AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2018
(Unaudited - In Canadian Dollars)

AUSTRALIS CAPITAL INC.

(the "Company")

CONDENSED INTERIM CONSOLDATED FINANCIAL STATEMENTS

Three and six months ended September 30, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared by management and approved by the Company's Audit Committee and Board of Directors.

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

November 28, 2018

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Financial Position

	Notes	September 30, 2018	March 31, 2018 (Audited)
		$	$
Assets			
Current			
Cash		4,753,516	-
Restricted cash	3	12,000,000	-
GST receivable		7,176	-
Prepaid expenses		360,168	1,845
Subscriptions receivable	10(c)	1,107,174	-
Loans receivable	4	-	3,008,556
		18,228,034	3,010,401
Deferred tax asset		49,726	-
Due from a shareholder		-	100
Investment in SubTerra assets	5, 7	1,400,000	-
Property and equipment	8	2,698,872	-
		22,376,632	3,010,501
Liabilities			
Current			
Bank indebtedness		-	67
Accounts payable and accrued liabilities	12(b)	656,330	36,295
Loans payable	9	-	3,137,061
		656,330	3,173,423
Shareholders' equity (deficit)			
Share capital	10	24,448,466	100
Reserves	7, 9, 10	(187,786)	-
Deficit		(2,540,378)	(163,022)
		21,720,302	(162,922)
		22,376,632	3,010,501

Nature of Operations (Note 1)
Subsequent Events (Note 15)

Approved on November 28, 2018

"Scott Dowty"
Director

"Roger Swainson"
Director

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

	Notes	Three months ended September 30, 2018	Three months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2017
		$	$	$	$
Expenses					
Consulting fees		10,575	-	10,575	-
Depreciation	8	1,211	-	1,211	-
Office and administration		49,588	-	49,591	1
Professional fees		12,893	-	12,893	-
Regulatory and transfer agent fees		35,103	-	59,200	-
Share-based payments	10(d)	78,138	-	78,138	-
Transaction costs	5(b)	142,918	-	342,918	-
Travel and promotion		65,647	-	65,647	-
Wages and benefits	12(a)	162,401	-	162,401	-
		(558,474)	-	(782,574)	(1)
Other items					
Deferred tax recovery		49,726	-	49,726	-
Loss on acquisition of AHL	6	(1,632,322)	-	(1,632,322)	-
Foreign exchange loss		(9,398)	-	(9,398)	-
Interest and other expenses	9, 12(a)	(195)	(30,299)	(21,341)	(45,343)
Interest income	12(a)	6,700	20,617	18,553	20,617
		(1,585,489)	(9,682)	(1,594,782)	(24,726)
Net loss for the period		(2,143,963)	(9,682)	(2,377,356)	(24,727)
Other comprehensive gain					
Foreign currency translation		208,444	-	208,444	-
Comprehensive loss for the period		(1,935,519)	(9,682)	(2,168,912)	(24,727)
Net loss per share					
Basic and diluted		(0.03)	(96.82)	(0.05)	(247.27)
Weighted average number of shares outstanding					
Basic and diluted		82,257,775	100	49,292,162	100

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Changes in Equity

	Common shares	Share capital	Reserves	Deficit	Total
	#	$	$	$	$
Balance, March 31, 2017	100	100	-	(120,325)	(120,225)
Net loss for the period	-	-	-	(24,727)	(24,727)
Balance, September 30, 2017	100	100	-	(145,052)	(144,952)
Net loss for the period	-	-	-	(17,970)	(17,970)
Balance, March 31, 2018	100	100	-	(163,022)	(162,922)
Repurchase of shares	(100)	-	-	-	-
Units issued for debt settlement	18,567,070	3,713,414	(557,012)	-	3,156,402
Shares issued for private placement	85,000,000	17,000,000	-	-	17,000,000
Share issuance costs	-	(20,764)	-	-	(20,764)
Units issued for investment in SubTerra	8,235,294	1,647,059	(247,059)	-	1,400,000
Units issued for transaction costs	1,341,391	228,036	-	-	228,036
Restricted Back-in Right warrants	-	-	500,000	-	500,000
Exercise of warrants	6,841,294	1,880,621	(170,297)	-	1,710,324
Share-based payments	-	-	78,138	-	78,138
Comprehensive loss for the period	-	-	208,444	(2,377,356)	(2,168,912)
Balance, September 30, 2018	119,985,049	24,448,466	(187,786)	(2,540,378)	21,720,302

