AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended December 31, 2018
(Unaudited - In Canadian Dollars)

AUSTRALIS CAPITAL INC.

(the “Company”)

CONDENSED INTERIM CONSOLDATED FINANCIAL STATEMENTS

Three and nine months ended December 31, 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.

February 28, 2019

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Financial Position

	Notes	December 31, 2018	March 31, 2018 (Audited)
		$	$
Assets			
Current			
Cash		6,051,063	-
Restricted cash	03, 13(a)	24,541,997	-
Interest Receivable		111,541	-
Accounts Receivable		94,623	
GST receivable		60,087	-
Prepaid expenses		316,151	1,845
Subscriptions receivable	10(c)	322	-
Loans receivable	09(a)	6,940,000	3,008,556
		38,115,784	3,010,401
Noncurrent			
Deferred tax asset		1,332,225	-
Due from a shareholder			100
Investment in SubTerra assets	07(a)	1,400,000	-
Investment in BaM	07(b)	7,396,757	
Investment in Quality Green	07(e)	2,000,000	
Investment in Wagner Dimas	07(d)	3,000,000	
Goodwill	07(c)	3,535,438	
Property and equipment	06, 08	2,927,767	-
Long-term deposits		194,467	
TOTAL ASSETS		59,902,438	3,010,501
Liabilities			
Current			
Bank indebtedness		-	67
Accounts payable and accrued liabilities		420,410	36,295
Advances payable (Aurora group)	12(b)	600,021	
Loans payable	09(b)	-	3,137,061
		1,020,431	3,173,423
Noncurrent			
Promissory Note payable	07(c)	200,000	
Deferred Rent		17,272	
TOTAL LIABILITIES		1,237,703	3,173,423
Shareholders' equity (deficit)			
Share capital	10	60,733,034	100
Reserves	07, 09, 10	1,094,048	-
AOCI		441,822	
Deficit		(3,604,169)	(163,022)
TOTAL EQUITY		58,664,735	(162,922)
TOTAL LIABILITIES PLUS EQUITY		59,902,438	3,010,501

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

Approved on February 28, 2019

Director

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 December 31, 2018	Three months ended December 31, 2017	Nine months ended December 31, 2018	Nine months ended December 31, 2017
		$	$	$	$
Income-Services		9,346	-	9,346	-
Income-Royalties		122,542	-	122,542	-
		131,888	-	131,888	-
Expenses					
Consulting fees		45,029	-	55,604	-
Depreciation		2,548	-	3,759	-
Office and administration		59,135	-	69,854	-
Insurance		1,667	-	39,962	-
Management Fees	12(a)	2,339	-	2,339	-
Bank Charges		1,047	-	1,623	1
Legal fees		175,538	-	188,431	-
Regulatory and transfer agent fees		16,900	-	76,100	-
Share-based payments	10(d)	645,401	-	723,539	-
Transaction costs		-	-	342,917	-
Travel and promotion		322,439	-	388,086	-
Wages and benefits	12(a)	742,768	-	905,169	-
		2,014,811	-	2,797,383	1
Loss from operations		1,882,923	-	2,665,495	1
Other items					
Deferred tax recovery		(1,282,499)	-	(1,332,225)	-
Loss on acquisition of AHL	06	-	-	1,632,322	-
Loss on Investment		606,323	-	606,323	-
Foreign exchange loss		(185)	-	9,215	-
Interest and other expenses	09, 12(a)	38,932	22,848	60,273	68,191
Interest income	12(a)	(181,703)	(10,365)	(200,256)	(30,982)
		(819,132)	12,483	775,652	37,209
Net loss for the period	11	1,063,791	12,483 -	3,441,147	37,210
Other comprehensive gain					
Foreign currency translation		(233,379)	-	(441,822)	-
Comprehensive loss for the period		830,412	12,483 -	2,999,325	37,210
Net loss per share					
Basic and diluted		$ (0.01)	124.83	$ (0.02)	372.10
Weighted average number of shares outstanding					
Basic and diluted		142,726,746	100	142,726,746	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

