AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended
June 30, 2020 and 2019
(Unaudited - In Canadian Dollars)

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited - in Canadian Dollars)

	Notes	June 30, 2020	March 31, 2020
		$	$
Assets			
Current			
Cash	20	4,647,699	7,646,919
Restricted cash	3, 20	8,696,305	8,685,581
Accounts receivable	4	243,424	380,655
Inventory		450,065	-
Prepaid expenses		184,648	332,324
Current portion of deposits		998,636	956,705
Current portion of annuity receivable - SubTerra	6	53,081	53,081
Convertible debt instruments - BaM	14	1,356,500	1,553,055
Investment in associate held for sale	14	405,907	38,396
Intangible asset held for sale - Mr. Natural	8	-	382,000
Land held for sale	7, 15	2,860,211	2,977,532
Other current assets	9	681,400	709,350
		20,577,876	23,715,598
Non-current			
Marketable securities - Quality Green	13(a)	500,678	500,678
Marketable securities - Folium Biosciences	13(b)	796,163	796,163
Investment in associates - BaM	14	8,229,556	10,500,148
Property, plant and equipment, net	9, 15	5,407,336	4,931,023
Intangible assets	16	14,782,058	14,775,466
Goodwill	10, 16	704,384	589,843
Annuity receivable - SubTerra	6	739,067	739,067
Long-term deposits	12	6,130,231	6,407,851
Right-of-use asset	22	669,518	744,502
TOTAL ASSETS		58,536,867	63,700,339
Liabilities			
Current			
Accounts payable and accrued liabilities	20	692,440	1,968,003
Deferred revenue		17,716	-
Advances payable - related parties	19	599,577	617,275
Current portion of lease liability	22	143,749	141,563
Provisions	11	-	855,423
Liabilities Associated with Assets Held for Sale - Mr. Natural	8	-	293,208
		1,453,482	3,875,472
Non-Current			
Contingent consideration payable	9, 10	1,440,588	1,448,493
Lease liability	22	542,732	610,350
TOTAL LIABILITIES		3,436,802	5,934,315
Shareholders' equity (deficit)			
Share capital	17	75,201,043	74,650,429
Treasury shares	8, 17	(101,456)	-
Reserves	5, 17	10,786,861	10,264,001
Accumulated other comprehensive income		202,722	527,974
Accumulated deficit		(30,989,105)	(27,676,380)
TOTAL SHAREHOLDERS' EQUITY		55,100,065	57,766,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,536,867	63,700,339

Nature of Operations (Note 1)
Commitments and Contingencies (Note 22)
Subsequent Events (Note 23)

Approved on August 26, 2020

/s/ Roger Swainson
Director

/s/ John Dover
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
(Unaudited - in Canadian Dollars, except share amounts)

	Notes	Three months ended June 30, 2020	2019
Income			
Income-Services		14,465	6,566
Income-Consulting		48,337	59,863
		62,802	66,429
Expenses			
Consulting fees		(26,668)	(91,030)
Depreciation	15	(29,035)	(15,289)
Depreciation - Leases	22	(44,976)	(44,802)
Amortization - Intangibles	16	(98,753)	(41,878)
Advertising and promotion		(81,789)	(96,376)
Office and administration		(50,594)	(31,752)
Insurance		(168,301)	(93,465)
Professional fees		(149,854)	(36,331)
Regulatory and transfer agent fees		(29,357)	(20,030)
Share-based payments	17(e), 17(f)	(921,651)	(1,866,056)
Travel and entertainment		(4,916)	(80,567)
Wages and benefits		(979,702)	(1,103,855)
		(2,585,596)	(3,521,431)
Loss from operations		(2,522,794)	(3,455,002)
Other items			
Gain (loss) on asset disposal		-	(1,808)
Impairment loss - SubTerra annuity receivable	6	-	(282,389)
Loss on investment in associate	14	(551,050)	(304,679)
Recognition of deferred gain		-	1,954,408
Net change on investment at fair value through profit and loss	14	(196,555)	(143,101)
Other income		69	220,860
Other expense - M&A		(86,328)	-
Foreign exchange gain (loss)		16,709	57,610
Interest and other expenses		13,564	(13,804)
Interest expense - Leases		(17,474)	(20,839)
Interest income		31,134	697,008
		(789,931)	2,163,266
Net loss for the year		(3,312,725)	(1,291,736)
Other comprehensive income			
Foreign currency translation		(179,543)	(136,507)
Share of OCI from investment in associates	14	(145,709)	-
Comprehensive loss for the year		(3,637,977)	(1,428,243)
Net loss per share			
Basic and diluted		(0.02)	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		170,656,846	158,167,986

