

**Transcript of initial interview with
Mr. Daniel Cohen**



**Chief Executive Officer of
Aura Health Inc.**



**CSE: BUZZ
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Daniel Cohen – Chief Executive Officer. Mr. Cohen has nearly 20 years of experience in the capital markets and most previously served as a partner and head of institutional equity sales at Beacon Securities. Prior to that, he held roles in institutional equity sales, investment banking and equity research at Wellington West Capital Markets, RBC Capital Markets and HSBC Securities. Mr. Cohen holds an MBA in Finance from McGill University and is a CFA charterholder.

Smallcaps Investment Research: A warm welcome everyone to a new interview on Smallcaps Investment Research. Today we're speaking with Mr. Daniel Cohen, the Chief Executive Officer of Aura Health Inc. The Company is focused on building an international network of vertically-integrated cannabis assets. Aura Health is listed on the Canadian Securities Exchange with ticker symbol BUZZ. Daniel thanks so much for joining us, welcome.

Daniel Cohen: Thank you for having me.

As this is our initial interview, could you give us an introduction of Aura Health and its activities?

Aura Health is building a medical cannabis company focused on the European market including Israel. We have three assets. Our flagship asset right now is Pharmadrug Production, which is an importer and distributor of medical cannabis in Germany. The second asset is a project to build a cultivation facility in Israel. Finally, we have another project in Israel to build a retail consultancy clinic and pharmacy dispensary focused on cannabis.

Very interesting. Let's start with Germany, where you have an 80% stake in Pharmadrug. Can you tell us some more about that company?

Pharmadrug is a schedule 1 narcotics distributor. The company has been in operation for over 20 years. However, when we purchased Pharmadrug we decided to end all previous operations, which were only mildly profitable. The reason is that we wanted to focus solely on cannabis.

The new business for Pharmadrug began in February of this year when it received the first shipment of medical cannabis from the

Netherlands. Since then, Pharmadrug has already received a second shipment.

What the company is ultimately structured to do is to be able to buy medical cannabis from the Netherlands, which is within the Eurozone. However, the other two abilities of the company are perhaps even more important.

Firstly, they can import from outside the Eurozone. This is on the condition that they find a cultivator in the exporting country that is **GMP** certified. Furthermore the imported strain needs to be registered in Germany with B. Pharm. Thus, we can become an importer of cannabis from outside the Eurozone and distribute this product to the same German pharmacies that now accept the product from the Netherlands.

GOOD MANUFACTURING PRACTICES (GMP)

Good Manufacturing Practices (GMP) are the practices required in order to conform to guidelines for manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or food products manufacturer must meet to assure that the products are of high quality and don't pose any risk to the consumer or public.

Good manufacturing practices, along with good laboratory practices and good clinical practices, are overseen by regulatory agencies in the United States, Canada, Europe, China, and other countries.

Secondly, as a schedule 1 narcotics distributor, we have a Eurozone wide license. Thus like the former business of Pharmadrug was to export medicine outside of Germany, we will be able to take imported cannabis and

export it to other Eurozone jurisdictions as they continue to legalize cannabis and open their market.

Very interesting. Pharmadrug is already generating sales, right?

It is generating sales, though they are modest because the first shipment of cannabis was only received in February. Note that in February, when the company received its first shipment, it had never sold any medical cannabis to pharmacies. So we are still ramping up our distribution channel.

When we took over operations at the end of May 2019 we immediately started the process of ordering a second, much larger shipment, from the Netherlands. We received it by the end of June. As a result, current Pharmadrug sales are much higher than they were in the first four months of the year. In fact, July saw a 300% revenue increase over the first four months of operations.

It will take six to nine months for this volume to get up to a significant level. However, the current rate of growth is something we would like to maintain as a target.

What are some of the upcoming developments you envision for Pharmadrug?

As I said before we do have a relationship with the store in the Netherlands that sells the Bedrocan product which we import. What will take Pharmadrug to the next level is the ability to import GMP certified cannabis from outside of the Netherlands. Currently, almost all of the cannabis dried flower that is sold and distributed in Germany comes from the Netherlands.

We believe the market is hungry for products from different sources and interested in different types of products like oils and extracts. What we want to do is to use our network to be able to bring in cannabis from different jurisdictions such as Canada.

We already have a supplier agreement with a Canadian company called FSD Pharma.

Pharmadrug is helping them to get their GMP certification, so we can start importing their product into the Eurozone.

Also, we believe that we will be able to import high quality products from Israel. The country recently announced its cannabis export law and its framework is being put into place right now.

That is very interesting. Would you also give some more details about the current and future European landscape for medical cannabis?

