AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the three and twelve months ended March 31, 2019 and 2018
(In Canadian Dollars)

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 common shares of the Company trade on the Canadian Securities Exchange (the "CSE") under the symbol "AUSA" and on the OTCQB Venture Market (the "OTC") in the United States under the symbol "AUSAF."

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of the Company for the three and twelve months ended March 31, 2019 and is prepared as of July 31, 2019. The MD&A should be read in conjunction with the Company's audited Financial Statements for the year ended March 31, 2019 and notes thereto (the "Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except as indicated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans," "expects" or "does not expect," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates" or "does not anticipate," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will be taken," "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may," "future," "expected," "intends" and "estimates." By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. This MD&A should be read in conjunction with the risk factors set out below and as set out under "Risk Factors" in the Company's final prospectus dated August 14, 2018. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Certain forward-looking statements in this MD&A include, but are not limited to the following:

- Statements related to the completion of the distribution and the events related thereto and contingent thereon;
- Information with respect to future financial and operating performance;
- Statements related to investment objectives; and
- Adequacy of financial resources.

BUSINESS OVERVIEW

ACI primarily focuses on acquisitions and investments in cannabis assets with a view to developing a vertically integrated and horizontally diversified cannabis company primarily in the United States. The Company's acquisitions may include cannabis brands and intellectual property, production licenses, operating assets, cultivation and production facilities, land, and other cannabis assets. From time to time, the Company also makes strategic investments in the securities of publicly traded or private companies. The Company expects to commence construction of its first cultivation and production facility in North Las Vegas, Nevada, in mid 2019.

As of the date of the MD&A, the Company has the following subsidiaries:

- Australis Capital (Nevada) Inc. ("ACN"), a corporation organized under the laws of Nevada, in which ACI holds a 100% ownership interest;
- Australis Holdings LLP ("AHL"), a limited liability partnership in the State of Washington, in which ACN holds a 50% ownership interest and ACI holds the remaining 50% ownership interest; and
- Rthm Technologies Inc., a corporation organized under the laws of Ontario, Canada, in which ACI holds a 100% ownership interest; and
- Mr. Natural Productions, Inc., a corporation organized under the laws of the State of California, in which ACI holds a 100% ownership interest.

KEY DEVELOPMENTS DURING THE FOURTH FISCAL QUARTER 2019

- On January 14, 2019, the Company entered into a subscription agreement with Folium Bioscience, the largest vertically integrated producer, manufacturer, and distributor of hemp-derived phytocannabinoids in the United States. Folium is nearing the completion of 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 2020. The Company acquired the amount of $3,980,811 ($3MM USD) a Class A non-restricted membership interest at a price of USD $1 per unit. The cash represents the total consideration paid.
- 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 Australis purchased 1,768,545 common shares at a price of $0.585 per share for an aggregate purchase price of $1,034,599. BaM granted Australis anti-dilution participation rights that included certain discount rates.
- 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. The Company issued 533,981 shares at a price of $1.03 per share for a total of $550,000; the remainder was in cash. In addition, if Mr. Natural is able to meet certain milestones, the Company will issue an aggregate $500,000 and $550,000 in the Company's common stock.
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RECENT DEVELOPMENTS (SUBSEQUENT TO MARCH 31, 2019)

The following events occurred subsequent to March 31, 2019:

- On April 17, 2019, the Company adopted amendments to the Company's stock option plan and restricted share unit plan. Under the amended plans, the Company may grant stock options and restricted share units that, in the aggregate, do not exceed a maximum of 15% of the issued and outstanding common shares of the Company. The Company also granted an aggregate of 6,942,000 stock options and 1,735,000 RSUs to directors, officers, employees, and consultants of the Company. Twenty percent (20%) of these stock options and RSUs were issued to a new director and three new employees who recently joined the Company. The stock options have an exercise price of $0.98 and expire five years from the date of grant. The stock options and the RSUs vest over a three-year period with 1/3 of the stock options and RSUs vesting each year following the date of grant; this is consistent with earlier awards. Including the current grant, the Company has issued approximately 13.4% of its currently issued and outstanding common shares in options and RSUs.