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
(Unaudited - in Canadian Dollars, except share amounts)

	Notes	Common shares	Share capital	Treasury shares	Share-based reserves	Warrant reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
		#	$	$	$	$	$	$	$
Balance, March 31, 2019		145,062,954	56,305,201	-	268,372	8,105,364	329,618	(4,334,232)	60,674,323
Shares issued for acquisition of Green Therapeutics, LLC assets	9	7,831,855	7,322,241	-	-	-	-	-	7,322,241
Shares issued for acquisition of land	9	3,585,521	3,944,073	-	-	-	-	-	3,944,073
Finders fees	9	109,090	101,991	-	-	-	-	-	101,991
Exercise of warrants	17(d)	654,213	195,493	-	-	(31,939)	-	-	163,554
Exercise of stock options, net of withholding	17(e)	726,353	119,729	-	(116,849)	-	-	-	2,880
Vesting of RSUs, net of withholding	17(f)	117,000	(110,160)	-	-	-	-	-	(110,160)
Share-based payments	17(e), 17(f)	-	1,108,212	-	757,845	-	-	-	1,866,056
Net loss for the period		-	-	-	-	-	-	(1,291,736)	(1,291,736)
Other comprehensive gain for the period		-	-	-	-	-	(136,507)	-	(136,507)
Balance, June 30, 2019		158,086,986	68,986,780	-	909,368	8,073,425	193,111	(5,625,968)	72,536,715

	Notes	Common shares	Share capital	Treasury shares	Share-based reserves	Warrant reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
		#	$	$	$	$	$	$	$
Balance, March 31, 2020		169,943,997	74,650,429	-	2,895,969	7,368,032	527,974	(27,676,380)	57,766,024
Shares issued for acquisition of Paytron, LLC assets	10	949,926	170,717	-	-	-	-	-	170,717
Return of shares relating to the disposal of Mr. Natural assets	8, 17(c)	(533,981)	-	(101,456)	-	-	-	-	(101,456)
Vesting of RSUs, net of withholding	17(f)	401,355	(23,256)	-	-	-	-	-	(23,256)
Share-based payments	17(e), 17(f)	-	403,153	-	522,860	-	-	-	926,013
Net loss for the period		-	-	-	-	-	-	(3,312,725)	(3,312,725)
Other comprehensive gain for the period		-	-	-	-	-	(325,252)	-	(325,252)
Balance, June 30, 2020		170,761,297	75,201,043	(101,456)	3,418,829	7,368,032	202,722	(30,989,105)	55,100,065

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - in Canadian Dollars)

		For the Three Months Ended	
	Notes	**June 30, 2020**	**June 30, 2019**
Cash provided by (used in)			
Operating activities			
Net loss for the period		(3,312,725)	(1,291,736)
Adjustments for non-cash items:			
Depreciation	15	29,035	15,289
Depreciation - leases	22	44,976	44,802
Interest income - leases		(3,525)	(4,034)
Amortization of intangibles	16	98,753	41,878
Share-based payments	17(e), 17(f)	926,013	1,866,056
Gain (loss) on asset disposal		-	1,808
Impairment loss - SubTerra annuity receivable	6	-	282,389
Loss on investment in associates	14	551,050	304,679
Recognition of deferred gain		-	(1,954,408)
Net gain/(loss) on investments at fair value through profit and loss	14	196,555	143,101
Unrealized foreign currency gain/loss		(29,551)	-
Changes in non-cash working capital			
Accounts receivable and others		15,439	88,418
Prepaid expenses and deposits		(51,480)	39,215
Accounts payable and accrued liabilities		(1,372,511)	(228,280)
Deferred revenue		17,455	-
Liabilities associated with assets held for sale - Mr. Natural		(12,664)	-
Net cash used in operating activities		(2,903,181)	(650,823)
Investing activities			
Purchase of interest in investment in associate	14	-	(6,396,920)
Proceeds from repayment of BaM loan	14	-	5,340,000
Purchase of property, plant and equipment	15	(353,117)	(17,320)
Proceeds from sale of investments in associates held for sale	14	469,977	-
Net cash used in investing activities		116,860	(1,074,240)
Financing activities			
Lease liability (principal)	22	(35,277)	(30,514)
Exercise of warrants	17(d)	-	140,596
Exercise of stock options	17(e)	-	180,000
Payment of tax withholdings upon settlement of options and restricted stock unit awards		(23,759)	-
Net cash provided by financing activities		(59,036)	290,082
Effect of foreign exchange on cash and restricted cash		(143,140)	87,594
Increase (decrease) in cash and restricted cash		(2,988,496)	(1,347,387)
Cash and restricted cash, beginning of year		16,332,500	24,515,494
Cash and restricted cash, end of period		13,344,004	23,168,107