	Notes	Common shares	Share capital	Reserves	AOCI	Deficit	Total
		#	$	$		$	$
Balance, March 31, 2017		100	100	-		(120,325)	(120,225)
Net loss for the period		-	-	-		(24,968)	(24,968)
Balance, December 31, 2017		100	100	-		(145,293)	(145,193)
Net loss for the period		-	-	-		(17,729)	(17,729)
Balance, March 31, 2018		100	100	-	-	(163,022)	(162,922)
Repurchase of shares		(100)	-	-	-	-	-
Units issued for debt settlement	05(a), 09, 10(b)	18,567,070	2,694,220	462,182	-	-	3,156,402
Units issued for private placement	03(b), 05(b), 10(b)	100,862,706	49,013,824	197,433	-	-	49,211,257
Share issuance costs		-	(582,626)		-	-	(582,626)
Shares issued for investment in SubTerra	05(a), 07(a), 10(b)	8,235,294	1,195,002	204,998	-	-	1,400,000
Shares issued for investment in Rthm	07(c), 10(b)	1,742,601	2,840,440		-	-	2,840,440
Units issued for investment in Wagner Dimas	07(d), 10(b)	738,916	1,490,803	9,197	-	-	1,500,000
Shares issued for transaction costs	5(b), 10(b)	1,341,391	268,278	-	-	-	268,278
Restricted Back-in Right warrants		-	0	500,000	-	-	500,000
Exercise of warrants	10(c)	11,238,768	3,089,454	(279,761)	-	-	2,809,693
Share-based payments		-	723,539	-	-	-	723,539
Comprehensive gain/loss for the period		-	-	-	441,822	(3,441,147)	(2,999,325)
Balance, December 31, 2018	10(b)	142,726,746	60,733,034	1,094,048	441,822	(3,604,169)	58,664,735

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

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Cash Flows

	Notes	For the Three Months Ended December 31, 2018	December 31, 2017	For the Nine Months Ended December 31, 2018	December 31, 2017
		$	$	$	$
Cash provided by (used in)					
Operating activities					
Net loss for the period	11	(1,063,791)	(12,483)	(3,441,147)	(37,210)
Adjustments for non-cash items:					
Share-based payments	10(d)	645,401	-	723,539	-
Deferred tax recovery		(1,282,498)	-	(1,332,225)	-
Depreciation		2,548	-	3,759	-
Changes in non-cash working capital					
Interest receivable		(111,541)	(10,366)	(111,541)	(30,982)
GST receivable		(52,912)	-	(60,088)	-
Prepaid expenses		44,017	-	(311,669)	-
Other current assets		(94,623)	-	(94,523)	-
Accounts payable and accrued liabilities		421,613	22,531	849,105	67,887
Interest payable		-	-	-	-
Loss on investment		606,323	-	2,238,645	-
		(885,463)	(317)	(1,536,145)	(305)
Investing activities					
Purchase of 50% interest in AHL		-	-	(661,400)	-
Purchase of Rthm		(494,998)		(494,998)	
Loan to BaM		(6,940,000)	-	(6,940,000)	-
Purchase of equipment		(86,773)	-	(99,982)	-
Long-term deposits		(194,467)	-	(194,467)	-
Investments		(11,503,080)	-	(11,503,080)	-
		(19,219,318)	-	(19,893,927)	-
Financing activities					
Shares issued for cash, net of share issuance costs		32,211,257	-	49,211,257	-
Issuance of Restricted Back-In Right warrants		-	-	500,000	-
Exercise of warrants		2,206,221	-	2,809,372	-
Gain on buyback-AOCI		-	-	-	-
Share issue costs	10(b)	(561,863)	-	(582,626)	-
		33,855,615	-	51,938,003	-
Effect of foreign exchange on cash and cash equivalents		88,709	(0)	85,129	(0)
Increase (decrease) in cash		13,839,544	(318)	30,593,060	(306)
Cash (bank indebtedness), beginning of period		16,753,516	564	-	552
Cash and restricted cash, end of period		30,593,060	246	30,593,060	246

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, Suite 190, 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). On November 2, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Rthm Technologies Inc. ("Rthm") (Note 7(c)).