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Cash Flows

	For the Six Months Ended September 30, 2018	September 30, 2017
	$	$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(2,377,356)	(24,727)
Adjustments for non-cash items:		
Loss on acquisition of AHL	1,632,322	-
Share-based payments	78,138	-
Deferred tax recovery	(49,726)	-
Depreciation	1,211	-
Changes in non-cash working capital		
Interest receivable	-	(20,617)
GST receivable	(7,176)	-
Prepaid expenses	(355,686)	-
Other current assets	100	-
Accounts payable and accrued liabilities	408,217	13
Interest payable	19,341	45,343
	(650,615)	12
Investing activities		
Purchase of equipment	(13,209)	-
Acquisition of assets	(661,400)	-
	(674,609)	-
Financing activities		
Shares issued for cash, net of share issuance costs	16,979,236	-
Issuance of Restricted Back-In Right warrants	500,000	-
Exercise of warrants	603,150	-
	18,082,386	-
Effect of foreign exchange on cash and cash equivalents	(3,579)	-
Increase in cash	16,753,583	12
Cash (bank indebtedness), beginning of period	(67)	552
Cash and restricted cash, end of period	16,753,516	564

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

1. Nature of Operations

Australis Capital Inc. (the "Company" or "ACI") was incorporated under the *Business Corporations Act (Alberta).*

The head office and principal address of the Company is 376 East Warm Springs Road, Las Vegas, Nevada, USA 89119. The Company's registered and records office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7.

The Company filed a preliminary prospectus dated June 19, 2018 and filed a final prospectus dated August 14, 2018, for the spin-out of the Company by Aurora Cannabis Inc. ("ACB"), its former parent company. On August 16, 2018, the Company received a receipt for its final prospectus, and on September 19, 2018, ACB completed a distribution of the Company's shares and warrants. The Company's shares and warrants commenced trading on the Canadian Securities Exchange (the "CSE") on September 19, 2018 under the trading symbol "AUSA" (Note 5).

On July 12, 2018, the Company incorporated Australis Capital (Nevada) Inc. ("ACN") in the State of Nevada. On July 17, 2018, the Company, through ACN, acquired the remaining 50% interest in Australis Holdings LLP ("AHL") from its joint venture partner, AJR Builders Group LLC ("AJR") (Notes 4 and 6).

2. Basis of Presentation and Significant Accounting Policies

(a) Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting"* ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the three and six months ended September 30, 2018 and 2017.

The condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements. The accounting policies and critical estimates applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended March 31, 2018, with the exception of new accounting standards and policies adopted effective April 1, 2018 as disclosed in Note 2(d).

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 28, 2018.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which were measured at fair value.

(b) Functional and presentation of foreign currency

All amounts on the condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted. The functional currencies of the Company and its subsidiaries are as follows:

ACI is the Canadian dollar; and
AHL and ACN are the U.S. dollar.

2. Significant Accounting Policies (Continued)

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries with intercompany balances and transactions eliminated on consolidation. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and can use its power to affect its returns. As of September 30, 2018, the Company has 100% control over AHL and ACN.

(d) New or amended standards adopted

The Company adopted the following new or amended IFRS standards for the annual period beginning April 1, 2018.

(i) IFRS 7 Financial instruments: Disclosure

IFRS 7 *Financial instruments: Disclosure,* was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. There was no material impact on adoption.

(ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. 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. Financial liabilities are classified in a similar manner as under IAS 39.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

FVTPL;
Amortized cost;
Debt measured at fair value through other comprehensive income ("FVOCI");
Equity investments designated at FVOCI; or
Financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payments of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

2. Significant Accounting Policies (Continued)

(d) New or amended standards adopted (continued)

(ii) IFRS 9, Financial Instruments (continued)

The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of April 1, 2018.