Supplementary Information:			
Cash paid for Interest		22,706	24,872
Cash received for interest		6,451	687,349
Cash received for dividends		-	24,675

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 invests in, operates, and builds transformative, differentiated companies operating in the cannabis space. The Company focuses on the technology facet of the industry, offering proprietary unattended hardware and software technology to cannabis dispensaries, with the potential to expand into cultivation and production.

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". On February 6, 2019, the Company's common shares commenced trading on the OTCQB® Venture Market under the ticker symbol "AUSAF."

On July 12, 2018, the Company incorporated Australis Capital (Nevada) Inc. ("ACN") in the State of Nevada. The Company held a 50% interest in Australis Holdings LLP ("AHL") prior to its spin-out from ACB, and on July 17, 2018, the Company, through ACN, acquired the remaining 50% interest in AHL from its joint venture partner, AJR Builders Group LLC ("AJR"), such that ACI owns 98.7% of AHL and ACN owns the remaining 1.3%. On November 2, 2018, the Company completed the acquisition of all of the issued and outstanding shares of Rthm Technologies Inc. ("Rthm"). On February 22, 2019, the Company formed Australis Perennial, LLC ("Perennial") in the State of Nevada. On May 15, 2019, the Company formed Australis Prosper, LLC ("Prosper") and Australis Terrain, LLC ("Terrain") in the State of Nevada. On November 8, 2019, the Company formed Cocoon Technology, LLC ("Cocoon") in the State of Nevada. On April 1, 2020, the Company completed the acquisition of all of the issued and outstanding member interest in Paytron, LLC (Note 10).

2. Basis of Presentation and Significant Accounting Policies

(a) Basis of presentation

The unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. The Company followed the same accounting policies and methods of computation as those disclosed in the annual audited consolidated financial statements for the year ended March 31, 2020, except as updated in Note 2(d) through Note 2(f) below. These unaudited condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 26, 2020.

(b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries (as described below) 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 June 30, 2020, the Company has 100% control over the following entities, with Australis Capital, Inc., as the parent entity:

Entity	Location	Functional Currency
Australis Capital Inc. (ACI)	Nevada (USA)	Canadian Dollar
Australis Capital (Nevada) Inc. (ACN)	Nevada (USA)	U.S. Dollar
Australis Holdings LLP (AHL)	Washington (USA)	U.S. Dollar
Rthm Technologies Inc.	Ontario (Canada)	Canadian Dollar
Australis Perennial LLC	Nevada (USA)	U.S. Dollar
Australis Prosper LLC	Nevada (USA)	U.S. Dollar
Australis Terrain LLC	Nevada (USA)	U.S. Dollar
Cocoon Technology LLC	Nevada (USA)	U.S. Dollar
Paytron LLC	Nevada (USA)	U.S. Dollar

(c) Functional and presentation of foreign currency

All amounts on the consolidated financial statements are presented in Canadian dollars, unless otherwise noted. The functional currencies of the Company and its subsidiaries are noted in the above table (Note 2(b)).

(d) Inventory

Inventory is comprised of finished goods, namely self-service kiosks, and is stated at the lower of cost or net realizable value ("NRV"). The Company procures these kiosks from a third-party provider, and the cost of purchase from the provider, including applicable freight charges, is the cost assigned to the kiosks in inventory. NRV is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost of inventory will subsequently be recorded within the line item "cost of goods sold" in the consolidated statements of comprehensive loss, generally on a weighted average cost basis. The Company has acquired inventory as of the period ended June 30, 2020 but has not yet recorded sales of inventory as of the period then ended.

(e) Revenue recognition

The Company recognizes revenue in accordance with IFRS 15, *Revenue from contracts with customers*, measured based on the consideration to which the Company expects to be entitled in exchange for providing services to its customers. Under IFRS 15 the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Service Revenue

Services revenue consists of merchant service fees. These revenues are derived from the Company's wholly owned subsidiary, Paytron, which is contracted by certain payment processors to procure new merchant relationships and manage merchant accounts in exchange for a fee. The Company does not control the payment processing services provided to the merchants and, instead, acts as an agent whose performance obligation is to arrange for the provision of these services. In connection with these services, the Company reports certain direct costs incurred as a reduction to revenues on a net basis, which generally include commission expenses payable to agents establishing the merchant accounts.

