

Form 62-103F1

Updated 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**”) acquired ownership of 1,105,083 common shares of the Issuer at a deemed price of \$0.72 per share (the “**Loan Shares**”) as consideration for a loan advanced by the Acquiror to the Issuer (see Item 2.2). In connection with the Loan Shares, the Acquiror also acquired the right to receive up to 0.4337 share purchase warrants of the Issuer (the “**Loan Warrants**”) for each earn out share which may be issued by the Issuer to David Barakett pursuant to an agreement dated November 28, 2018 between the Issuer, Green Light District Holdings Inc, and David Barakett, for a total of up to 4,881,683 warrants.

In addition, on November 30, 2018, the Acquiror exercised 3,206,160 warrants of the Issuer at a price of \$0.50 per common share to acquire 3,206,160 common shares (the “**Warrant Shares**”).

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

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 Loan Shares, Warrant Shares and the right to receive the Loan Warrants on a private placement basis.

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.

The Acquiror acquired the Loan Shares and the right to receive the Loan Warrants described in Item 1.1 pursuant to a loan agreement dated November 28, 2018 (the “**Loan Agreement**”). The Acquiror advanced a loan of USD \$4,000,000 (the “**Loan**”) to the Issuer. Interest is repayable semi-

annually in arrears at a rate of 15% per annum. The Issuer also maintains the option to pay interest in kind by capitalizing interest payments. The Loan and all accrued and unpaid interest shall be repayable in full 24 months from the date of the Loan Agreement. If the Loan is repaid in any amount within the first year, the Issuer will be required to pay a 5% prepayment penalty on the amount repaid. If the Issuer defaults on repayment of the Loan at maturity, the Acquiror may, at its sole discretion, elect to convert the Loan, including all accrued and unpaid interest thereon, into common shares of the Issuer at a price per share equal to the maximum price permitted under the policies of the Canadian Securities Exchange.

On November 30, 2018, the Acquiror exercised the Warrant Shares that were acquired as part of the Loan 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.

As a result of the issuance of the 1,105,083 Loan Shares and the 3,206,160 Warrant Shares, the Acquiror, assuming the exercise of all convertible securities of the Issuer held by the Acquiror, would hold 36,014,174 Common Shares, which on a partially-diluted basis is equal to approximately 42.8% of the Common Shares of the Issuer.

Prior to the acquisition, and assuming the exercise of all convertible securities of the Issuer held by the Acquiror, the Acquiror held 34,909,091 Common Shares, which on a partially-diluted basis is equal to approximately 42.0% 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 securities.

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,**

See Item 3.1 and 3.2.

- (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 Loan Shares were issued at a price of \$0.72 in consideration for the Loan.

In addition, the Acquiror paid CAD\$1,603,080 for a warrant exercise at a price of \$0.50 per share resulting in 3,206,160 common shares.

- 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.**

See Item 1.1.

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 dated October 30, 2018, between the Acquiror and the Issuer (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 of its warrants and converts all debentures, the Acquiror 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 securities 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.

There are no changes in any material facts from the Acquiror’s early warning report dated November 5, 2018, except as described herein.

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.

Not applicable.

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.

December 5, 2018
Date

Australis Capital Inc.

“Scott Dowty”

Scott Dowty, Chief Executive Officer