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due from shareholder	Loans and receivables	Amortized cost
Investment in SubTerra assets	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date.

There was no material impact on adoption of IFRS 9.

3. Restricted Cash

On September 17, 2018, the Company entered into an escrow agreement with its transfer agent whereby the Company deposited $12,000,000 ("Restricted Funds") to be held and distributed upon written notice from the Company or in five years from the date of the escrow agreement. The terms of the escrow provide that in order for any funds to be released from escrow, the Company must certify to the escrow agent that such funds are being used for investments made in accordance with the Company's investment policy and not in contravention of any of its investment restrictions including, but not limited to, the Company not investing in cannabis-related assets or securities of issuers involved in the U.S. cannabis industry that are in breach of applicable state or local cannabis regulatory framework.

4. Investment in a Joint Venture

On April 7, 2015, the Company entered into a Limited Liability Partnership Agreement ("LLP Agreement") with AJR and formed AHL, a Washington Limited Liability Partnership. Each of the Company and AJR held a 50% interest in AHL. Pursuant to the LLP Agreement, the Company contributed US$500 to AHL as its initial capital contribution offset by the Company's share of AHL's loss. As of March 31, 2018, the investment balance in AHL was $nil.

AHL purchased two parcels of land in 2015 totaling approximately 24.5 acres (the "Property") in Whatcom county, Washington for US$2,300,000, with the initial intention to construct a new cannabis production and processing facility. The Company subsequently decided not to move forward with U.S. cannabis production and listed the land for sale.

Pursuant to a promissory note dated April 10, 2015, the Company loaned $1,644,831 to AHL to fund the purchase of the Property. The note was secured, bore interest at a rate of 5% per annum and matured on October 31, 2018. During the three and six months ended September 30, 2018, the Company accrued interest of $21,884 and $33,738 respectively (three and six months ended September 30, 2017 - $10,365 and $20,617 respectively) related to this loan.

On October 31, 2017, the Company further loaned $1,235,221 to AHL. The loan was due on demand, unsecured and bore no interest. The loan was used by AHL to fully settle the remaining loan on the Property.

On July 17, 2018, the Company, through ACN, acquired the remaining 50% interest from AJR resulting in the Company holding a 100% interest in AHL (Note 6). All intercompany balances and transactions post-acquisition were eliminated on consolidation.

5. Spin-out Transaction

The Company filed a preliminary prospectus dated June 19, 2018 and filed a final prospectus dated August 14, 2018 with the securities regulatory authorities in each of the provinces and territories in Canada for the spin-out of the Company by ACB, and applied for its listing on the CSE (the "Spin-out Transaction").

On August 16, 2018, the Company received a receipt for its final prospectus and on September 19, 2018, ACB completed a distribution to holders of its common shares, as of the record date of August 24, 2018, as a return of capital, units of the Company (the "Distribution"). Each unit consisted of one common share and one warrant exercisable at $0.25 per share for a period of one year expiring September 19, 2019. The Distribution was paid on the basis of one unit for every thirty four shares of ACB outstanding as of the record date.

(a) In connection with the Distribution, the Company completed the following transactions:

  (i) The Company issued 18,567,070 units to one of ACB's wholly-owned subsidiaries, Aurora Marijuana Inc. ("AMI") at a deemed price of $0.17 per unit in settlement of the outstanding loans of $3,156,402 (Note 9).

  (ii) The Company repurchased 100 shares of the Company from AMI for $0.17 per share, which were cancelled and returned to treasury.

5. Spin-out Transaction (Continued)

(iii) The Company acquired certain assets ("SubTerra Assets") from Prairie Plant Systems Inc. ("PPS"), an indirect wholly-owned subsidiary of ACB (Note 7).

(iv) The Company issued 8,235,294 units to ACB at a deemed price of $0.17 per unit in settlement of the $1,400,000 promissory note (Note 7).

All of the units issued above consisted of one common share and one warrant of the Company, exercisable at a price of $0.25 per share for a period of one year from the date of the Company's listing on the CSE.