Consulting Revenue

Consulting Revenue consists of consulting fees for services provided to Body and Mind, Inc (Note 14). This revenue arises from a contract in which consulting and advisory services are provided over time. Revenue from consulting service fees is recognized as services are provided, for a term ending on the date that is the earlier of (1) five years following November 2, 2018, and (2) the date the Company no longer holds 10% or more of the issued and outstanding common shares of BaM, and is measured using an output method.

Deferred contract costs

Contract costs are typically expensed as incurred. Contract costs are deferred if the costs are expected to be recoverable and if either of the following criteria is met:

(i) The costs of obtaining the contract are incremental or explicitly chargeable to the customer;
(ii) The fulfillment costs relate directly to the contract or an anticipated contract and generate or enhance the Company's resources that will be used in satisfying performance obligations in the future.

(f) Segment information

The Company has two operating segments: Cannabis (ACI, AHL, ACN, Perennial, Terrain and Prosper) and Technology (Rthm, Cocoon, and Paytron). The cannabis segment involves expenditures for the acquisition of premium brand names and intellectual property, construction of a cultivation and manufacturing facility, and minority investments in other cannabis operators. Technology encompasses operations of the Company's wholly owned subsidiaries, Rthm Technologies, Inc, Cocoon Technology, LLC and Paytron, LLC.

The Company has identified its operating segments based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. The Company's CODM consists of the CEO and the CFO. The CODM considers the business from a single segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities. These measures include revenue, operating expenditures, working capital, and non-current assets. A start-up operation that has not yet earned revenues, however, may be an operating segment. Further, operations which generate no revenues and are incidental to the business activities will not be separate operating segments. Financial information about the operating segment is reviewed by the CODM on at least a quarterly basis.

(g) Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments, estimates and assumptions made by management in preparing the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2020 and 2019 are consistent with those disclosed in the Company's annual audited consolidated financial statements for the year ended March 31, 2020.

(h) New or amended standards adopted

The following IFRS standards have been recently issued by the IASB and are applicable for financial reporting periods commencing on or after April 1, 2020. Pronouncements that are not applicable or not expected to have a significant impact to the Company have been excluded.

(i) 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.

The following is a brief summary of the new standards issued but not yet effective:

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued, *Classification of Liabilities as Current or Non-current ("Amendments to IAS 1")*, to clarify the requirements for classifying liabilities as current or non-current. The amendments affect only the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted.

3. Restricted Cash

(a) On September 17, 2018, the Company entered into an escrow agreement with its former transfer agent whereby the Company deposited into an interest bearing account $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 agreement include restrictions self-imposed by the Company, stating that in order for 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. During the Company's Annual General Meeting held September 2019, shareholders of the Company approved a lift on these restrictions surrounding release of funds. Formal removal of the restrictions is currently pending approval from the British Columbia Securities Commission. At June 30, 2020, $8,408,173 was held in trust ($8,395,919 at March 31, 2020).

(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). The Company established an interest-bearing trust account with McMillan LLP and deposited the proceeds to be held and released upon written notice from the Company in accordance with the same terms outlined in Note 3(a). At June 30, 2020, $288,132 was held in trust ($289,662 at March 31, 2020).

4. Accounts Receivable

Accounts Receivable consist of the following:

	June 30, 2020	March 31, 2020
	$	$
Trade accounts receivable	32,789	1,437
Interest receivable	105,709	90,483
Other receivables	104,926	288,735
	243,424	380,655

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, and as a return of capital, units of the Company, thereby effecting the Spin-out.

In connection with the Spin-out Transaction, 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 of the Restricted Back-in Right, 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 is 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 at that time. The warrant described in (i) above meets the classification of an equity instrument and was initially recorded in reserves for the proceeds received of $500,000. The warrant described in (ii) above meets the classification of a derivative liability instrument, however it is assigned a fair value of nil. Since the exercise price approximates the trading price, there is no value assigned to the warrant.

6. SubTerra Note Receivable

In connection with the Spin-out Transaction, the Company acquired certain assets ("SubTerra Assets") from Prairie Plant Systems Inc. ("PPS"), an indirect wholly-owned subsidiary of ACB, which consisted of:

- 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;

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

- a two-year option to purchase a parcel of land in Michigan, United States, for USD $3,000 (the Company did not elect to purchase the land prior to expiration of the option).