Germany allows the use of medical cannabis for two years now. There might not be that much change going forward in terms of legality. However, we believe the market is going to evolve. Right now, the majority of pure cannabis comes in the form of flower. I think many people would love to see extracts and THC/CBD oils, as these are better forms of taking cannabis as medicine. That is one evolution that we are going to see in Germany. It is a similar evolution which we saw in several states in the United States and in Canada.

Outside of Germany, several countries are opening up to medical cannabis. Poland did so and volumes have started to climb over there. Italy initially started with only CBD cannabis. However recently it started to allow a certain amount of THC as well. France should be noted as well. In June, its senate passed a bill saying they would like to start with a trial run for medical CBD cannabis. It has not been put into law yet however. Some experts believe there could be from 300,000 to a million patients in the country. Lastly, we saw that Luxemburg recently announced they were going to bring in legality for cannabis.

Due to all this, we see a lot of developments happening and we think it is just going to accelerate over the next few years.

Moving over to Israel, where you are involved in two businesses. But before we discuss those entities, could you first give some color on the Israeli cannabis market?

Let us start with the history and the role of Israel in the medical cannabis space and then we will talk about Israel as an exporter and Israel as a domestic market.

Firstly, you could argue that Israel is the modern mother or father of medical cannabis. THC was isolated and discovered by an Israeli scientist in the 1960s. In the 1970s it was another Israeli scientist who had discovered the anti-inflammatory aspects of CBD. Some would say some of the best R&D for medical cannabis is being done in Israel.

They also have a history of developing strains that have commercial applications. For example, we saw Tikkun Olam, one of the first medical cannabis companies in Israel, develop medical strains that were eventually brought into the Canadian market. These strains were deemed as the most successful medical strains in the Canadian market.

Furthermore, Israel GMP facilities comply with the GMP requirement in Europe. This is relatively rare to see in other countries. Therefore, Israel could become a major cannabis supplier to Europe.

Now onto Israel as an exporter. In January of 2019, the Israeli government passed a law allowing the export of medical cannabis. Before that, it was limited to the domestic market. They are now putting the framework together. We expect the exports to start at some point early in 2020. We believe the first European destination for the Israeli product is going to be Germany.

Turning to the domestic market, the R&D that has been done in Israel serves as a great source of intelligence which we can tap into. The initial framework for medical cannabis in Israel was very difficult. It was limited. After several years there were only 35,000 patients because barely any doctors prescribed cannabis. The doctors that did prescribe needed to prove no other legal medication worked. Once they did prescribe it, it went to the regulator which actually had to approve the prescription. They turned down almost 50% of the prescriptions, slowing things down.

Fortunately, a lot has changed in April 2019 when a new law came in. Number one, you no longer need to prove whether or not the medication works. Number two, the regulator no longer needs to approve that prescription once it has been written by a doctor. Finally, and this is extremely significant, the regulator put together a course to teach doctors how to prescribe cannabis for different ailments. All this fueled a sharp increase in the number of patients in Israel.

I also do believe Israel is going to be a good test market for data gathering. We will be able to learn how medical cannabis actually effects, impacts and improves the lives of people with different ailments.

Can you tell our listeners a bit more about HolyCanna, the first Israeli company that you signed an agreement with?

HolyCanna has plans to build a greenhouse for medical cannabis cultivation based on Good Agricultural Practices (GAP). We have done some preliminary work with them so far. However, we have not started major construction yet because we felt it is prudent to wait for the export market to open up. This was done in order to have greater clarity on the amount of volume we would be able to ship out of Israel to Germany and other European countries.

This is why we expect to start construction of the greenhouse early 2020 to have everything up and running and producing in the same year. The size of the facility is going to be 60,000 square feet or about 5,500 square meters. We believe it will be able to produce somewhere around 2 million grams of cannabis per year.

Fabulous. Where would you like HolyCanna to be this time next year?

At this time next year, I would expect us to be finished with construction and move towards planting our first harvest.

Excellent. The second company in Israel that you signed an LOI with is

CannabiSendak. What are some of the goals for that company?

CannabiSendak is a partnership we created with Shlomi Sendak, who is an icon for medical cannabis in Israel. He has been supporting the introduction of medical cannabis in Israel for years. He has also been a champion for patients who have been trying to get their hands on medical cannabis. He helped them through consultations on how to get a prescription and by telling them which doctors to see. He even had a direct relationship with the regulator to help him decide, and hopefully decide positively, whether to grant prescription to the patients.

I think that about one-third of all patients who had a prescription, obtained that prescription with the help of Shlomi. We believe he is a great brand and a great ambassador for medical cannabis.

