AURA HEALTH INC.

Form 51-102F4
Business Acquisition Report

Item 1 Identity of Company

1.1 Name and Address of Company

Aura Health Inc. (the "Company")
77 King Street West, Suite 2905, Toronto, Ontario M5K 1H1.

1.2 Executive Officer

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

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

Pharmadrug Production GmbH ("Pharmadrug") is German pharmaceutical distribution company with over 20 years of operating history and a Schedule I European Union narcotics license allowing for the distribution of medical cannabis to pharmacies in Germany and throughout the Eurozone as markets become legalized. Pharmadrug has supply relationship in place with The Netherlands Office of Medical Cannabis, A supply agreement with a Canadian Licensed Producer, and is currently supplying medical cannabis to pharmacies in Germany.

2.2 Acquisition Date

May 17, 2019.

2.3 Consideration

The Company acquired 80% of Pharmadrug Production for 4.6 million Euros. In addition, the Company advanced a EUR 400,000 shareholder loan to Pharmadrug to maintain appropriate levels of working capital. The definitive agreement and subsequent reps and warranties called for the acquisition to have Pharmadrug with no debt and positive working capital upon closing.

The definitive agreement also called for the seller to receive a EUR 400,000 earn-out payment if the total revenues of the pharmaceutical tender business of Pharmadrug in 2019 are 90% or more of that business segment in 2018.

As discussed in the next section and first announced in the press release dated June 5, 2019, the Company has ended its legacy business. As a result, it will not be subject to the earn-out payment.

The purchase was financed via a private placement of subscription receipts as well as an equity share exchange with FSD Pharma Inc. ("FSD") (see press release dated April 17, 2019). The subscription receipts raised $4,740,000 at a price of 22 cents per subscription receipt with a half warrant at 28 cents for 2 years. The share exchange with FSD was valued at $3 million. In the exchange, FSD acquired 13,562,386 shares issued from the Company's treasury in exchange for 13,181,019 FSD shares issued from FSD treasury. Given that FSD shares were issued on a private placement basis, the Company secured a bridge facility to cover the statutory hold of the FSD shares. As a party to the exchange, FSD agreed to a “make whole” payment to the Company immediately following the end of the applicable statutory hold period for the FSD shares.

2.4 Effect on Financial Position

The Company has decided to end Pharmadrug’s legacy business (see press release date June 5, 2019). Pharmadrug operated a mildly profitable business of exporting and sourcing pharmaceuticals for health ministries in Gulf States and African Nations. While the business did generate a modest profit, the business was not very consistent due to the lengthy tender processes and required a large amount of working capital. Furthermore, management was no longer confident the business would remain profitable. The Company's management and its board decided that it would make more sense to focus solely on the cannabis business.

As a result, the Company will not have to pay the EUR 400,000 potential earn-out payment referenced above. The closing of the business is not expected to cost the Company any money. Management is also confident the EUR 400,000 working capital loan will suffice to carry Pharmadrug to profitability.

2.5 Prior Valuations

No valuation required by securities legislation or a Canadian exchange or market to support the consideration paid in connection with the acquisition has been obtained within the last 12 months.

2.6 Parties to Transaction

The acquisition was not with any "informed person", "associate" or "affiliate" of the Company, as those terms are defined under applicable securities legislation.

2.7 Date of Report

July 31, 2019.

Item 3 Financial Statements

The financial statements required by Part 8 of National Instrument 51-102 Continuous Disclosure Obligations are attached hereto and form a part hereof:

(a) Schedule "A" – Pharmadrug Production GmbH financial statements for the years ended December 31, 2018 and 2017.

(b) Schedule "B" Pharmadrug Production GmbH condensed interim financial statements for the three months ended March 31, 2019

SCHEDULE "A"

PHARMADRUG PRODUCTION GmbH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN EUROS)

Appendix to the Financial Statements of Pharmadrug Production GmbH as of 31.12.2018

General information on the annual financial statements

The annual financial statements of Pharmadrug GmbH in 23611 Bad Schwartau at 31.12.2018 were prepared on the basis of the accounting regulations of the HGB and IFRS. In addition to these regulations, the regulations of the GmbHG and, if applicable, the articles of association were to be observed.

According to the size classes specified in § 267 HGB, the company is a small corporation (German legal definition). Size-dependent facilitations in the preparation of the annual financial statements were used.

The presentation of the profit and loss account is based on the total cost method acc. Section 275 (2) HGB and regarding an international structure. The balance sheet is presented in account form according to § 266 HGB and to IFRS Regulation. Between both, there ist no difference identified.