(b) On June 14, 2018, the Company entered into a Funding Agreement with ACB pursuant to which ACB advanced $500,000 to the Company in consideration for which the Company provided ACB with the following share purchase warrants (the "Restricted Back-in Right"):

(i) a warrant to purchase 20% of the issued and outstanding shares of the Company as of the date on which its shares commence trading on the CSE, exercisable at a price of $0.20 per share for a period of ten years from the date of issuance (22,628,751 warrants issued on September 19, 2018); and

(ii) a warrant to purchase 20% of the issued and outstanding shares of the Company as of the date of exercise, which will be exercisable for a period of ten years from the date of issuance at an exercise price equal to the five-day volume weighted average trading price of the Company's shares on the CSE or such other stock exchange on which the shares may then be listed at the time of exercise.

ACB will be prohibited from exercising the Restricted Back-in Right unless all of the Company's business operations in the U.S. are legal under applicable federal and state laws and ACB has obtained the required consents of the TSX and other exchanges on which it may be listed.

Pursuant to the terms of the Funding Agreement, ACB also funded the Company's spin-out transaction costs of $200,000 in consideration for the Company issuing 1,176,470 units to ACB at a price of $0.17 per unit. ACB purchased an additional 164,921 units for $28,036 under the Funding Agreement in order to hold sufficient units for the Distribution.

On July 5, 2018 and August 3, 2018, the Company completed a two-tranche private placement of 85,000,000 common shares at $0.20 per share for gross proceeds of $17,000,000 (Note 10). The prospectus did not qualify the Distribution of these shares and the shares were issued subject to a four-month statutory hold period.

6. Acquisition of AHL

On July 17, 2018, the Company acquired the remaining 50% interest in AHL from AJR resulting in the Company holding a 100% of the net assets of AHL. The transaction was accounted for as an asset acquisition.

The Company acquired the remaining 50% interest in AHL for a total consideration of $3,935,871 consisting of:

Consideration	$
Cash paid (US$500,000)	661,400
Debt forgiven	3,274,471
	3,935,871

6. Acquisition of AHL (Continued)

The allocation of the consideration to the fair value of the net assets acquired and liabilities assumed at the date of acquisition is as follows:

	$
Cash	3,661
Prepaids	2,637
Land	2,737,104
	2,743,402
Accounts payable and accrued liabilities	(439,853)
	2,303,549

On July 17, 2018, the Company incurred a loss on the acquisition of AHL of $1,632,322 due to the total consideration paid in excess of the net assets acquired.

The purchase price allocation is based on management's preliminary assessment of the fair value of the assets acquired and liabilities assumed at the date of acquisition and is subject to change.

7. Investment in SubTerra Assets

In connection with the Spin-out Transaction (Note 5), the Company acquired the SubTerra Assets from PPS, which consisted of:

(i) a 5% royalty on gross revenues of SubTerra earned annually from the sale of cannabis and cannabis-based products during the period commencing June 1, 2018 and ending May 31, 2028;

(ii) an annual payment of $150,000 from SubTerra during the period commencing June 1, 2018 and ending May 31, 2028; and

(iii) a two-year option to purchase a parcel of land in Michigan, United States, for US$3,000.

In consideration for the SubTerra Assets, the Company issued a promissory note of $1,400,000 to PPS and PPS subsequently transferred the promissory note to ACB. The promissory note was settled through the issuance of 8,235,294 units of the Company to ACB at a fair value of $1,852,057 (Note 10(b)(i)). The Company recorded $452,057 in reserves related to the difference between fair value of the units issued and the carrying amount of the loan settled.

SubTerra is a limited liability company organized under the laws of the State of Michigan. SubTerra operates a research facility located in White Pine, Michigan and has applied for a State of Michigan Class C Grower License and a State of Michigan Processor License for the production and processing of cannabis, respectively. SubTerra is currently not engaged in the production or processing of cannabis.