Entity	Location	Purpose
Australis Capital Inc. (ACI)	Nevada (USA)	Parent Company
Australis Capital (Nevada) Inc. (ACN)	Nevada (USA)	Subsidiary that holds 50% of AHL
Australis Holdings LLP (AHL)	Washington (USA)	Land Holding Company 50% owned by ACN and 50% owned by ACI
RTHM	Ontario (Canada)	Subsidiary holding Intellectual Property Rights

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 nine months ended December 31, 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(e).

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on February 28, 2019.

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

2. Basis of Presentation and Significant Accounting Policies (Continued)

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

(c) Investments in Associates (Equity Method Investments)

These condensed interim consolidated financial statements include equity method investments on the Company's Balace Sheet. IAS 28 (Investments in Associates and Joint Ventures) outlines how to apply the equity method to investments in associates and joint ventures. Where an entity holds 20% or more of the voting power on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. As of December 31, 2018, the Company held Body and Mind Inc. as an equity method investee. (Refer to Note 7 below.)

(d) Basis of consolidation

These unaudited 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 December 31, 2018, the Company has 100% control over AHL, ACN, and RTHM.

(e) 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 to the Company upon 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.

2. Basis of Presentation and Significant Accounting Policies (Continued)

(e) New or amended standards adopted (Continued)

(ii) IFRS 9, Financial Instruments (Continued)

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.

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
Investment in Wagner Dimas	Investments	Amortized cost
Investment in Quality Green	Investments	Amortized cost
Investment in Body and Mind	Investments	Equity Method
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities

2. Basis of Presentation and Significant Accounting Policies (Continued)

(e) New or amended standards adopted (Continued)

(ii) IFRS 9, Financial Instruments (Continued)

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 to the Company on adoption of IFRS 9.

(iii) IFRIC 22, Transactions in Foreign Currency and Advance Considerations

This Interpretation provides guidance on the determination of the date of transactions for purposes of establishing the exchange rate to be used in the initial recognition of the related asset, expense or income (or the corresponding part thereof), and the derecognition of an non-monetary asset or non-monetary liability that arises from the payment or collection of the anticipated consideration in foreign currency.

This Interpretation is effective for the periods beginning on or after January 1, 2018 and is not expected to have a significant effect on the Company's consolidated financial statements. There was no material impact to the Company upon adoption

(iv) IFRS 15, Revenue from Contracts with Customers

The IASB's new revenue recognition standard IFRS 15 – Revenue from Contracts with Customers (IFRS 15) was adopted by the Company on April 1, 2018. The IASB replaced IAS 18, *Revenue*, in its entirety with IFRS 15, *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no material impact to the Company upon adoption.

(v) Clarification of the classification and measurement of share-based payment transactions

The IASB has published final amendments to IFRS 2 "Share-based Payment" that clarify the classification and measurement of share-based payment transactions.

Accounting for cash-settled share-based payment transactions that include a performance condition

Until now, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features

2. Basis of Presentation and Significant Accounting Policies (Continued)

(e) New or amended standards adopted (Continued)

(v) Clarification of the classification and measurement of share-based payment transactions (Continued)

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Until now, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

- On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
- Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

Effective date and transition requirements
The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application if allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above. There was no material impact to the Company upon adoption.

(f) Accounting Standards Issued But Not Yet Effective

(i) IFRS 16, Leases

IFRS 16 replaces the following standards and interpretations: IAS 17 Leases, IFRIC 4 Determination of whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives, SIC-27 Evaluation of the substance of transactions that involve the legal form of a leasing contract.