The assets and debts are individually valued at the balance sheet date.

In particular, all foreseeable risks and losses incurred up to the balance sheet date have been taken into account, even if these have only become known between the balance sheet date and the date of preparation of the annual financial statements.

Expenses and income for the financial year are included in the annual financial statements, irrespective of the dates of the corresponding payments.

Accounting and valuation principles

The evaluation was based on the continuation of the company (going concern)

Property, plant and equipment are carried at acquisition or production cost less scheduled depreciation (if any). Depreciation on additions in the financial year was calculated pro rata temporis.

Trade receivables and other assets are stated at their nominal value less value adjustments and taking into account the lower of cost or market principle.

Cash and cash equivalents are carried at nominal value.

In measuring the provisions, all identifiable risks were adequately and sufficiently taken into account.

The valuation of the provisions was carried out in the amount of the settlement amount required by prudent business judgment. Provisions with a remaining term of more than one year were discounted at the market interest rate corresponding to their remaining term. Trade receivables and other assets are stated at nominal value. Under certain circumstances, there is a need for a value adjustment to the extent that the foreign customers could not meet the agreed payment terms. However, no information was available on the balance sheet date. The use of lump-sum allowance adjustments as at 31.12.2018 was waived as they correspond to the national rules in Germany.

Inventories were taken into account on the balance sheet by the former managing director bases on inventory data. An allowance requirement may exist if the expiration date were exceeded. There is no information available on the balance sheet date, but there is a certain valuation risk.

Liabilities were stated at the settlement amount.

Liabilities to banks are on the one hand a current account and on the other hand an account for the financing of operating funds and pre-financing of orders. The latter was reduced in the first quarter of 2019

Costs of starting the business (portfolio) Medical Cannabis:

According to the management, medical cannabis costs totaled EUR 188,981.28 at the balance sheet. (for the establishment of the strategic business area). These directly attributable costs influenced the annual result or the operating result. Without these costs, earnings before taxes would have been EUR +76,641.17.

Ostheim, 25.07.2019

DIPLOM-KAUFMANN DR. RAINER SCHENK
STEUERBERATER

KANZLEI DR. SCHENK
ISO 9001:2015
zertifizierte Steuerkanzlei

PHARMADRUG PRODUCTION GmbH

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN EUROS)

PHARMADRUG PRODUCTION GmbH
Statements of Financial Position
(Expressed in Euros)

	As at December 31, 2018	As at December 31, 2017
	€	**€**
<u>Assets</u>		
Current Assets		
Cash	**39,538**	199,163
Accounts receivable (Note 4)	**1,420,275**	1,297,055
Inventories (Note 5)	**165,556**	284,750
Prepaid expenses	**2,420**	2,390
Total Current Assets	**1,627,789**	1,783,358
Long-term investments	**88,375**	67,375
Property, plant and equipment (Note 6)	**11,353**	13,365
Total Assets	**1,727,517**	1,864,098
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	**129,413**	263,591
Short-term loans (Note 8)	**1,295,844**	1,191,799
Income taxes payable	**176,634**	164,034
Unearned revenue	**3,192**	9,900
Total Liabilities	**1,605,083**	1,629,324
<u>Shareholders' Equity</u>		
Share capital	**26,000**	26,000
Retained earnings	**96,434**	208,774
Total Shareholders' Equity	**122,434**	234,774
Total Liabilities and Shareholders' Equity	**1,727,517**	1,864,098

Nature of operations (Note 1)
Subsequent events (Note 11)

Approved on behalf of the Board of Directors:

"David Posner" (signed)
Director

"Robert Schwartz" (signed)
Director

The accompanying notes are an integral part of these financial statements

PHARMADRUG PRODUCTION GmbH
Statements of Operations and Comprehensive Loss
For the years December 31, 2018 and 2017
(Expressed in Euros)

	2018	2017
	€	€
Revenue		
Sales	**1,672,571**	2,450,921
Cost of goods sold (Note 5)	**(1,040,524)**	(1,443,913)
Gross Margin	**632,047**	1,007,008
Operating Expenses		
Advertising	**6,940**	15,140
Depreciation (Note 6)	**4,716**	5,719
Insurance	**5,170**	3,073
Interest expense	**52,569**	33,609
Freight charges	**62,421**	150,644
Rent	**39,038**	43,289
Salaries, wages and payroll taxes	**413,156**	346,667
Software	**5,021**	7,761
Travel	**26,997**	17,367
Utilities	**26,672**	16,089
Provisions	**46,747**	124,457
	(689,447)	(763,815)
Other Income (Expenses)		
Interest and other revenue	**35,239**	95,965
Other expenses	**(90,179)**	(206,518)
	(54,940)	(110,553)
Net (Loss) Income before Taxes	**(112,340)**	132,642
Income tax expense	**-**	(24,782)
Net (Loss) Income and Comprehensive (Loss) Income	**(112,340)**	107,858