8. Property and Equipment

	Land	Computer/ Equipment	Total
	$	$	$
Cost			
Balance, March 31, 2017 and 2018	-	-	-
Addition	-	13,209	13,209
Addition from acquisition (Note 6)	2,737,104	-	2,737,104
Foreign currency translation	(50,230)	-	(50,230)
Balance, September 30, 2018	2,686,874	13,209	2,700,083
Accumulated depreciation			
Balance, March 31, 2017 and 2018	-	-	-
Depreciation	-	1,211	1,211
Balance, September 30, 2018	-	1,211	1,211
Net book value			
March 31, 2018	-	-	-
September 30, 2018	2,686,874	11,998	2,698,872

9. Loans Payable

On April 10, 2015, the Company entered into a promissory note with ACB in the principal amount of $1,644,831. The note was secured, bore interest at 5% per annum and matured on October 31, 2018. During the three and six months ended September 30, 2018, the Company accrued $nil and $19,341 (three and six months ended September 30, 2017 - $22,848 and $45,343) in interest expense.

On October 31, 2017, the Company received a further $1,235,221 loan from ACB. The loan was due on demand, unsecured and bears no interest.

In connection with the Spin-out Transaction, ACB assigned its interest in these loans to AMI (Note 5). On June 13, 2018, the Company issued 18,567,070 units to AMI at a fair value of $4,175,596 to fully settle aggregate outstanding loans of $3,156,402 (Note 10 (b)(i)). The Company recorded $1,019,194 in reserves related to the difference between the fair value of the units issued and the carrying amount of the loan settled.

10. Share Capital

(a) Authorized

Unlimited number of common voting shares without par value; and
Unlimited number of preferred non-voting shares without par value.

(b) Issued and outstanding

As at September 30, 2018, there were 119,985,049 (March 31, 2018 – 100) issued and outstanding common shares.

(i) On June 13, 2018, the Company issued the following securities of the Company in connection with the Spin-out Transaction:

10. Share Capital (Continued)

(b) Issued and outstanding (continued)

- 8,235,294 units of the Company with a fair value of $1,852,057 in connection with the acquisition of the SubTerra Assets (Notes 5 and 7). Each unit consisted of one common share and one share purchase warrant of the Company exercisable at $0.25 per share until September 19, 2019.
- 18,567,070 units of the Company with a fair value of $3,713,414 to settle loans of $3,156,402 (Notes 5 and 9). Each unit consisted of one common share and one share purchase warrant exercisable at $0.25 per share until September 19, 2019.
- the Company repurchased 100 of its opening issued and outstanding common shares (Note 5).

(ii) On July 5, 2018 and August 3, 2018, the Company completed a two-tranche private placement of 73,936,000 and 11,064,000 shares at a price of $0.20 per share, respectively, for aggregate gross proceeds of $17,000,000 (Note 5). Total share issuance costs amounted to $20,764 which consisted of legal fees.

(iii) On September 17, 2018, the Company issued an aggregate of 1,341,391 units in consideration of $228,036 transaction costs (Note 5). Each unit consisted of one common share and one warrant of the Company exercisable at $0.25 per share until September 19, 2019.

(iv) The Company issued an aggregate of 6,841,294 common shares on the exercise of 6,841,294 warrants for gross proceeds of $1,710,324.

(c) Share purchase warrants

Each warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Warrants	Weighted average exercise price
	#	$
Balance, March 31, 2017 and 2018	-	-
Issued	50,772,506	0.22
Exercised	(6,841,294)	0.25
Balance, September 30, 2018	43,931,212	0.22

During the three and six months ended September 30, 2018, the Company recorded $667,180 in reserves for 26,802,364 warrants related to the Spin-out Transaction (Note 5(a)) and $500,000 in reserves for 22,628,751 warrants related to ACB’s Restricted Back-in Right (Note 5(b)).

The following table summarizes the warrants that remain outstanding as at September 30, 2018:

Exercise price	Warrants	Expiry date
$	#	
0.25	21,302,461	September 19, 2019
0.20	22,628,751	September 19, 2028
	43,931,212	

10. Share Capital (Continued)

(d) Stock options

On June 15, 2018, the Board adopted a Share Option Plan which provides that the Board may from time to time, in its discretion, and in accordance with exchange requirements, grant to directors, officers, employees, and consultants, non-transferable stock options to purchase common shares of the Company. A summary of the status of stock options outstanding follows:

	Stock options	Weighted average exercise price
	#	$
Balance, March 31, 2017 and 2018	-	-
Issued	7,510,000	0.20
Balance, September 30, 2018	7,510,000	0.20

The following table summarizes the stock options that remain outstanding as at September 30, 2018:

Exercise price	Options outstanding	Expiry date	Options exercisable
$	#		#
0.20	7,200,000	August 13, 2023	-
0.20	310,000	September 11, 2023	-
	7,510,000		-

During the three and six months ended September 30, 2018, the Company recorded aggregate share-based payments of $78,138 (three and six months ended September 30, 2017 - $nil) for all stock options granted and vested.