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.

The SubTerra Assets recognized included the fair value of the annuity receivable of $839,442 at time of acquisition. The fair value of the annuity receivable was determined using an annual payment of $150,000 for ten years, discounted at a market rate of 12.24% applicable to SubTerra based on a rating of CCC or less. As at June 30, 2020, the short-term portion and long-term portion of the annuity receivable balances are $53,081 and $739,067 respectively ($53,081 and $739,067 as at March 31, 2020 respectively). The first payment of the annuity stream, inclusive of $102,706 in interest, was received from SubTerra in October 2019 with the next payment due in October 2020. Accretion for the three months ended June 30, 2020 was $23,300 ($25,412 for the three months ended June 30, 2019) with an interest receivable balance related to SubTerra of $104,331 as at June 30, 2020 ($81,031 as at March 31, 2020).

The Company anticipates full payment of the annuity receivable and has recorded no provision for expected credit loss as of the period ended June 30, 2020.

The Company made the following updates to prior period comparative information presented in the consolidated statements of comprehensive loss, presenting an impairment loss of $282,389, a reversal of $28,673 in interest income, and a reversal of other income in the amount of $93,486. Although not reflected in the interim financial statements for the period ended June 30, 2019, these adjustments were reflected in the Company’s annual audited consolidated financial statements for the year-ended March 31, 2020.

7. AHL Land Held for Sale

AHL purchased two parcels of land in 2015 totaling approximately 24.5 acres (the “Property”) in Whatcom County, Washington for $3,033,010, with the initial intention to construct a new cannabis production and processing facility. The Company subsequently decided not to move forward with cannabis production on the acquired land and listed the land for sale as of the year-ended March 31, 2019.

Although circumstances have extended the period of time to sell beyond one year due to the COVID-19 pandemic, the Company continues to be committed to the sale of the land. The Company is working directly with potential buyers and expects to sell as of close of the current fiscal year. The fair value of the land is determined by a third-party appraiser, based on an as is market value of both parcels together, which is a level 2 input. As of the period ended June 30, 2020, the land was carried at USD $2,098,775 ($2,860,211 revalued using the period ended spot rate) based on the appraised value of the parcels and adjusted for estimated costs to sell ($2,977,532 as of the period ended March 31, 2020). A translation adjustment of the USD asset to CAD of $117,321 was recorded during the three months ended June 30, 2020 (Note 15). The land is a part of the Company’s cannabis operating segment.

8. Acquisition of Mr. Natural Productions, Inc.

On February 26, 2019, the Company acquired 100% of Mr. Natural Productions, Inc. (“Mr. Natural”), a multiple award-winning medical and recreational cannabis brand created in California. The acquisition included the rights to the Mr. Natural brand, the life story right of Robert Luciano and all related intellectual property, including proprietary processes (collectively, the “acquired assets”). Consideration provided, consisted of $658,640 in cash and the issuance of 533,981 Australis Capital Inc. common shares valued at $1.03 per share which was the fair value of the shares at the date of the transaction, as per the agreement.

As of March 31, 2020, management committed to the sale of the Mr. Natural Brand, Life Story and related intellectual property (“IP”). The Company classified the assets, and liabilities directly associated with the assets, namely future royalties payable, as held for sale as of the same period ended and remeasured the assets and liabilities to the lower of their carrying amount and fair value less costs to sell, bringing the carrying value of the asset held for sale to $382,000 and the related liabilities to $293,208. The asset is associated with the Company's cannabis operating segment.

On April 25, 2020, the Company entered into a Modification, Settlement, Assignment and Consent Agreement with Mr. Natural Productions, Inc. and Robert Luciano (collectively, the "Natural Parties"), and a third party (the "Assignee"). In connection with the agreement, the Company assigned and transferred all rights to the acquired assets, and any and all obligations arising from royalty payments based on future performance of the acquired assets, to the Assignee with the consent of the Natural Parties. In addition, the Natural Parties agreed to return to the Company the 533,981 common shares of the Company issued to the Natural Parties at time of acquisition. The shares were returned to the Company on April 30, 2020 at a value of $101,456 based on the market price of the Company shares at close on the day prior to execution of the agreement, or $0.19 per share (Note 17(c)). No gain or loss was recognized on disposal of the assets and related liabilities during the three months ended June 30, 2020.