With him we have created the idea of creating a medical cannabis pharmacy and clinic in one, a sort of one-stop shop. People can come, they can consult with Sendak in terms of how to use cannabis, and how to get a prescription. We can have a doctor in-house who will give a prescription. Finally, we can teach patients how to use the prescribed cannabis. All this under the CannabiSendak brand.

We expect to be able to have the first pharmacy/clinic in the first quarter of 2020. However we will start earlier with the actual clinic and open the pharmacy later on.

These three excellent partnerships we just discussed obviously create lots of expectations. How do you see your financial results developing in the coming quarters and years?

Over the years I think it is going to grow significantly. Over the next few quarters it is going to take a little bit of time.

In Germany, Pharmadrug did start to generate revenue, however it will take us two or three quarters to achieve a more

significant run rate. Although again, I have to stress we are already seeing the growth numbers needed to achieve this. In 2020 we want to see significant revenue coming from Pharmadrug.

In Israel, we are currently not yet set up with CannabiSendak and HolyCanna to be able to generate revenue. That is scheduled in 2020 for CannabiSendak and 2021 for HolyCanna.

Very good to hear. Can you tell our listeners a bit about the Company's shareholder structure and its most recent financing activities?

In our most recent financing, we raised approximately 8.5 million at 22 cents per share. We mainly used those proceeds to purchase Pharmadrug in Germany.

In terms of shareholders, insiders, such as the Chairman and myself, own about 10 million shares of the Company. In addition, we have several major shareholders. Nutritional High, for example, which shares the same chairman as Aura, owns 8 million shares. Nutritional High is an expert extractor in several states in the United States. We have signed an agreement with them so we can use their IP, their technological know-how and their operational knowhow to develop an extraction business. We expect to launch plans for that business in 2020, and we expect to do that in partnership with them. This is why Nutritional High is an important part of our shareholder structure.

FSD Pharma is another piece of the structure, as they own 13 million shares. Again, they do so because they can become a strategic partner. As aforementioned we already have a supplier agreement with them. Although the first step is to help them get EU GMP certification and then we will start importing their product.

To conclude, between Nutritional High and FSD Pharma you already have 21 of the 83 million shares accounted for. Several institutions also own about 10 million shares combined. Thus there are several

concentrated holders, while there is also a large retail shareholder base.

Would you give us some more details about Aura Health's management team and the other key members of the company?

I have been the CEO since August of 2018. I have a history in investment banking, specifically in the medical cannabis space and the recreational cannabis space in Canada.

David Posner, our chairman is a key and active player in Aura. He has already founded several cannabis companies. David is very skilled in cultivation and in terms of understanding the operations of cultivators.

Howard Brass is our COO. He has a long history in both the financial markets and operations. He actually took part in operating a company for several years before he was able to sell it to a private equity company. Thus he has a unique skillset in terms of understanding both sides of the business.

In Germany, I think our key player is Ronnie. He is our managing director and the head of Quality Management. He understands the regulatory landscape of Germany, as well as the quality assessment of how to produce medical cannabis in a way which complies with the GMP regulatory framework.

In Israel, we have Sendak who is going to help us on the retail side. The head of HolyCanna is a former general of logistics in the Israeli army. Therefore, he is very skilled at having tight, effective and efficient operations. We have also brought in a master grower from Canada who has been producing and growing cannabis since the legal framework began. So, a decade of tremendous experience there.

All of the mentioned people ensure we have an effective and skilled team in place.

And before we go what would you say are the two or three most compelling reasons for a long term investor to consider Aura Health today?

First of all, our valuation is probably one of the lowest in the medical cannabis space. This makes the stock extremely attractive. I believe part of the reason for that is our focus on the European market. The North American investors, the most important investors in the space, are not yet overly interested in this geography. However, I think it is just a question of time before they end up interested. Once they do, our valuation should be attractive.

Another reason for investors to consider Aura is my belief that the European cannabis space is set to explode. The potential can be seen in the example of Canada. In the first five years of medical cannabis in the country they went from 10,000 patients to 325,000 patients, a significant increase.

Germany right now has maybe 40,000 to 50,000 patients and is two and half times the size of Canada. You can see the potential. On top of this, you have Poland, France, and Italy opening up as next markets. Other countries may follow soon.

Due to this, the size of the medical cannabis market in Europe is going to eclipse anything we have seen in Canada over the next few years. The tipping point for the significant growth rates has not even hit yet.

As time goes, it will make sense for people to get exposure to this growth and they can do so through Aura Health.

Excellent. Daniel thank you for taking the time to help us get to know your Company better. All the best to you and Aura Health, and I look forward to speaking with you again soon.

Thank you.

Interview Feedback

We welcome your questions and feedback regarding this interview at:
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