- On May 21, 2019, the Company entered into an asset purchase agreement with Green Therapeutics, LLC and affiliated companies to acquire its Tsunami, Provisions, and GT Flowers cannabis brands, certain operating assets, intellectual property and the right to assume, complete and expand the construction of a state-of-the-art 55,000 square foot cultivation and production facility in North Las Vegas, Nevada. The acquisition will include GT's experienced operating team. The Company will issue up to $10,690,400 ($8.0MM USD) of its common stock to complete this acquisition. The Company issued 7,831,855 shares valued at $8,552,320 ($6.4MM USD) upon the signing of a definitive agreement. An additional $1,069,040 ($800,000 USD) will be issued when the new cultivation and production facility in North Las Vegas is fully licensed and operational and an additional $1,069,040 ($800,000 USD) in shares will be issued if certain performance goals are reached utilizing the acquired assets within specified timeframes per the definitive agreement.

  In a separate transaction, The Company acquired from Meridian Companies LLC an 8.9-acre parcel of land in North Las Vegas, where the new cultivation and production facility will be located. This property has the potential to support a 400,000 square foot cultivation and production facility which will be built to the industry recognized Aurora Cannabis standard. The consideration from the Company was $3,915,359 ($2.93MM USD) of its common stock, or 3,585,521 common shares of the Company. The new production and cultivation facility will feature indoor greenhouses; state-of-the-art control systems; and a modern manufacturing, production, and post-production facility. This industry-leading, precision level control will allow for superior cannabis flower to be produced utilizing the Mr. Natural methodology. This Transaction will also provide the Company with six acres of improvable/vacant land in North Las Vegas that will be held for potential future expansion opportunities. The Company expects the Transaction to close in late 2019 upon the successful transfer of GT's cultivation and manufacturing licenses to the Company and the new facility will be completed and operational in 2020.

- On May 29, the Company acquired, through the exercise of 12,793,840 warrants of Body and Mind Inc., ownership of 12,793,840 common shares in the capital of Body and Mind Inc. The common shares were acquired pursuant to the exercise of the warrants acquired on a private placement basis on November 5, 2018. Prior to the Acquisition, the Company held 22,079,788 common shares, 12,793,840 warrants, and debentures in the principal amount of $1,600,000 convertible into Common Shares at $0.55 per common share.

The warrant proceeds were used, in part, to fully repay an outstanding senior secured note (the "Note") in the amount of USD $4,495,890.41 owing to the Company. Payment of the Note included the principal amount of USD $4,000,000 including accrued interest and an early repayment fee.

After the Acquisition, the Company holds 34,873,628 Common Shares and Debentures in the principal amount of $1,600,000. Assuming the conversion of all Debentures, the Company would hold 37,782,719 common shares, which on a partially diluted basis is equal to approximately 37.7% of the issued and outstanding common shares of the Company. The Company paid $6,396,920 to exercise the Warrants at a price of $0.50 per share resulting in 12,793,840 Common Shares.

- On July 1, 2019, the Company agreed to convert unsecured convertible debentures of Body and Mind Inc. in the principal amount of $1,600,000 at a price of $0.55 per common share on July 1, 2020, to acquire 2,909,091 common shares of Body and Mind Inc. The Debentures were acquired in a private placement on November 5, 2018.

  Pursuant to a conversion agreement dated July 1, 2019, Australis will acquire the Common Shares pursuant to the conversion of the Debentures no later than July 1, 2020. In consideration for its agreement to convert the Debentures, the Company paid to Australis $148,340 as an advanced payment of interest payable under the Debentures for the period beginning November 2, 2018, and ending July 1, 2020.