9. Asset Acquisition with Green Therapeutics, LLC

(a) Cultivation and Production Assets

On May 21, 2019, the Company entered into an asset purchase agreement with Green Therapeutics, LLC ("GT") 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 planned cultivation and production facility in North Las Vegas, Nevada.

Consideration provided for the asset acquisition, consisted of 7,831,855 shares of the Company valued at $1.10 per share (based on the market price of the shares on May 17, 2019 as defined in the agreement). Additional consideration will be provided in accordance with the following milestones:

(i) USD $800,000 in shares will be issued when the new cultivation and production facility in North Las Vegas is fully licensed and operational; and

(ii) USD $800,000 in shares will be issued if and when total operating income of USD $800,000 is achieved before the start of the first harvest at the new production facility, after the facility is fully operational.

The Company also issued 109,090 shares as a finder's fee related to the above acquisition.

Measurement

The Company accounted for the transaction as an asset acquisition. As the consideration provided was in the form of the Company's shares, in accordance with IFRS 2, the value of the equity issued is measured directly at the fair value of the assets received. The Company engaged an independent valuation firm to assess the fair value of the assets acquired and allocate the consideration provided based on their relative fair values. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of the assets acquired. To the extent possible, the Company utilized observable inputs, such as market prices for assets comparable to those acquired, however certain inputs and assumptions were based upon unobservable inputs, such as future revenue projections, and required significant judgment based on the best information available to management. Results of the independent valuation and allocation of consideration to assets acquired is outlined below.

The contingent consideration was measured on the date of acquisition at fair value of USD $956,000 ($1,286,776 CAD), based on management's judgment of the probability and timing of when the milestones will be completed, considering factors such as the Company's degree of control over achievement of the milestone, activities undertaken at or around time of acquisition to progress achievement of the milestone and historical experience and results.

Total consideration for the assets acquired was $8,711,008:

Consideration	$
Common shares issued (inclusive of Finder's Fee)	7,424,232
Contingent consideration	1,286,776
Total Consideration Provided	8,711,008

The consideration provided is allocated to the assets acquired as follows:

Net Assets Acquired	$
Other Current Assets - Working Capital	673,000
Production Equipment	200,370
Intangible Asset - Brands	3,799,638
Intangible Asset - Cultivation and Production Licenses	4,038,000
Total Consideration Provided	8,711,008

As of the period ended March 31, 2020, the Company reassessed the carrying amount of the contingent obligations to ensure that it reflects management's best estimate of the expected outflow required to settle the obligation as of the year then ended. The Company recorded an increase to the contingent obligation of USD $65,000 for a total contingent obligation of USD $1,021,000 ($1,391,419 CAD revalued using the period ended spot rate) based on management's judgement of the updated probabilities and timing of when the milestones will be completed. Apart from a translation adjustment of the USD obligation to CAD of $57,074, no further adjustment was recorded to the contingent obligation during the three months ended June 30, 2020.

(b) Land

In a separate transaction, the Company acquired from Meridian Companies LLC, an 8.9-acre parcel of land in North Las Vegas. This property has the potential to support a 400,000 square foot cultivation and production facility. Consideration provided, consisted of 3,585,521 shares of the Company valued at $1.10 per share (based on the market price of the shares on May 17, 2019 in accordance with the agreement).

Measurement

Acquisition of the land is recorded at cost. As the consideration provided was in the form of the Company's shares, in accordance with IFRS 2, the value of the equity issued is measured directly, at the fair value of the assets received. The fair value of the land is determined by a third-party appraiser, based on an as-is market value of the parcel, or $3,944,073.

10. Acquisition of Paytron, LLC

On April 1, 2020, the Company completed the acquisition of all of the equity interest of Paytron, LLC ("Paytron"), a merchant service provider and registered independent sales organization for certain payment processors, offering merchant service solutions that include credit and debit card processing, secure gateway processing, point of sale hardware, card terminals and business loans. The acquisition includes all active merchant accounts of Paytron, established relationships with large payment processors, and the existing management and agent workforce of Paytron. In addition to maintaining the current operations of Paytron, the acquisition is intended to enhance the Company's Cocoon technology platform, and provide the Company with the ability to support credit and debit card payment processing in dispensaries internationally and upon legalization in United States.

Consideration consisted of 949,926 common shares of the Company valued at $0.18 per share based on the market price of the shares at the date of the transaction. Additionally, under the terms of the agreement, if Paytron achieves USD $30,000 in net income for three consecutive months (the "Earnout Threshold"), on or before the 2nd anniversary of the transaction, the Company will issue up to USD $1,000,000 in Australis Capital Inc. common shares. The contingent consideration was measured on the date of acquisition at a fair value of $49,169 based on management's judgment as to the probability and timing of achievement of the Earnout Threshold. Total consideration for the acquisition was $219,886.