This new standard requires the lessee to recognize all leases in a similar way to how financial leases are currently recorded under IAS 17 Leases. The standard includes two exceptions for this recognition: (1) leases of low-value assets (e.g. personal computers) and (2) short-term contracts (term of less than 12 months). The lessee recognizes at lease inception, the asset that represents the right of use and the liability for the periodic payments that must be made. Interest expense is recorded separately from depreciation.

The recognition requirements for the lessor are not significantly different from IAS 17. Some of the impacts that could arise would be indicators of EBIT, debt covenants, debt and financing indicators, as well as the presentation of cash flows, which would be presented as financing and not operation activities.

The application date is for annual periods beginning on or after January 1, 2019. The Company is currently analyzing the impact of this standard.

2. Basis of Presentation and Significant Accounting Policies (Continued)

(f) Accounting Standards Issued But Not Yet Effective (Continued)

(ii) IASB amends definition of business in IFRS Standard on business combinations

In October 2018, the IASB issued narrow-scope amendments to IFRS 3 Business Combinations to improve the definition of a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs, or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.

Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after January 1, 2020. Earlier application is permitted. The Company is currently analyzing the impact of this standard.

(iii) IASB clarifies its definition of "material"

In October 2018, the IASB issued amendments to its definition of material to make it easier for companies to make materiality judgements.

The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The updated definition amends IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The changes are effective from January 1, 2020, but companies can decide to apply them earlier.

- Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).
- New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company is currently analyzing the impact of this standard.

2. Basis of Presentation and Significant Accounting Policies (Continued)

(g) Any and all other new or amended accounting pronouncements are not deemed to be relevant to the Company.

3. Restricted Cash

(a) 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.

(b) On October 25, 2018 and November 27, 2018, the Company completed a non-brokered private placement of 14,778,255 units and 1,084,451 units, respectively, at a price of $2.03 per unit for aggregate gross proceeds of $32,201,293 (net of an aggregate foreign exchange difference of $9,964). 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 $561,863.

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 $624 (USD $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 nine months ended December 31, 2018, the Company accrued interest of $23,968 and $57,707 respectively (three and nine months ended December 31, 2017 - $10,365 and $30,981 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.

(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 $235,294 in consideration for the Company issuing 1,176,470 units to ACB at a price of $0.20 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. The Company reimbursed additional transaction costs of $77,621 overpaid by ACB.

5. Spin-out Transaction (Continued)

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

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. Investments

(a) 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

7. Investments (Continued)

(a) Investment in SubTerra Assets (Continued)

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.

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.

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.

(b) Investment in Body and Mind Inc.

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 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 of BaM 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 of BaM 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 the Company pursuant to which BaM will pay the Company 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. On November 2, 2018, the Company nominated 1 director to the board of BaM.

On November 28, 2018, the Company executed a loan agreement with BaM: Net proceeds from the loan along with net proceeds from certain warrants in BaM exercised by the Company were used by BaM to fund its investment in Green Light District Holdings, the owner of the ShowGrow dispensary brand.

(i) the Company advanced the principal amount of $5,340,000 (USD $4,000,000) at a rate of 15% per annum accruing and payable at the end of each six month period following the date of the agreement in arrears either in cash or in kind. BaM will maintain prepayment rights at any time, in any amount, unless it is within the first year in which case BaM will be required to pay a 5% prepayment penalty on the amount repaid;

7. Investments (Continued)

(b) Investment in Body and Mind Inc. (Continued)

(ii) BaM paid a finance fee to the Company in the amount of 1,105,083 shares at a deemed price of $0.72 per share; and

(iii) BaM increased its monthly advisory and consulting services fee payable to the Company by USD $6,500 effective December 1, 2018.

On November 30, 2018, BaM exercised certain warrants pursuant to an investment agreement dated October 30, 2018 and the Company paid $1,603,080 (USD $1,200,000).