  The Common Shares will be issued by the Company at the deemed value of $0.55 per Common Share for the total consideration of $1,600,000. The Common Shares will be issued as payment for the principal amount owing under the Debentures.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information from continuing operations for the most recent eight quarters:

	March 31, 2019 (4)	December 31, 2018 (3)	September 30, 2018 (2)	June 30, 2018 (1)	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Revenue	-2,129	131,888						
Net (Loss) Gain	-730,063	-1,063,791	-2,143,963	-233,393	-5,485	-12,483	-12,483	-12,244
Net Loss (Earnings) Per Share	-0.005	-0.01	-0.03	-0.01	-54.85	-12.49	-12.48	-12.24

(1) During the three months ended June 30, 2018, an impairment loss on SubTerra assets of $278,169 and a loss on debt settlement of $2,112,590 from the issuance of 26,802,364 units of the Company were recorded in the condensed interim consolidated statement of comprehensive loss. The Company has since reclassified such amounts from comprehensive loss to reserves to appropriately recognize the settlement of related party loans.
(2) Net loss for the quarter ended September 30, 2018 increased primarily due to a loss of $1,632,322 on the impairment of the land as a result of the acquisition in AHL.
(3) Net loss for the quarter ended December 31, 2018 increased primarily due to (a) wages and benefits and (b) share-based payments.
(4) Net Gain for the quarter ended March 31, 2019 is primarily due to fair value adjustments related to the Company's investments (namely Body and Mind)

RESULTS OF OPERATIONS

The Company reported a net loss of $4,171,210 during the year ended March 31, 2019 compared to a net loss of $42,697 during the same period in the prior year. The significant increase in loss was mainly due to a significant sizable uptick in operating expenses.

Gross revenue increased by $129,759 primarily due to the royalties from providing advisory and consulting services to Body and Mind Inc. during the year ended March 31, 2019 as compared to the same period in the prior year.

All operating expenses (excluding one-time items) increased during the year ended March 31, 2019 when compared to the year ended March 31, 2018. An increase of $732,154 in professional and consulting fees during the year ended March 31, 2019 was mainly attributable to the Spin-out transaction and a two-tranche private placement.

The collective wages and benefits increased by $1,638,936 during the year ending March 31, 2019 as compared to the same period in the prior year. These increases were the result of the hiring of marketing and operations personnel as well as the appointment of an executive team to support the Company's business objectives. The aforementioned increase in personnel members also led to an increase in share-based payments in the amount of $677,549 in the year ending March 31, 2019 when compared to the same period in the prior year.

Net non-operating income increased in total by $164,839 during the year ending March 31, 2019 compared to the same period in the prior year. There was a decrease of $45,443 in interest and other expenses during the year ending March 31, 2019 when compared to the same period in the prior year; the decrease was mainly due to the settlement of a loan in connection with the aforementioned spin-out transaction. The Company recorded a foreign exchange loss of $11,560 during the year ending March 31, 2019 compared to the same period in the prior year. Interest income increased by $232,542 primarily due to the interest from the loans to Body and Mind Inc. and interest-bearing escrow accounts during the year ended March 31, 2019 as compared to the same period in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred operating losses over the past fiscal years and currently has limited sources of operating cash flow.

Working capital as of March 31, 2019 was $26,247,105 as compared to a working deficit of $163,022 at March 31, 2018. The increase in working capital of $26,410,037 was primarily attributable to the raising of $32,201,293 (net of an aggregate foreign exchange difference of $9,964) through a non-brokered private placement of units, partially offset by a collective $1,113,617 increase in accounts payable, overall accrued liabilities, and advances payable to the Company's former parent company.

To date, the Company has financed its operations and met its capital requirements through shareholder loans and advances and equity financings. During the twelve months ended March 31, 2019, ACI filed a prospectus with the securities regulatory authorities in each of the provinces and territories in Canada for the spin-out of the Company by its former parent, Aurora Cannabis Inc ("ACB"). As part of the transaction, the Company fully settled its loans through the issuance of units (consisting of one share and one warrant) and raised $17,000,000 pursuant to a private placement financing.

The Company believes that it has sufficient cash and resources to fund its business objectives for the next twelve months. The Company is not exposed to any externally imposed capital requirements.