Measurement

The transaction was determined to be a business combination under IFRS 3. The consideration paid for acquisition of the business has been allocated based on the Company's estimated fair value of the identifiable assets acquired as of the acquisition date. The customer relationships acquired have been assigned a useful life of seven years and will be amortized straight-line from the date of acquisition. The goodwill value arises from the assembled workforce and is not deductible for tax purposes.

Consideration	$
Common Shares Issued	170,717
Contingent Consideration	49,169
Total Consideration Provided	**219,886**

Net Assets Acquired	$
Customer Relationships	105,345
Goodwill	114,541
Total Consideration Provided	**219,886**

During the three months ended June 30, 2020, the results of Paytron operations accounted for $13,092 of the Company's total consolidated revenues and $75,014 of the Company's total consolidated net loss.

11. License Agreement with Passport Technology Canada Ltd.

On October 29, 2019, the Company entered into a License, Development and Services Agreement with Passport Technology Canada Ltd. ("Passport"), to acquire an exclusive license to Passport's proprietary platform and technology for a term of 10 years (the "Passport License"). Passport is a developer of technology-based products and services for highly regulated payments, gaming and financial services markets. The Company will utilize the license right to customize the technology and develop a cloud-based, self-service fulfillment platform for use in cannabis dispensaries. At the conclusion of the contract term, the Company will own the customized technology. As consideration for the license right, the Company paid $5,454,544 comprised of $493,264 in cash, 5,000,000 shares of Body and Mind, Inc. ("Body and Mind" or "BaM") common stock, and 1,829,219 shares of the Company's common stock.

The fair value of the Body and Mind shares issued is based on a level 1 input of a quoted market price in an active market but is discounted for certain restrictions placed on the trading of said shares. The discount applied to the quoted market price represents a level 3 input and is managements' best estimate of the inherent risk associated with the requirement to hold the shares for a defined period of time. In accordance with IFRS 13, *Fair Value Measurement,* an entity shall not make an adjustment to a Level 1 input except when a quoted price in an active market does not represent fair value at the measurement date. It is the Company's position that the restrictions placed on the sale or trade of Body and Mind shares following the Company's transfer of the shares to Passport, represent an increased risk to the acquiree when compared to the freely trading shares in the market, and as such, an adjustment to the quoted, market price best reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The Company assigned a fair value of $3,902,654 to the Body and Mind shares issued.

The fair value of the Company's shares is based on the level 1 fair value input of the observed market price of the Company's shares as of the transaction date, $0.58 per share, or $1,058,626 for all shares issued.

Additionally, under the terms of the agreement, the Company will reimburse Passport if as of June 13, 2020 (the "True Up Date"), the 30 day volume-weighted average share price of the Body and Mind common shares on the CSE for the 30 trading days preceding the True Up Date (the "True Up Share Price") is less than 95% of the undiscounted share price at execution of the agreement. The Company will make a one-time payment to Passport (the primary consideration of which is additional shares) in the amount up to the difference between the discounted share price at execution of the agreement and the True Up Share Price for 3,000,0000 shares of Body and Mind common stock. As of March 31, 2020, the Company recorded a provision and corresponding loss on acquisition of the Passport License in the amount of $855,423, based on the above outlined true-up obligations of the agreement. On June 25, 2020, the Company issued 1,802,542 shares of Body and Mind common stock to Passport in settlement of the true-up obligation.

The Company accounted for the license agreement as a finite life, intangible asset, and recorded the asset at cost based on the cash paid plus the fair value of the remaining consideration provided. The Company assigned a useful life of 10 years to the intangible asset and will amortize the cost straight-line over the 10-year term, beginning in the period in which the asset is ready for intended use. As of the period ended June 30, 2020, amortization has not commenced. The carrying amount of the asset as of June 30, 2020, equals the consideration provided under the agreement, or $5,454,544:

Consideration	**Shares Issued**	**Price per Share** (CAD)	**$** (CAD)
Cash	N/A	N/A	493,264
Body and Mind Common Shares	5,000,000	0.781	3,902,654
Australis Common Shares	1,829,219	0.579	1,058,626
Total Consideration Provided			**5,454,544**

This arrangement falls within the scope of a related party transaction as a member of the Company's Board of Directors has control over Passport.