The accompanying notes are an integral part of these financial statements

PHARMADRUG PRODUCTION GmbH
Statements of Cash Flows
For the years December 31, 2018 and 2017
(Expressed in Euros)

	2018	2017
	€	€
Operating Activities		
Net (loss) income for the year	**(112,340)**	107,858
Adjustments for non-cash items:		
Depreciation (Note 6)	**4,716**	5,719
Income tax expense	**-**	24,782
	(107,624)	138,359
Net change in non-cash working capital items:		
Accounts receivable (Note 4)	**(123,220)**	(439,756)
Inventories (Note 5)	**119,194**	(121,603)
Prepaid expenses	**(30)**	(1,795)
Accounts payable and accrued liabilities (Note 7)	**(134,178)**	(884,213)
Income taxes payable	**12,600**	139,252
Unearned revenue	**(6,708)**	1,687
Cash Flows (used in) Operating Activities	**(239,966)**	(1,168,069)
Financing Activities		
Repayments of short-term loans (Note 8)	**(22,066)**	-
Draws made on credit facilities (Note 8)	**126,111**	1,191,799
Issuance of dividends	**-**	(200,246)
Cash Flows from Financing Activities	**104,045**	991,553
Investing Activities		
Additions of property, plant and equipment (Note 9)	**(2,704)**	(11,773)
Additions of long-term investments	**(21,000)**	(67,375)
Cash Flows (used in) Investing Activities	**(23,704)**	(79,148)
Decrease in cash	**(159,625)**	(255,664)
Cash, beginning of year	**199,163**	454,827
Cash, end of year	**39,538**	199,163

The accompanying notes are an integral part of these financial statements

PHARMADRUG PRODUCTION GmbH
Statements of Changes of Equity Flows
For the years December 31, 2018 and 2017
(Expressed in Euros)

	Share Capital	Retained Earnings	Total
	€	€	€
Balance, December 31, 2016	**26,000**	**100,916**	**126,916**
Net income and comprehensive income	-	107,858	107,858
Balance, December 31, 2017	**26,000**	**208,774**	**234,774**
Net loss and comprehensive loss	-	(112,340)	(112,340)
Balance, December 31, 2018	**26,000**	**96,434**	**122,434**

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Pharmadrug Production GmbH ("Pharmadrug" or the "Company") is German pharmaceutical distribution company which holds a Schedule I European Union narcotics license allowing for the distribution of medical cannabis to pharmacies in Germany and throughout the Eurozone. The Company has supply relationship in place with The Netherlands Office of Medical Cannabis, a supply agreement with a Canadian Licensed Producer, and is currently supplying medical cannabis to pharmacies in Germany.

The address of the Company's registered office is Saseler Chaussee 191a, 22393 Hamburg, Germany.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles applicable to a going concern. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether the Company will be able to obtain additional financing in the future.

These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

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

These financial statements were reviewed, approved and authorized by the Board of Directors of the Company on July 31, 2019.

(b) Basis of Measurement

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

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

(c) Functional Currency

These financial statements are presented in Euros ("€"), which is the functional currency of the Company.

2. BASIS OF PRESENTATION (continued)

(d) Significant Accounting Judgments and Estimates

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

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (the "Cash-Generating Unit or "CGU") can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified each retail cannabis dispensary as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

Impairment

Long-lived assets, including property, plant and equipment, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

Income taxes and tax exposures recognized in the 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.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

Cash in the statements of financial position comprises cash at German chartered banks which is available on demand.

(b) Revenue

The Company's policy for the timing and amount of revenue to be recognized is based on the following 5-step process:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price, which is the total consideration provided by the customer;
- Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- Recognize revenue when the relevant criteria are met for each unit (at a point in time or over time).

Revenue is recognized at the fair value of consideration received. Net revenue from sale of goods, as presented in the statements of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts. The Company's sales of cannabis and related merchandise and other products consist of one (1) performance obligation. The Company has concluded that revenue from the sale of products should be recognized at the point in time when control is transferred to the customer.

