

Form 62-103F1

*Required Disclosure under the Early Warning Requirements*

**Item 1 – Security and Reporting Issuer**

**1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.**

*Issuer*

Body and Mind Inc.  
750 – 1095 West Pender Street Vancouver, BC V6E 2M6  
(the “**Issuer**”)

*Securities*

Australis Capital Inc. (the “**Acquiror**”) purchased 16,000,000 units (“**Units**”) of the Issuer and unsecured convertible debentures of the Issuer in the principal amount of \$1,600,000 (the “**Debentures**”).

Each Unit is comprised of one common share (a “**Common Share**”) and one common share purchase warrant (a “**Warrant**”) of the Issuer. Each Warrant will entitle the Acquiror to purchase one Common Share of the Issuer for a period of two years after the issuance of the Warrant at a price equal to \$0.55 per Common Share, subject to adjustment and acceleration in certain circumstances.

The Debentures bear interest at 8% per annum payable semi-annually, in arrears and mature two years from the date of issuance (the “**Maturity Date**”). The principal amount of the Debentures is convertible, at the option of the holder, at a conversion price equal to \$0.55 per Common Share at any time prior to 5:00 p.m. (PST) on the business day immediately preceding the Maturity Date, subject to adjustment and forced conversion in certain circumstances.

All references herein to “\$” refers to Canadian dollars.

**1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

The Acquiror acquired the Units and Debentures pursuant to a private placement.

**Item 2 – Identity of the Acquiror**

**2.1 State the name and address of the Acquiror.**

Australis Capital Inc.  
Suite 900, 510 Seymour Street  
Vancouver, British Columbia  
V6B 1V5

**2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

On November 2, 2018, the Acquiror acquired legal and beneficial ownership of (i) 16,000,000 Units at a subscription price of \$0.40 per Unit and (ii) Debentures in the principal amount of \$1,600,000 for an aggregate purchase price of \$8,000,000.

The Units and Debentures were purchased pursuant to an investment agreement dated October 30, 2018 entered into between the Issuer and the Acquiror (the “**Investment Agreement**”).

**2.3 State the names of any joint actors.**

None.

**Item 3 – Interest in Securities of the Reporting Issuer**

**3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the Acquiror’s securityholding percentage in the class of securities.**

The Acquiror acquired by private placement (i) 16,000,000 Units, and (ii) Debentures in the principal amount of \$1,600,000 (the “**Acquisition**”). As a result of the acquisition of Units, the Acquiror acquired 16,000,000 Common Shares and 16,000,000 Warrants.

Prior to the Acquisition, the Acquiror held no Common Shares and held no securities convertible into Common Shares. After the Acquisition, the Acquiror holds 16,000,000 Common Shares, 16,000,000 Warrants and Debentures in the principal amount of \$1,600,000 convertible into Common Shares at \$0.55 per Common Share.

Upon exercise of the Warrants at an exercise price of \$0.50 per Common Share, the Acquiror may acquire up to 16,000,000 Common Shares. Upon conversion of the Debentures at \$0.55 per Common Share, the Acquiror may acquire up to 2,909,090 Common Shares.

As a result of the Acquisition, and assuming the exercise of all Warrants at \$0.50 per Common Share and conversion of Debentures at \$0.55 per Common Share, the Acquiror would hold 34,909,090 Common Shares, which on a partially-diluted basis is equal to approximately 42.2% of the Common Shares.

**3.2 State whether the Acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

The Acquiror acquired ownership and control of the Units and Debentures.

**3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

**3.4 State the designation and number or principal amount of securities and the Acquiror’s securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See Item 3.1.

**3.5 State the designation and number or principal amount of securities and the Acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which:**

- (a) the Acquiror, either alone or together with any joint actors, has ownership and control,**

The Acquiror has ownership and control over 16,000,000 Common Shares, equal to approximately 19.4% of the issued and outstanding Common Shares on a non-diluted basis.

