AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the three months ended June 30, 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 months ended June 30, 2019 and is prepared as of August 29, 2019. The MD&A should be read in conjunction with **(a)** the Company's unaudited Financial Statements for the three months ended June 30, 2019 and notes thereto (the "Financial Statements") and **(b)** the audited financial statements for the year ended March 31, 2019 (and the related MD&A).

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

KEY DEVELOPMENTS DURING THE FIRST FISCAL QUARTER 2020

- 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 12.8% 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, and complete the construction of a state-of-the-art cultivation and production facility in North Las Vegas, Nevada. The Company will issue up to $10,768,641 ($8.0MM USD) of its common stock to complete this acquisition. The Company issued 7,831,855 shares valued at $8,615,041 ($6.4MM USD) upon the signing of a definitive agreement. An additional $1,076,800 ($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 $1,076,800 ($800,000 USD) in shares will be issued if and when total operating income of $800,000 is achieved before the start of the first harvest at the new production facility, after the facility is fully operational. The Company must obtain regulatory approval for the transfer of GT's cultivation and manufacturing licenses to commence cannabis related operations. Additionally, the Company anticipates the new facility will be completed and operational in late 2020.
- On May 21, 2019, the Company acquired from Meridian Companies LLC an 8.9-acre parcel of land in North Las Vegas. The consideration from the Company was $3,944,073 ($2.93 million USD) of its

common stock, or 3,585,521 common shares of the Company. This property will house the planned cultivation and production facility and provides the Company with up to six acres of improvable/vacant land in North Las Vegas that will be held for potential future expansion opportunities. This property has the potential to support a 400,000 square foot cultivation and production facility which would be built to the industry recognized Aurora Cannabis standard.

- On May 29, the Company acquired, through the exercise of 12,793,840 warrants of Body and Mind Inc. ("BaM"), 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 this Acquisition, the Company holds 34,873,628 Common Shares and Debentures in the principal amount of $1,600,000. Assuming the conversion of the 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 Body and Mind Inc. 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.

RECENT DEVELOPMENTS (SUBSEQUENT TO JUNE 30, 2019)

The following events occurred subsequent to June 30, 2019:

- 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:

	June 30, 2019 (5)	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
Revenue	67,642	(2,129)	131,888					
Net (Loss) Gain	(259,316)	(730,063)	(1,063,791)	(2,143,963)	(233,393)	(5,485)	(12,483)	(12,483)
Net Loss (Earnings) Per Share	(0.00)	(0.01)	(0.01)	(0.03)	(0.01)	(54.85)	(12.49)	(12.48)

(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.
(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).
(5) Net Loss for the quarter ended June 30, 2019 is primarily due to accelerated vesting of a former Director's stock options and RSU's and an increase in wages and bonuses, due in part to increased headcount, offset by a recognized gain on deferred fair value adjustments related to the Company's investments (namely in Body and Mind).

RESULTS OF OPERATIONS

The Company reported net loss of $259,316 during the three months ended June 30, 2019 compared to a net loss of $1,702,837 during the same period in the prior year. The significant decrease in loss was mainly due to losses on debt settlement and acquisition recorded in the same quarter of the prior year, related to the Company's spin-out from Aurora.

Gross revenue increased by $67,642 primarily due to income from providing advisory and consulting services to Body and Mind Inc. during the three months ended June 30, 2019 as compared to the same period in the prior year.

All operating expenses (excluding one-time items) increased during the three months ended June 30, 2019 when compared to the three months ended June 30, 2018. An increase of $240,346 in amortization expense during the three months ended June 30, 2019 is attributable to the amortization of RTHM's intangible asset - software. The collective wages and benefits increased by $937,270 during the three months ended June 30, 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, combined with the accelerated vesting of stock options and RSU's granted to a former Director, led to an increase in share-based payments in the amount of $1,215,062 during the three months ended June 30, 2019 when compared to the same period in the prior year.

The Company recorded net non-operating income of $2,567,814 during the three months ended June 30, 2019, resulting in an overall change of $4,046,552 when compared to the same period in the prior year. The change was mainly due to the settlement of a loan in connection with the aforementioned spin-out transaction, as well as the recognition of a deferred gain on fair value adjustments related to the Company's investment in Body and Mind. The Company recorded a foreign exchange gain of $57,610 during the three months ended June 30, 2019 compared to $nil in the same period in the prior year. Interest income increased by $713,827 primarily due to accelerated payment of interest from settlement of the loans to Body and Mind Inc. and to interest-bearing escrow accounts during the three months ended June 30, 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 June 30, 2019 was $22,415,833 as compared to $26,247,015 at March 31, 2019. The decrease in working capital of $3,831,182 was primarily attributable to (a) a $6,575,105 decrease in restricted cash from the above-mentioned exercise of warrants in BaM, and (b) a $2,094,626 increase in contingent consideration payable related to the Company's investment in Green Therapeutics. These factors were partially offset by a $5,227,718 increase in cash from settlement of the Company's loan receivable with Body and Mind, Inc.

To date, the Company has financed its operations and met its capital requirements through shareholder loans and advances, and equity financings. 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 three months ended June 30, 2019, cash flows used in operating activities were $641,576 as compared to cash provided by operating activities of $705 for the three months ended June 30, 2018. Cash used in operations for the period ending June 30, 2019 resulted primarily from a $1,462,907 decrease in adjustments from non-cash items and a decrease in non-cash working capital of $624,701; this was partially offset by a $1,445,327 change in Net Income for the period, when compared to the same period in the prior year.