(c) Financial Instruments

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

Classification

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

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

Amortized cost

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

Expected credit loss impairment model

IFRS 9 – Financial Instruments ("IFRS 9") introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had no impact on the Company's financial statements. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial Instruments (continued)

Expected credit loss impairment model (continued)

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

Fair value through profit or loss

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

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

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

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

	IFRS 9	**IAS 39**
	Classification	**Measurement**
Cash	FVTPL	Fair value
Accounts receivables (excluding trade receivables)	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Short-term loans	Amortized cost	Amortized cost

(d) Provisions

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes

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

Current income tax

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

Deferred income tax

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

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

(f) Adoption of New Accounting Standards

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

IFRS 9 – Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions.

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

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

(Expressed in Euros)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Recent Accounting Pronouncements

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

IFRS 16 – Leases ("IFRS 16")

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

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23")

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The IFRIC concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

4. ACCOUNTS RECEIVABLES

	December 31, 2018	December 31, 2017
	€	€
Trade receivables	**450,463**	640,991
Other receivables	**969,812**	656,064
	1,420,275	1,297,055

5. INVENTORIES

	December 31, 2018	December 31, 2017
	€	€
Finished goods	**143,574**	190,454
Raw materials	**9,624**	47,676
Packaging materials and samples	**12,358**	46,620
	165,556	284,750

(Expressed in Euros)

5. INVENTORIES (continued)

During the year ended December 31, 2018, inventories of €1,040,524 (2017 – €1,443,913) were expensed and included in cost of goods sold.

6. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Furniture and Fixture	Other Equipment	Total
	€	€	€	**€**
Cost at:				
December 31, 2017	7,264	14,167	6,897	**28,328**
Additions	832	-	1,873	**2,705**
December 31, 2018	8,096	14,167	8,770	**31,033**
Accumulated amortization at:				
December 31, 2017	969	8,512	5,482	**14,963**
Depreciation	1,352	1,021	2,343	**4,716**
December 31, 2018	2,321	9,533	7,826	**19,680**
Net book value:				
December 31, 2017	6,295	5,655	1,415	**13,365**
December 31, 2018	5,775	4,634	944	**11,353**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	December 31, 2018	December 31, 2017
	€	€
Less than 90 days	**129,413**	263,591
Greater than 90 days	**-**	-
	129,413	263,591

(Expressed in Euros)

8. SHORT-TERM LOANS

The Company has lines of credit facilities from various financial institutions. As at December 31, 2018 and 2017, the Company had drawn and owed the following balances classified as short-term loans.

	December 31, 2018	December 31, 2017
	€	€
Loan Commerzbank	**900,000**	900,000
Line of credit HypoVereinsbank	**-**	22,066
Line of credit Commerzbank	**365,175**	209,812
Other loans	**30,669**	59,921
	1,295,844	1,191,799

9. CAPITAL MANAGEMENT

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

The Company considers its capital to be shareholders' equity, which is comprised of share capital and retained earnings. As at December 31, 2018, the Company's capital consisted of an equity of €122,434 (December 31, 2017 – equity of €234,774).

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 short-term borrowings. There can be no assurance that the Company will be able to continue raising capital in this manner.

10. FINANCIAL INSTRUMENTS RISK

Fair value

The carrying amount of cash, other receivables, accounts payables and accrued liabilities, and short-term loans on the statements of financial position approximate fair value due to the relatively short maturity of these financial instruments.

Fair value hierarchy

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

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

As at December 31, 2018 and 2017, the Company does not have any financial instruments measured at fair value after initial recognition, except for cash included at Level 1.

(Expressed in Euros)

10. FINANCIAL INSTRUMENTS RISK (continued)

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with a reputable German chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2018, the Company had a cash balance of €39,538 (December 31, 2017 – €199,163) to settle current liabilities of €1,605,083 (December 31, 2017 – €1,629,324).

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at December 31, 2018, the Company had the following contractual obligations:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	€	**€**	**€**	**€**
Accounts payable and accrued liabilities (Note 7)	129,413	-	-	129,413
Short-term loans (Note 8)	1,295,844	-	-	1,295,844
	1,425,257	**-**	**-**	**1,425,257**

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

11. SUBSEQUENT EVENTS

On January 24, 2019, the Company entered into a binding Letter of Intent ("LOI") with Aura Health Inc. ("Aura Health") to dispose of an 80% interest of Pharmadrug for €5,000,000 (the "Acquisition"). Anquor Pharmaceuticals Ug will retain a 20% interest in Pharmadrug. As per the terms of the LOI, Aura Health will pay for the shares of Pharmadrug as follows:

- An advance of €1,000,000 as at January 31, 2019;
- An advance of €1,000,000 as at February 28, 2019; and
- An advance of €3,000,000 as at May 31, 2019.