The Acquiror also has ownership and control over 16,000,000 Warrants of the Issuer and Debentures of the Issuer in the principal amount of \$1,600,000. Assuming the exercise of all Warrants and conversion of all Debentures, on a partially diluted basis the Acquiror would hold approximately 42.2% of the Common Shares.

- (b) the Acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the Acquiror or any joint actor, and**

Not applicable.

- (c) the Acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

**3.6 If the Acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the Acquiror's securityholdings.**

Not applicable.

**3.7 If the Acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

Not applicable.

**State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.**

Not applicable.

**3.8 If the Acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the Acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

#### **Item 4 – Consideration Paid**

**4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The consideration paid by the Acquiror and received by the Issuer was \$0.40 per Unit or \$6,400,000 for the 16,000,000 Units and \$1,600,000 for the Debentures for an aggregate purchase price of \$8,000,000.

**4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the Acquiror.**

See Item 4.1.

**4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

#### **Item 5 – Purpose of the Transaction**

**State the purpose or purposes of the Acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the Acquiror and any joint actors may have which relate to or would result in any of the following:**

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**

Pursuant to the Investment Agreement, for as long as the Acquiror owns 10% of the issued and outstanding Common Shares, the Acquiror will be entitled to nominate one (1) director to the board of directors of the Issuer (the “**Board**”). If the Acquiror exercises all Warrants and converts all Debentures, Australis will be entitled to nominate a second director to the Board. For as long as the Acquiror maintains at least 25% of the issued and outstanding Common Shares of the Issuer, the Acquiror will be entitled to maintain two (2) directors on the Board.

Pursuant to the Investment Agreement, Chris Macleod resigned from the Board on November 2, 2018 and the issuer appointed Scott Dowty to the Board to fill the vacancy.

- (e) a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) a material change in the reporting issuer’s business or corporate structure;**

- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

The Acquiror acquired the Units and Debentures of the Issuer for investment purposes. In pursuing such purposes, the Acquiror takes a long-term view of its investment. It reserves the right to formulate other plans or make other proposals, and take such actions with respect to its investment in the Issuer. Depending on market conditions and other factors, the Acquiror may acquire additional securities of the Issuer as the Acquiror may deem appropriate, whether in open market purchases, privately negotiated transactions or otherwise. The Acquiror may dispose of some or all of such securities. The Acquiror may also reconsider and change its plans or proposals relating to the foregoing.

#### **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

**Describe the material terms of any agreements, arrangements, commitments or understandings between the Acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.**

Pursuant to the terms of the Investment Agreement, the Acquiror will have the right to participate in any future equity offerings of the Issuer to maintain an ownership interest in the Issuer equal to the percentage ownership prior to such an offering, provided that such ownership interest does not exceed 40%. Such participation right will expire at the time that the Acquiror no longer holds 10% or more of the issued and outstanding common shares of the Issuer.

See Item 5 with respect to board nomination rights.

#### **Item 7 – Change in Material Fact**

**If applicable, describe any change in a material fact set out in a previous report filed by the Acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.**

Not applicable.

### **Item 8 – Exemption**

**If the Acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.**

The Acquiror purchased the Units and Debentures in reliance on the exemption under Section 2.10 (Minimum Amount Investment) of National Instrument 45-106 – *Prospectus Exemptions*. The Acquiror is not an individual, purchased as principal, and the securities had an acquisition cost of not less than \$150,000 paid in cash at the time of the distribution, and the distribution is of a security of a single issuer.

### **Item 9 – Certification**

**The Acquiror must certify that the information in this report is true and complete in every respect. In the case of an agent, the certification is based on the agent’s best knowledge, information and belief but the Acquiror is still responsible for ensuring that the information filed by the agent is true and complete.**

**This report must be signed by each person on whose behalf the report is filed or his or her authorized representative.**

**It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.**

### **Certificate**

I, as the Acquiror, certify, or I, as the agent filing this report on behalf of an Acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

November 5, 2018

Date

**Australis Capital Inc.**

*“Scott Dowty”*

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Scott Dowty, Chief Executive Officer