Investing Activities
During the three months ended June 30, 2019, cash flows provided by investing activities were $5,491,619 compared to cash flows of $nil for the three months ended June 30, 2018. The cash provided by investing activities during the three months ended June 30, 2019 resulted mainly from contributions to restricted cash totaling $6,575,105 and proceeds from repayment of a loan from Body and Mind, Inc. of $5,330,754; this was partially offset by a purchase of interest in investment in associates (namely Body and Mind, Inc.) in the amount of $6,396,920 during the period.

Financing Activities
During the three months ended June 30, 2019, cash flows provided by financing activities were $290,082 compared to cash flows of $nil for the three months ended June 30, 2018. The cash provided by financing activities during the three months ended June 30, 2019 resulted mainly from net proceeds of $140,596 from the exercise of warrants, and $180,000 from the exercise of stock options, offset by $30,514 in principal payments for the Company's lease obligations.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions
The Company incurred the following transactions with related parties during the three months ended June 30, 2019 and 2018:

	For the three months ended	
	June 30, 2019	June 30, 2018
	$	$
Interest income from AHL at 50% ownership (1)	24,893	11,854
Interest expense accrued to a company with former common directors and officers	-	19,341
Wages and benefits (2)	568,420	-
Share-based Compensation to Related Parties (3)	742,610	-

(1) The Company eliminated all interest income earned post-acquisition upon consolidation (Note 6).
(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 related parties included for share-based compensation include the executive management team, directors, and members of the Company's advisory committee during the three months ended June 30, 2019.

Related party balances
The following related party amounts were included in (i) due from a former shareholder, (ii) other receivable, (iii) due to officers; (iv) note payable; and (v) loan receivable as at June 30, 2019 and March 31, 2019:

		June 30, 2019	March 31, 2019
		$	$
(i)	Due to a former shareholder (1)	582,449	591,187
(ii)	Other receivable (2)	6,544	-
(iii)	Due to officers (3)	130,757	-
(iv)	Payable to AJR	-	22,650
(v)	Loan receivable from Body and Mind	-	5,330,754

(1) The amount is unsecured, non-interest-bearing and has no fixed repayment terms.
(2) The amount includes employee advances.
(3) The loan from an officer was used for daily operations. This loan was settled in full on July 30, 2019.

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. Company has applied the modified retrospective approach and 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.

(v) 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 lease asset is periodically assessed and adjusted for certain remeasurements of the lease liability and impairment losses, if any. The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

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 adopted 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.

On transition to IFRS 16, the Company recognized a right-of-use asset of $927,879 ($709,008 USD), a corresponding lease liability of $867,565 ($662,921 USD) and derecognized $17,421 ($13,311 USD) of deferred rent. The lease liability was measured at the present value of outstanding lease payments, discounted using its incremental borrowing rate of 12.0%.

Management has recognized the present value of the operating lease commitments (described in note 17) as right-of-use assets and corresponding lease liabilities.

(t) Accounting Standards Issued But Not Yet Effective

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 June 30, 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 June 30, 2019:

	Amortized cost	Fair Value through profit and loss	Other financial assets and liabilities	Total
Cash	10,803,888	-	-	10,803,888
Restricted cash	12,364,219	-	-	12,364,219
Interest Receivable	164,405	-	-	164,405
Accounts Receivable	31,038	-	-	31,038
GST receivable	19,695	-	-	19,695
Prepaid expenses	178,371	-	-	178,371
Deposits - S/T	18,592	-	-	18,592
Subscriptions receivable	25,153	-	-	25,153
Promissory note - SubTerra S/T	-	137,858	-	137,858
Convertible debt instruments - BaM	-	2,776,290	-	2,776,290
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
Investments in associates - BaM	-	21,840,554	-	21,840,554
Investment in Green Therapeutics	10,977,740			10,977,740
Promissory note - SubTerra L/T	-	960,720	-	960,720
Long-term deposits	135,500	-	-	135,500
Right-of-use Asset	818,287	-	-	818,287
Current				
Accounts payable and accrued liabilities	-	-	863,394	863,394
Contingent consideration payable	-	-	2,325,936	2,325,936
Royalty payable - S/T	-	-	69,555	69,555
Advances payable - Related Parties	-	-	582,449	582,449
Due to officers	-	-	130,757	130,757
Lease Liability S/T	-	-	131,585	131,585

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 June 30, 2019, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	863,394	863,394	-	-
Contingent consideration payable	2,325,936	2,325,936	-	-
Royalty payable	387,550	69,555	317,995	-
Advances payable - Related Parties	582,449	582,449	-	-
Due to officers	130,757	130,757	-	-
Lease Liability	790,814	131,585	659,229	-

(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 June 30, 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 $76,307 (three months ended June 30, 2018: $nil) to net and comprehensive loss for the three months ended June 30, 2019.

At June 30, 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 June 30, 2019, the Company had the following securities issued and outstanding:

Securities	Units Outstanding
Issued and outstanding shares	158,167,986
Options	15,259,500
Warrants	45,378,109
Restricted Stock Units	3,838,000

ADDITIONAL INFORMATION

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