11. Segmented Information

The Company operates primarily in two geographic segments: Canada and the U.S.A. Set out below is segmented information on a geographic basis.

	Canada	USA	Total
	$	$	$
Three months ended September 30, 2018			
Loss from operations	418,497	139,977	558,474
Net loss	1,983,561	160,402	2,143,963
Three months ended September 30, 2017			
Loss from operations	-	-	-
Net loss	9,682	-	9,682
Six months ended September 30, 2018			
Loss from operations	642,597	139,977	782,574
Net loss	2,216,954	160,402	2,377,356
Six months ended September 30, 2017			
Loss from operations	1	-	1
Net loss	24,727	-	24,727

11. Segmented Information (Continued)

	Canada	USA	Total
	$	$	$
As at September 30, 2018			
Non-current assets	1,461,724	2,686,874	4,148,598
Non-current liabilities	-	-	-
As at March 31, 2018			
Non-current assets	100	-	100
Non-current liabilities	-	-	-

12. Related Party Transactions

(a) Transactions

The Company incurred the following transactions with related parties during the three and six months ended September 30, 2018 and 2017:

	For the three months ended		For the six months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	$	$	$	$
Interest income from AHL at 50% ownership [1]	2,084	10,365	13,938	20,617
Interest expense accrued to a company with former common directors and officers (Note 9)	-	22,848	19,341	45,343
Wages and benefits	95,663	-	95,663	-
Directors' fees	9,473	-	9,473	-

[1] The Company eliminated all interest income earned post-acquisition upon consolidation (Notes 4 and 5).

(b) Related party balances

The following related party amounts were included in (i) due from a shareholder, (ii) note receivable, (iii) accounts payable and accrued liabilities; and (iv) note payable as at September 30, 2018 and March 31, 2018:

		September 30, 2018	March 31, 2018
		$	$
(i)	Due from a former shareholder [1]	618,195	35,784
(ii)	Loan to AHL	-	3,008,556
(iii)	Payable to AHL [1]	-	624
(iv)	Loan from ACB (Note 9)	-	3,137,061

[1] The amount is unsecured, non-interest-bearing and has no fixed repayment terms.

13. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, loans receivable, due from shareholder, accounts payable and accrued liabilities, bank indebtedness and loans payable. The carrying values of these financial instruments approximate their fair values as at September 30, 2018.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

There have been no transfers between fair value levels during the period.

The following table summarizes the Company's financial instruments as at September 30, 2018:

	Amortized cost	Other financial liabilities	Total
	$	$	$
Financial Assets			
Cash	4,753,516	-	4,753,516
Restricted cash	12,000,000	-	12,000,000
Subscriptions receivable	1,107,174	-	1,107,174
Investment in SubTerra assets	1,400,000	-	1,400,000
Financial Liabilities			
Accounts payable and accrued liabilities	-	656,330	656,330

(b) Financial instruments risk

(i) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date. Credit risk from the note receivable arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

13. Financial Instruments and Risk Management (Continued)

(b) Financial instruments risk (continued)

(ii) Liquidity risk (continued)

As at September 30, 2018, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	656,330	656,330	-	-

(iii) Market risk

a) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At September 30, 2018, the Company held cash in Canadian and U.S. dollars. The Company's main risk is associated with fluctuations in U.S. dollars. Assets and liabilities are translated based on the foreign currency translation policy. The Company has determined that a 10% increase or decrease in the U.S. dollar against the Canadian dollar on financial assets and liabilities would result in an increase or decrease of approximately $145,808 (2017 - $nil) to net and comprehensive loss for the six months ended September 30, 2018.