As of December 31, 2018, the Company's ownership percentage in BaM's issued and outstanding common stock was 29.7%.

(c) Investment in Rthm Technologies Inc.

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 1,742,601 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.

(d) Investment in Wagner Dimas Inc.

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 738,916 units of the Company (representing an additional $1,500,000), with each unit issued on the same terms as the non-brokered private placement completed on October 25, 2018.

(e) Investment in Quality Green

On December 3, 2018, the Company entered into a subscription agreement with Quality Green Inc. ("Quality Green") to purchase units of the latter. Pursuant to the terms of the subscription agreement, the Company acquired 3,636,364 units of Quality Green at a purchase price of $0.55 per unit for total proceeds of $2,000,000. Each unit is comprised of one common share and one common share purchase warrant of Quality Green exercisable at $1.00 per common share for a period of one year from the date of closing.

8. Property and Equipment

	Land	Computer/ Equipment	Total
	$	$	$
Cost			
Balance, March 31, 2018			
Addition	-	99,982	99,982
Addition from acquisition (Note 6)	2,737,104	-	2,737,104
Foreign currency translation	94,440	-	94,440
Balance, December 31, 2018	2,831,544	99,982	2,931,526

8. Property and Equipment (Continued)

Accumulated depreciation			
Balance, March 31, 2018	-	-	-
Depreciation	-	3,759	3,759
Balance, December 31, 2018	-	3,759	3,759
Net book value			
March 31, 2018	-	-	-
December 31, 2018	2,831,544	96,223	2,927,767

9. Loans

(a) Loans Receivable

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 issued and sold $1,600,000 convertible Debenture which pays interest semi-annually at 8%. During the three and nine months ended December 31, 2018, the Company recorded $21,743 and $21,743 in interest income.

On November 28, 2018, the Company entered in a Loan Agreement with Body and Mind Inc. ("BaM") and advanced $5,340,000 (USD $4,000,000) with 15% interest rate which pays interest semi-annually ether in cash or in kind. During the three and nine months ended December 31, 2018, the Company recorded $72,419 and $72,419 in interest income.

(b) 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 nine months ended December 31, 2018, the Company accrued $nil and $19,341 (three and nine months ended December 31, 2017 - $22,848 and $68,192) in interest expense.

On October 31, 2017, the Company entered into a loan agreement with ACB in the amount of $1,235,221. 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 of December 31, 2018, there were 142,726,746 issued and outstanding common shares. As of March 31, 2018, there were 100 issued and outstanding common shares.

10. Share Capital (Continued)

(b) Issued and outstanding (Continued)

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

- 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 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"):

- 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 were issued on September 19, 2018).

(iii) 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.

(iv) On September 17, 2018, the Company issued an aggregate of 1,341,391 units in consideration of $268,278 in transaction costs (Note 5). Each unit consisted of one common share and one warrant of the Company exercisable at $0.20 per share until September 19, 2019. The Company reimbursed additional transaction costs of $77,621 overpaid by ACB.

(v) On October 25, 2018 and November 27, 2018, the Company completed a non-brokered private placement of 14,778,255 units and 1,084,451 units, respectively, at a price of $2.03 per unit for aggregate gross proceeds of $32,201,293 (net of an aggregate foreign exchange difference of $9,964). Each unit consisted of one common share and one-half of a share purchase warrant ("fractional 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 $561,863.

(vi) Effective November 14, 2018, the Company completed the purchase of common shares representing 15% of the outstanding capital of Wagner Dimas Inc. from Cannroy Delaware Inc., a wholly-owned subsidiary of CannaRoyalty Corp. As consideration, the Company paid $1,500,000 and issued 738,916 units of the Company (representing an additional $1,500,000), with each unit issued on the same "fractional warrant" terms as the non-brokered private placement completed on October 25, 2018.