On February 27, 2019, the Company and Aura Health entered into a definitive share purchase agreement (the "SPA"), which supersedes and replaces the LOI. The total purchase price for the acquisition is €4,600,000. In addition, Aura will advance €400,000 to Pharmadrug as a shareholder loan to assist the Company to maintain appropriate levels of working capital.

On May 17, 2019, Aura Health completed the Acquisition of the Company for total consideration of €5,000,000. On closing of the Acquisition, Aura Health assumed control of the Company through an 80% equity interest.

SCHEDULE "B"

PHARMADRUG PRODUCTION GmbH

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2019

(EXPRESSED IN EUROS)

(UNAUDITED)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the unaudited condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Pharmadrug Production GmbH (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

PHARMADRUG PRODUCTION GmbH
Unaudited Condensed Interim Statements of Financial Position
(Expressed in Euros)

	As at March 31, 2019	As at December 31, 2018
	€	**€**
<u>**Assets**</u>		
Current Assets		
Cash	**41,951**	39,538
Accounts receivable (Note 4)	**467,577**	1,420,275
Inventories (Note 5)	**165,556**	165,556
Prepaid expenses	**2,420**	2,420
Total Current Assets	**677,504**	1,627,789
Long-term investments	**126,375**	88,375
Property, plant and equipment	**12,538**	11,353
Total Assets	**816,417**	1,727,517
<u>**Liabilities**</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 6)	**237,180**	129,413
Short-term loans (Note 7)	**544,786**	1,295,844
Income taxes payable	**187,097**	176,634
Unearned revenue	**8,351**	3,192
Total Liabilities	**977,414**	1,605,083
<u>**Shareholders' Equity**</u>		
Share capital	**26,000**	26,000
Accumulated deficit	**(186,997)**	96,434
Total Shareholders' Equity	**(160,997)**	122,434
Total Liabilities and Shareholders' Equity	**816,417**	1,727,517

Nature of operations (Note 1)
Subsequent events (Note 10)

Approved on behalf of the Board of Directors:

"David Posner" (signed)
Director

"Robert Schwartz" (signed)
Director

The accompanying notes are an integral part of these unaudited condensed interim financial statements

PHARMADRUG PRODUCTION GmbH
Unaudited Condensed Interim Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2019
(Expressed in Euros)

	2019
	€
Revenue	
Sales	**7,770**
Cost of goods sold	**(88,071)**
Gross Margin	**(80,301)**
Operating Expenses	
Advertising	**22,959**
Insurance	**11,786**
Interest expense	**13,096**
Freight charges	**7,056**
Rent	**10,549**
Salaries, wages and payroll taxes	**102,396**
Travel	**28,285**
Utilities	**3,884**
	(200,011)
Other Income (Expenses)	
Interest and other revenue	**1,564**
Other expenses	**(8,578)**
	(7,014)
Net Loss before Taxes	**(287,326)**
Income tax expense	**(105)**
Net Loss and Comprehensive Loss	**(287,431)**

The accompanying notes are an integral part of these unaudited condensed interim financial statements

PHARMADRUG PRODUCTION GmbH
Unaudited Condensed Interim Statements of Cash Flows
For the three months ended March 31, 2019
(Expressed in Euros)

	2019
	€
Operating Activities	
Net loss for the period	**(287,431)**
Net change in non-cash working capital items:	
Accounts receivable (Note 4)	**952,698**
Accounts payable and accrued liabilities (Note 6)	**107,767**
Income taxes payable	**10,463**
Unearned revenue	**5,159**
Cash Flows from Operating Activities	**788,656**
Financing Activities	
Repayments of short-term loans (Note 7)	**(747,058)**
Cash Flows (used in) Financing Activities	**(747,058)**
Investing Activities	
Additions of property, plant and equipment	**(1,185)**
Additions of long-term investments	**(38,000)**
Cash Flows (used in) Investing Activities	**(39,185)**
Increase in cash	**2,413**
Cash, beginning of period	**39,538**
Cash, end of period	**41,951**

The accompanying notes are an integral part of these unaudited condensed interim financial statements

PHARMADRUG PRODUCTION GmbH

Unaudited Condensed Interim Statements of Changes of Equity Flows
For the three months ended March 31, 2019
(Expressed in Euros)