Operating Activities

During the twelve months ended March 31, 2019, cash flows used in operating activities were $2,805,979 as compared to cash used in operating activities of $619 for the twelve months ended March 31, 2018. During the twelve months ended March 31, 2019, cash used in operations resulted primarily from a net loss of $4,171,210; this was partially offset by $833,935 related to changes in non-cash working capital items as well as $531,297 relating to changes in non-cash items.

Investing Activities

During the twelve months ended March 31, 2019, cash flows used in investing activities were $44,297,758 compared to cash flows of $nil for the twelve months ended March 31, 2018. The cash used in investing activities during the twelve months ended March 31, 2019 resulted mainly from contributions to restricted cash totaling $18,939,324 and the Company's purchase in its interest in Body and Mind, Inc. for $7,964,481.

Financing Activities

During the twelve months ended March 31, 2019, cash flows provided by financing activities were $52,386,684 compared to cash flows of $nil for the twelve months ended March 31, 2018. The cash provided by financing activities during the twelve months ended March 31, 2018 resulted mainly from net proceeds of $48,626,435 from the issuance of common shares and net proceeds of $3,260,249 from the exercise of warrants.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following transactions with related parties during the twelve months ended March 31, 2019 and 2018:

	For the twelve months ended	
	March 31, 2019	March 31, 2018
	$	$
Interest income from AHL at 50% ownership (1)	-	47,164
Interest expense accrued to a company with former common directors and officers	-	90,543
Wages and benefits (2)	771,292	-
Directors' fees (3)	2,339	-
Share-based Compensation to Related Parties (5)	487,068	-
Conference fees (4)	2,624	-

(1) The Company eliminated all interest income earned post-acquisition upon consolidation.

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

[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.
[4] The Company co-sponsored the second annual HighTimes 100 awards ceremony with Aurora to honor top influencers in Cannabis on March 27, 2019.

Related party balances

The following related party amounts were included in (i) due to a shareholder, (ii) note receivable, (iii) accounts payable and accrued liabilities; and (iv) note payable as at March 31, 2019 and March 31, 2018:

		March 31, 2019	March 31, 2018
		$	$
(i)	Due to a former shareholder (1)	591,187	100
(ii)	Loan to AHL	-	3,008,556
(iii)	Payable to AHL	-	624
(iv)	Loan from ACB	-	3,137,061
(v)	Advances from companies with common directors and officers	-	35,684
(vi)	Payable to AJR	22,650	-
(viI)	Loan receivable from Body and Mind	5,330,754	-

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

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include the fair value measurements for financial instruments. The most significant judgments applied to the Company's consolidated financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

NEW ACCOUNTING PRONOUNCEMENTS

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.

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.

There was no change in the classification of loans receivable upon transition to IFRS 9 at April 1, 2018.

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) 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.

(iv) Amendments to IFRS 3 Business Combinations

IASB has issued on October 22, 2018 amendments to IFRS 3, which relate to the definition of a business.

The amendments are as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Early adoption of this amendment is permitted. The Company has adopted the amendment as of April 1, 2018.

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. Substantially all of the Company's operating leases are real estate leases for office premises. As a lessee, the Company will recognize right-of-use assets and lease liabilities primarily for its operating leases of real estate properties. The depreciation expense on right-of-use assets and interest expense on lease liabilities will replace rent expense, previously recognized on a straight-line basis. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16.

The Company will adopt the standard on April 1, 2019 using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at April 1, 2019, and no restatement of the comparative period. Under the modified retrospective approach, the Company will choose to measure the right-of-use assets equal to the lease liability.

IFRS 16 permits the use of exemptions and practical expedients. The Company expects to apply the following recognition exemptions and practical expedients:
• grandfather lease definition for existing contracts at the date of initial application;
• exclude low-value and short-term leases from IFRS 16 lease accounting;
• use portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
• apply a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
• exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
• use hindsight in determining lease term at the date of initial application.

Based on the information currently available, as a result of the initial application of IFRS 16 as at March 31, 2019, management anticipates recognizing the present value of the operating lease commitments (described in note 19) as right-of-use assets and corresponding lease liabilities, on transition. The Company is in the final stages of refining and validating the inputs and key assumptions used in its calculation of the cumulative effects of initial application.

