Standards and Interpretations which are effective for annual periods beginning on or after January 1, 2020:

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IAS I – Presentation of Financial Statements (“IAS I”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS I and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

Off-Balance Sheet Arrangements

As at March 31, 2019 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

Private placement financings

On April 17, 2019, the Company closed Tranche 2 of the Offering of 12,818,500 Subscription Receipts, for gross proceeds of \$2,820,070 under the same terms as Tranche 1 of the Offering. Upon satisfaction by the Company of certain Escrow Release 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 Escrow Release Conditions.

On May 17, 2019, the Company satisfied all Escrow Release Conditions pursuant to the Offering of Subscription Receipts, on closing of the Pharmadrug Acquisition.

Share exchange agreement

On April 17, 2019, the Company entered into the Share Exchange with FSD, whereby FSD acquired 13,562,386 Aura Shares valued at \$3 million issued from treasury in exchange for 13,181,019 FSD Shares issued from treasury 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.

In conjunction of the Share Exchange, the Company had secured a \$3 million Bridge Facility from the Lender. The proceeds from the Bridge Facility were used to close the Pharmadrug Acquisition. The Bridge Facility will bear interest at a rate of 18% per annum and mature on September 24, 2019. In connection with the Bridge Facility, the Company: (i) entered into a general security agreement with the Lender, (ii) granted the Lender exclusive control over the FSD Shares; and (iii) granted the Lender a power of attorney or trading authority in respect of the FSD Shares.

Sun Valley Clinics

On April 30, 2019, the Company, through Green Global, entered into the “Purchase Sale Agreement with Empower, a Delaware corporation and wholly-owned subsidiary of Empower Clinics Inc., pursuant to which Empower acquired Aura’s 30% interest in the Sun Valley Clinics. In consideration, Green Global received a Promissory Note issued by Empower in the principal amount of USD \$125,000. The Promissory Note bears interest at a rate of 4% per annum, matures on July 31, 2019 and may be prepaid at any time, in whole or in part, without penalty or premium.

Closing of Pharmadrug Acquisition

On May 17, 2019, the Company closed the Pharmadrug Acquisition total consideration of EUR 5,000,000. On closing of the Acquisition, the Company assumed control of Pharmadrug through an 80% equity interest in the entity.

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Options, warrants and convertible debentures

On April 20, 2019, 20,000 warrants exercisable at \$1.00 expired unexercised.

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.

On April 29, 2019, 2,000,000 common shares of the Company were issued as a result of the conversion of the remaining principal of \$300,000 of the Series B Debentures at the conversion price of \$0.15.

Disclosure of Outstanding Share Data as of May 29, 2019

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited number of common shares	83,002,274 common shares
Securities convertible or exercisable into voting or equity		a) 25,701,861 warrants exercisable to acquire common shares of the Company; and b) 2,540,000 outstanding stock options, of which 2,365,000 stock options are exercisable into common shares of the Company.

Risk Factors

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

Limited operating history in cannabis industry

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

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

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

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Immediate need for additional financing

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

Non-compliance with cannabis laws and regulations

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

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

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

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

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

Regulatory approvals and permits

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

Marijuana regulations

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

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

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

US Federal laws render cannabis illegal

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

Violations of any US federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Sun Valley Clinics, and as a result on the Company, including their reputation and ability to conduct business, their financial position, operating results, profitability or

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liquidity. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Israeli cannabis export framework not yet in place

The government of Israel passed the law allowing the export of medical cannabis on January 27, 2019. That being said, the framework has yet to be introduced and the process may take some time. As such, it is unclear when exports will begin to happen and which companies will have the right to do so. If HolyCanna succeeds in growing cannabis at a mass scale and subsequently cannot export the cannabis it eventually will produce, it may be materially adversely affected by factors such as over-supply in the domestic Israeli market, competitive pressures on prices, and inability to secure enough domestic buyers for its cannabis. Any of these factors or others could have a material adverse impact on the Company's investments in HolyCanna and/or CannabiSendak.

Pharmadrug

Management highlights several possible risks to the acquisition of the 80% interest in the Pharmadrug business. To begin, Germany is a country to which management has not operated in before. While the Company has sufficient resources on the ground and management will spend adequate time on site to help grow the business, Pharmadrug is located on a different continent. In addition, the Company is in the early stages of the medical cannabis industry in Germany. There are other associated risks such as a lack of demand, changes to the regulatory environment, competitive factors, the ability for Pharmadrug to import product into the country, the eventual production of medical cannabis domestically, amongst others.

Risks associated with increasing competition

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

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

US tax issues

US federal prohibitions on the sale of marijuana may result in the Sun Valley Clinics not being able to deduct certain costs from their revenue for US federal taxation purposes if the Internal Revenue Service ("IRS") determines that revenue sources of any Clinic are generated from activities which are not permitted under US federal law. Section 280E of the Internal Revenue Code of 1986 prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the FCSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the US that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While

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there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

Reliance on management

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

Uninsurable risks

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

Other marijuana-related risks

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

- threats posed by illegal drug dealers, seeking to compete with legal marijuana businesses; and
- potential imposition of rules and regulations by the US Food and Drug Administration or any Israeli regulatory authority relating to cannabis manufacturing, cultivation, distribution, and other related business activities.

Volatile global financial market and economic conditions

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

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

Management of growth

Due to its early stage of development, Aura may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its personnel base. The inability of the Company to deal with this growth may have an adverse effect on the Company's business, financial condition, results of operations and prospects.

No dividends

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

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Foreign currency exchange rates

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

Limited market for securities

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

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

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

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

Ability to access public and private capital

The Company has historically, and continues to have, access to both public and private capital in Canada in order to support its continuing operations. Since the Company started making investments in the Sun Valley Clinics, it has completed private placement financings, including the December 2016 private placement offering which raised \$655,000 of capital, and the Concurrent Financing which raised \$1.12 million, in addition to a number of financing initiatives completed subsequent to the 2018 year-end. Although the Company has accessed private financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants, given that marijuana is illegal under US federal law. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company has never needed to access public equity capital in the US.

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

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

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

Disclosure of Internal Controls over Financial Reporting

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

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

Cautionary Note Regarding Forward-Looking Statements

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

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

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Management's Discussion and Analysis

For the three months ended March 31, 2019

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

Management's Responsibility for Financial Information

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

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

May 29, 2019

Daniel Cohen
Chief Executive Officer