	Share Capital	Retained Earnings	Total
	€	**€**	**€**
Balance, December 31, 2018	**26,000**	**96,434**	**122,434**
Net loss and comprehensive loss	-	(287,431)	(287,431)
Other adjustments	-	4,000	4,000
Balance, March 31, 2019	**26,000**	**(186,997)**	**(160,997)**

The accompanying notes are an integral part of these unaudited condensed interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Pharmadrug Production GmbH ("Pharmadrug" or the "Company") is German pharmaceutical distribution company which holds a Schedule I European Union narcotics license allowing for the distribution of medical cannabis to pharmacies in Germany and throughout the Eurozone. The Company has supply relationship in place with The Netherlands Office of Medical Cannabis, a supply agreement with a Canadian Licensed Producer, and is currently supplying medical cannabis to pharmacies in Germany.

The address of the Company's registered office is Saseler Chaussee 191a, 22393 Hamburg, Germany.

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

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") accounting principles applicable to a going concern. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether the Company will be able to obtain additional financing in the future.

These unaudited condensed interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company's unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements.

These unaudited condensed interim financial statements were reviewed, approved and authorized by the Board of Directors of the Company on July 31, 2019.

(b) Basis of Measurement

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

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

(c) Functional Currency

These unaudited condensed interim financial statements are presented in Euros ("€"), which is functional currency of the Company.

2. BASIS OF PRESENTATION (continued)

(d) Significant Accounting Judgments and Estimates

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

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (the "Cash-Generating Unit or "CGU") can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified each retail cannabis dispensary as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

Impairment

Long-lived assets, including property, plant and equipment, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECLs") for all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements as at and for the year ended December 31, 2018.

(a) Adoption of New Accounting Standards

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

(Expressed in Euros)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Adoption of New Accounting Standards (continued)

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.

(b) Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim 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:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

IAS 1 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.

4. ACCOUNTS RECEIVABLES

	March 31, 2019	**December 31, 2018**
	€	**€**
Trade receivables	**433,172**	**450,463**
Other receivables	**34,405**	**969,812**
	467,577	**1,420,275**

5. INVENTORIES

	March 31, 2019	**December 31, 2018**
	€	**€**
Finished goods	**143,574**	**143,574**
Raw materials	**9,624**	**9,624**
Packaging materials and samples	**12,358**	**12,358**
	165,556	**165,556**

(Expressed in Euros)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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

	March 31, 2019	December 31, 2018
	€	€
Less than 90 days	237,180	129,413
Greater than 90 days	-	-
	237,180	129,413

7. SHORT-TERM LOANS

The Company has lines of credit facilities from various financial institutions. As at March 31, 2019 and December 31, 2018, the Company had drawn and owed the following balances classified as short-term loans.

	March 31, 2019	December 31, 2018
	€	€
Loan Commerzbank	544,786	900,000
Line of credit HypoVereinsbank	-	-
Line of credit Commerzbank	-	365,175
Other loans	-	30,669
	544,786	1,295,844

8. CAPITAL MANAGEMENT

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

The Company considers its capital to be shareholders' equity, which is comprised of share capital and retained earnings. As at March 31, 2019, the Company's capital consisted of a deficit balance of €160,997 (December 31, 2018 – equity of €122,434).

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.

(Expressed in Euros)

9. FINANCIAL INSTRUMENTS RISK

Fair value

The carrying amount of cash, other receivables, accounts payables and accrued liabilities, and short-term loans on the statements of financial position approximate fair value due to the relatively short maturity of these financial instruments.

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 and December 31, 2018, the Company does not have any financial instruments measured at fair value after initial recognition, except for cash included at Level 1.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable, which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with a reputable German chartered bank. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at March 31, 2019, the Company had a cash balance of €41,951 (December 31, 2018 – €39,538) to settle current liabilities of €977,414 (December 31, 2018 – €1,605,083).

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

As at March 31, 2019, the Company had the following contractual obligations:

	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**Total**
	€	**€**	**€**	**€**
Accounts payable and accrued liabilities (Note 6)	237,180	-	-	**237,180**
Short-term loans (Note 7)	544,786	-	-	**544,786**
	781,966	**-**	**-**	**781,966**

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

10. SUBSEQUENT EVENTS

On May 17, 2019, Aura Health Inc. completed the acquisition of an 80% interest of the Company for total consideration of €5,000,000 (the “Acquisition”).