At September 30, 2018, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's loans receivable and loans payable have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

14. Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. The Company plans to use existing funds, as well as funds from the future sale of products to fund operations and expansion activities.

As at September 30, 2018, the Company is not subject to externally imposed capital requirements.

15. Subsequent Events

The following events occurred subsequent to September 30, 2018:

(a) On October 25, 2018 and November 27, 2018, the Company completed a non-brokered private placement of 14,778,325 units and 1,084,451 units, respectively, at a price of $2.03 per unit for aggregate gross proceeds of $32,201,435. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant is exercisable at $2.64 per share for a period of two years from the date of closing of the private placement. The Company may accelerate the expiry of the warrants in the event that the daily volume weighted average trading price of the Company's common shares is greater than $3.43 for any ten consecutive trading days. In connection with the private placement, the Company paid aggregate finders' fees of $558,200.

(b) On November 2, 2018, the Company completed its strategic investment in Body and Mind Inc. ("BaM") pursuant to an investment agreement dated October 30, 2018, and acquired a 25% ownership interest in BaM on a non-diluted basis, as follows:

(i) 16,000,000 units of BaM at a price of $0.40 per unit for gross proceeds of $6,400,000. Each unit consisted of one common share and one share purchase warrant exercisable at a price of $0.50 per share for a period of two years, subject to acceleration if the closing price of the common shares is equal to or greater than $1.20 for 30 consecutive trading days; and

(ii) $1,600,000 principal amount of 8% unsecured convertible debentures of BaM convertible at $0.55 per share until November 2, 2020, subject to acceleration if the closing price of the common shares is equal to or greater than $1.65 for 20 consecutive trading days.

In addition, under the terms of the investment agreement:

(i) the parties will negotiate in good faith a license agreement whereby BaM will grant the Company an exclusive and assignable license to use the BaM brand outside the U.S. on commercially reasonable terms;

(ii) BaM entered into a commercially advisory agreement with ACN pursuant to which BaM will pay ACN USD $10,000 per month for advisory and consulting services for a term ending on the earlier of five years from the closing date, and the date the Company ceases to hold 10% of the issued and outstanding shares of BaM; and

(iii) for as long as the Company owns 10% of the issued and outstanding shares of BaM, the Company will be entitled to nominate 1 director to the board of BaM and 1 more director if the Company exercises all of the warrants and converts all of its debentures in BaM. The Company will be entitled to maintain 2 directors on the board of BaM if it maintains at least a 25% ownership interest in BaM.

(c) On November 2, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Rthm Technologies Inc. ("Rthm"), a private company that has developed a complete suite of proprietary technology including advanced heart rate tracking and analysis algorithms and comprehensive circadian rhythm mapping techniques. Pursuant to the terms of the acquisition, the Company (i) paid $800,000, (ii) issued 1,742,611 common shares of the Company, and (iii) issued an aggregate of $200,000 in promissory notes payable upon certain patents being granted to Rthm. In addition, the Company will issue common shares of the Company with an aggregate value of $1,250,000 upon the achievement of certain milestones.

15. Subsequent Events (Continued)

(d) Effective November 14, 2018, the Company completed the purchase of common shares representing 15% of the outstanding capital of Wager Dimas Inc. from Cannroy Delaware Inc., a wholly-owned subsidiary of CannaRoyalty Corp. As consideration, the Company paid $1,500,000 and issued 748,916 units of the Company, with each unit issued on the same terms as the non-brokered private placement completed on October 25, 2018 (Note 15(a)).

(e) The Company granted the following stock options:

- 552,500 stock options at an exercise price of $1.04 per share expiring November 26, 2023; and
- 40,000 stock options at an exercise price of $1.62 per share expiring November 13, 2023.

In addition, pursuant to an employment agreement, the Board has approved a grant of 195,000 stock options effective December 17, 2018, at an exercise price equal to the greater of the closing price on the trading day prior to the date of grant or the closing price on the date of the grant, vesting annually over 3 years and expiring between five years from the date of grant.

(f) The Company issued 3,370,903 common shares on the exercise of 3,370,903 warrants for gross proceeds of $842,726.