

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. (“**Australis**”) has acquired (the “**Acquisition**”) 2,909,091 common shares (the “**Common Shares**”) of the Issuer pursuant to the conversion of unsecured debentures of the Issuer in the principal amount of \$1,600,000 (the “**Debentures**”) at a price of \$0.55 per Common Share.

All references herein to “\$” refer 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.**

Australis acquired the Common Shares pursuant to the conversion of the Debentures that were acquired on a private placement basis.

**Item 2 – Identity of the Acquiror**

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

Australis Capital Inc.  
376 East Warm Springs Road, Suite 190  
Las Vegas, Nevada  
89119

- 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.**

Pursuant to a Conversion Agreement (the “**Conversion Agreement**”) dated July 1, 2019 among Australis and the Issuer, Australis converted the Debentures into 2,909,091 Common Shares on July 1, 2020. The Debentures were acquired in a private placement on November 5, 2018. In consideration for its agreement to convert the Debentures, the Issuer paid to Australis \$148,339.72 as an advanced payment of interest payable under the Debentures for the period beginning November 2, 2018 and ending July 1, 2020.

- 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.**

Australis acquired 2,909,091 Common Shares pursuant to the Acquisition.

Prior to the Acquisition, Australis held 16,377,554 Common Shares and Debentures of the Issuer in the principal amount of \$1,600,000 convertible into 2,909,091 Common Shares at a price of \$0.55 per Common Share. Assuming conversion of all Debentures, Australis held approximately 18.0% of the issued and outstanding Common Shares on a partially diluted basis and approximately 15.7% of the issued and outstanding Common Shares on an undiluted basis.

After the Acquisition, Australis holds 19,286,645 Common Shares and approximately 18.0% of the issued and outstanding Common Shares on an undiluted basis.

**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.**

Australis acquired ownership and control of the Common Shares.

**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.**

Australis acquired the 2,909,091 Common Shares pursuant to the conversion of the Debentures in the principal amount of \$1,600,000. Australis converted the Debentures into the 2,909,091 Common Shares described in Item 1.1 at a price of \$0.55 per Common Share. The Common Shares were issued to Australis in payment of the principal amount of the Debentures of \$1,600,000.

- 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.**

See Item 2.2.

## 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;
- (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.

Pursuant to an investment agreement dated October 30, 2018, between Australis and the Issuer (the "**Investment Agreement**"), for as long as Australis owns 10% of the issued and outstanding Common Shares, Australis will be entitled to nominate one (1) director to the board of directors of the Issuer (the "**Board**").

Australis acquired the Common Shares for investment purposes. In pursuing such purposes, Australis 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, Australis may acquire additional securities of the Issuer as Australis may deem appropriate, whether in open market purchases, privately negotiated transactions or otherwise. Australis continues to evaluate numerous potential transactions and in connection therewith may exchange Common Shares for other assets or may sell Common Shares to increase its cash position. Australis 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, Australis 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 Australis 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 Australis' early warning reports dated June 23, 2020, May 26, 2020, November 28, 2019, July 2, 2019, May 9, 2019, February 7, 2019, December 5, 2018 and 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.

July 2, 2020  
Date

**Australis Capital Inc.**

*“Cleve Tzung”*

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Cleve Tzung, Chief Executive Officer