(vii) On November 2, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Rthm. Pursuant to the terms of the acquisition, the Company paid $800,000 and issued 1,742,601 common shares of the Company. 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.

10. Share Capital (Continued)

(b) Issued and outstanding (Continued)

(viii) The Company issued an aggregate of 11,238,768 common shares on the exercise of 11,238,768 warrants for gross proceeds of $2,809,692.

(c) Share purchase warrants

Except as noted above, 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	59,073,317	0.57
Exercised	(11,238,768)	0.25
Balance, December 31, 2018	47,834,549	0.64

During the nine months ended December 31, 2018, the Company recorded $667,180 in reserves for 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 December 31, 2018:

Exercise price	Warrants	Expiry date
$	#	
0.25	16,904,987	September 19, 2019
0.20	22,628,751	September 19, 2028
2.64	7,389,127	October 25, 2020
2.64	369,458	November 14, 2020
2.64	542,226	November 27, 2020
	47,834,549	

(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:

10. Share Capital (Continued)

(d) Stock options (Continued)

	Stock options	Weighted average exercise price
	#	$
Balance, March 31, 2017 and 2018	-	-
Issued	8,597,500	0.27
Balance, December 31, 2018	8,597,500	0.27

The following table summarizes the stock options that remain outstanding as at December 31, 2018:

Exercise price	Options outstanding	Expiry date	Options exercisable
$	#		#
0.20	7,500,000	August 13, 2023	-
0.20	310,000	September 11, 2023	-
1.62	40,000	November 13, 2023	-
1.04	552,500	November 26, 2023	-
0.69	195,000	December 17, 2023	-
	8,597,500		-

During the three and nine months ended December 31, 2018, the Company recorded aggregate share-based payments of $256,723 and $334,861 (three and nine months ended December 31, 2017 - $nil and $nil) for all stock options granted.

(e) During the three months ended December 31, 2018, the Company granted the following stock options:

- 40,000 stock options at an exercise price of $1.62 per share expiring November 13, 2023;
- 552,500 stock options at an exercise price of $1.04 per share expiring November 26, 2023; and
- 195,000 stock options at an exercise price of $0.69 per share expiring December 17, 2023

(f) Restricted Share Units

The following table represents the Company's Restricted Share Units during the period:

Date	# RSUs Vest	Vesting Terms	12/31/2018 # Vested	FMV of Deferred Share Units	Share-Based Compensation Expense
Vesting over 3 years					
3/31/2019	181,042	35%	62,971	$1.62	$ 102,013
6/30/2019	181,042	21%	37,948	$1.62	$ 61,475
9/30/2019	181,042	15%	27,072	$1.62	$ 43,856
12/31/2019	181,042	12%	21,041	$1.62	$ 34,087
3/31/2020	181,042	10%	17,242	$1.62	$ 27,932
6/30/2020	181,042	8%	14,605	$1.62	$ 23,660
9/30/2020	181,042	7%	12,649	$1.62	$ 20,492
12/31/2020	181,042	6%	11,155	$1.62	$ 18,072
3/31/2021	181,042	6%	10,000	$1.62	$ 16,200
6/30/2021	181,042	5%	9,052	$1.62	$ 14,664
9/30/2021	181,042	5%	8,260	$1.62	$ 13,382
11/13/2021	181,042	4%	7,929	$1.62	$ 12,845
	2,172,500		239,924		$ 388,678
Total	**2,172,500**		**239,924**		**$ 388,678**

10. Share Capital (Continued)

(f) Restricted Share Units (Continued)

The total effect on the Statement of Financial Position and the Condensed Interim Consolidated Statements of Comprehensive Loss was $388,678.

RSUs are granted based on the closing price on the date prior to the grant date, being the closing share price on November 12, 2018 at $1.62.