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Company's financial instruments consist of cash; loans receivable; proprietary investments; and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values as of March 31, 2019.

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 of March 31, 2019:

	Amortized cost	Fair Value through profit and loss	Other financial assets and liabilities	Total
Cash	5,576,170			5,576,170
Restricted cash	18,939,324			18,939,324
Interest Receivable	144,286			144,286
Accounts Receivable	101,651			101,651
GST receivable	27,733			27,733
Prepaid expenses	215,989			215,989
Deposits - S/T	53,205			53,205
Subscriptions receivable	2,195			2,195
Promissory note - SubTerra S/T		122,318		122,318
Convertible debt instruments - BaM		2,928,638		2,928,638
Marketable Securities - Wagner Dimas	1,854,007			1,854,007
Marketable Securities - Quality Green	1,781,818			1,781,818
Marketable Securities - Folium Biosciences	3,980,811			3,980,811
Derivative financial instruments- Quality Green		145,455		145,455
Derivative financial instruments- BaM		6,524,858		6,524,858
Loans receivable - BaM		5,330,754		5,330,754
Investments in associates - BaM		9,223,456		9,223,456
Promissory note - SubTerra L/T		999,513		999,513
Long-term deposits		157,082		157,082
Current				
Accounts payable and accrued liabilities			558,725	558,725
Contingent consideration payable			231,310	231,310
Royalty payable - S/T			69,555	69,555
Management Bonus Payable			413,717	413,717
Advances payable - Related Parties			591,187	591,187

Financial instruments risks

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes:

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.

From April 1, 2018, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets carried at amortized cost, the Company recognizes loss allowances for expected credit losses ("ECLs"). ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to twelve months of expected losses if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses if there is a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the financial assets carried at amortized cost to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment). Such factors include consideration relating to whether the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Significant increases in credit risk are assessed based on changes in probability of default of a financial asset subsequent to initial recognition. The Company uses past due information to determine whether credit risk has increased significantly since initial recognition. Financial assets are considered to have experienced a significant increase in credit risk and are reclassified to Stage 2 if a contractual payment is more than 30 days past due as at the reporting date.

The Company defines default as the earlier of when a contractual payment is more than 90 days past due or when a loan becomes insolvent as a result of customer bankruptcy. Financial assets that have experienced a default event are considered to be credit impaired and are reclassified as Stage 3 loans.

The Company measures ECL by considering the risk of default over the contract period and incorporates forward-looking information into its measurement. ECLs are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows

that the Company expects to receive. The Company assesses all information available, including past due status and forward looking macro-economic factors in the measurement of the ECLs associated with its assets carried at amortized cost.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(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 March 31, 2019, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	558,725	558,725		
Contingent consideration payable	231,310	231,310		
Royalty payable - S/T	69,555	69,555		
Management Bonus Payable	413,717	413,717		
Advances payable - Related Parties	591,187	591,187		
Deferred Gain on Derivatives	2,282,141		2,282,141	
Deferred Rent	17,787		17,787	
Royalty payable - L/T	212,641		212,641	

(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 March 31, 2019, 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 $749,599 (2018 - $nil) to net and comprehensive loss for the twelve months ended March 31, 2019.

At March 31, 2019, 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.

(iv) Concentration risk

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency.

The Company's investments in predominately U.S. cannabis expose the Company to a certain amount of concentration risk.

(v) Price risk

Price risk is the risk of unfavorable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in exclusively U.S. cannabis and from derivatives linked with such. The Company manages this risk by investing in a variety of companies from a locational standpoint; however, this still exposes the Company to a material amount of price risk.

OUTSTANDING SHARE DATA

As of March 31, 2019, the Company had the following securities issued and outstanding:

Securities	Units Outstanding
Issued and outstanding shares	145,062,954
Options	8,597,500
Warrants	46,032,322
Restricted Stock Units	2,172,500

ADDITIONAL INFORMATION

The Company's continuous disclosure documents and additional information are available on SEDAR at www.sedar.com.