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 December 31, 2018			
Loss from operations	1,152,524	730,399	1,882,923
Net loss	294,761	769,030	1,063,791
Three months ended December 31, 2017			
Loss from operations	-	-	-
Net loss	12,483	0	12,483
Nine months ended December 31, 2018			
Loss from operations	1,795,121	870,375	2,665,496
Net loss	2,511,715	929,432	3,441,147
Nine months ended December 31, 2017			
Loss from operations	1	-	1
Net loss	37,210	0	37,210

11. Segmented Information (Continued)

	Canada	USA	Total
	$	$	$
As at December 31, 2018			
Non-current assets	18,367,881	3,418,773	21,786,654
Non-current liabilities	(200,000)	(17,272)	(217,272)
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 nine months ended December 31, 2018 and 2017:

	For the three months ended		For the nine months ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	$	$	$	$
Interest income from AHL at 50% ownership [(1)]	-	10,365	-	30,981
Interest expense accrued to a company with former common directors and officers (Note 9)	-	22,848	19,341	68,192
Wages and benefits (2)	$ 212,507	-	$ 326,983	-
Directors' fees (3)	2,339	-	2,339	-

[(1)] The Company eliminated all interest income earned post-acquisition upon consolidation (Notes 4 and 5).
[(2)] The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team.
[(3)] The Company's Directors fees include meeting fees.

(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 December 31, 2018 and March 31, 2018:

12. Related Party Transactions

(b) Related party balances (Continued)

		December 31, 2018	March 31, 2018
		$	$
(i)	Due to a former shareholder [1]	600,021	35,784
(ii)	Loan to AHL	-	3,008,556
(iii)	Payable to AHL	-	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 December 31, 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 December 31, 2018:

	Amortized cost	Other financial liabilities	Total
	$	$	$
Cash	6,051,063	-	6,051,063
Restricted cash	24,541,997	-	24,541,997
Subscriptions receivable	322	-	322
Investment in SubTerra assets	1,400,000	-	1,400,000
Investment in BaM	7,396,757	-	7,396,757
Investment in Quality Green	2,000,000	-	2,000,000
Investment in Wagner Dimas	3,000,000	-	3,000,000
Financial Liabilities			
Accounts payable and accrued liabilities		437,682	437,682

13. Financial Instruments and Risk Management (Continued)

(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.

As at December 31, 2018, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	437,682	420,410	17,272	
Promissory Note payable	200,000		200,000	
Advances payable (Aurora group)	600,021	600,021		

(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 December 31, 2018, the Company held cash in Canadian and U.S. dollars. The Company's main risk is associated with fluctuations in the U.S. dollar. 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 $467,569 (2017 - $nil) to net and comprehensive loss for the nine months ended December 31, 2018.

At December 31, 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 December 31, 2018, the Company is not subject to externally imposed capital requirements.

15. Subsequent Events

The following events occurred subsequent to December 31, 2018:

(a) On January 14, 2019, the Company entered into a private placement of $3,988,200 (USD $3,000,000) with Folium Bioscience, the largest vertically integrated producer, manufacturer, and distributor of hemp derived phytocannabinoids in the United States. Folium also owns and operates the largest phytocannabinoid extraction and purification facility in the United States, with plans for a new pharmaceutical division and the completion of their Canadian facility in 2019.

(b) On February 1, 2019, Body and Mind announced a retail acquisition in Ohio by entering into a definitive agreement. Australis and BaM entered into a concurrent investment agreement pursuant to which the Company purchased 1,768,545 common shares of BaM at a price of $0.585 per share for an aggregate purchase price of $1,034,599. Pursuant to its investment agreement dated October 30, 2018 with the Company, BaM granted Australis anti-dilution participation rights which included certain discount rates.

(c) On February 26, 2019, the Company acquired 100% of Mr. Natural Productions, Inc., a multiple award-winning medical and recreational cannabis brand based in California. This acquisition includes the rights to the Mr. Natural brand, the life story right of Robert Luciano and all related intellectual property, including proprietary processes. The deal was valued for $1,762,500 and royalty payments based on future performance incentives.