12. Long-Term Deposits

(a) ASTOUND

On November 20, 2019, the Company entered into a three-year contract with ASTOUND GROUP ("ASTOUND"), a global marketing and creative firm, to provide brand optimization and awareness services for the Company's house of brands, including Tsunami™, Provision™, GT Flowers™ and CocoonRewards™, as well as for any new, future brands. As consideration, the Company issued 5,000,000 shares of Body and Mind, Inc. common stock to ASTOUND, as advanced payment for the services to be provided.

The fair value of the Body and Mind shares issued is based on a level 1 input of a quoted market price in an active market but is discounted for certain restrictions placed on the trading of said shares. The discount applied to the quoted market price represents a level 3 input and is managements' best estimate of the inherent risk associated with the requirement to hold the shares for a defined period of time. In accordance with IFRS 13, *Fair Value Measurement*, an entity shall not make an adjustment to a Level 1 input except when a quoted price in an active market does not represent fair value at the measurement date. It is the Company's position that the restrictions placed on the sale or trade of Body and Mind shares following the Company's transfer of the shares to ASTOUND, represent an increased risk to the acquiree when compared to the freely trading shares in the market, and as such, an adjustment to the quoted, market price best reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The Company assigned a fair value of $3,608,192 to the Body and Mind shares issued.

The Company accounts for this transaction as a prepayment for future services. As services are rendered over the contract term, the Company will reduce the deposit balance in an amount equal to the value of the services provided based on ASTOUND's standard billing rates, until the balance is depleted. If at conclusion of the three-year term, the value of services rendered is less than the value of the Body and Mind common shares transferred (or $3,608,192), ASTOUND will reimburse the Company for the difference in full.

Additionally, under the terms of the agreement, the Company will reimburse ASTOUND if on the first anniversary of the transaction (the "True Up Date"), the 30 day volume-weighted average share price of the Body and Mind common shares on the CSE for the 30 trading days preceding the True Up Date (the "True Up Share Price") is less than the discounted share price ($0.72 per share) at execution of the agreement. The Company will make a one-time payment to ASTOUND (in cash, the Company's shares or a combination of the two) in the amount up to the difference between the discounted share price and the True Up Share Price for each Body and Mind share held by ASTOUND as a result of this transaction, as of the True-up Date.

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* this constitutes a possible obligation arising from a prior event, the probability of which is based on movement of Body and Mind's share price and the sales activities of ASTOUND with respect to the shares acquired, inputs not within the control of the Company. The Company treats this true-up as a contingent obligation and has therefore not recognized an obligation as of the period ended June 30, 2020. The Company will assess the probability of the obligation at each reporting period to determine if a provisional obligation should be recorded.

As of the period ended June 30, 2020, the Company has used $105,655 in services and the ASTOUND deposit balance is $3,502,537 ($3,554,927 as of March 31, 2020).

(b) Rapid Cash

On December 14, 2019, the Company entered into a vendor agreement with RAPIDCASH ATM Ltd. ("Rapid Cash"), a provider of ATM products and software solutions, for the purchase of retail kiosks to be used in conjunction with the Company's Cocoon Technology solution (Note 11). As consideration, the Company issued 5,000,000 shares of Body and Mind, Inc. common stock to Rapid Cash, as advanced payment for kiosks to be procured in future periods.

The fair value of the Body and Mind shares issued is based on a level 1 input of a quoted market price in an active market but is discounted for certain restrictions placed on the trading of said shares. The discount applied to the quoted market price represents a level 3 input and is managements' best estimate of the inherent risk associated with the requirement to hold the shares for a defined period of time (the "Lock-up Period"). In accordance with IFRS 13, *Fair Value Measurement,* an entity shall not make an adjustment to a Level 1 input except when a quoted price in an active market does not represent fair value at the measurement date. It is the Company's position that the restrictions placed on the sale or trade of Body and Mind shares following the Company's transfer of the shares to Rapid Cash, represent an increased risk to the acquiree when compared to the freely trading shares in the market, and as such, an adjustment to the quoted, market price best reflects the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. The Company assigned a fair value of $2,749,178 to the Body and Mind shares issued.

The Company accounts for this transaction as a prepayment for the procurement of retail kiosks in future periods. As the kiosks are procured, the Company will reduce the deposit balance in an amount equal to the value of the kiosks received, based on Rapid Cash's standard pricing, until the balance is depleted. During the Lock-up Period, the Company will pay for the purchase of kiosks in cash. At completion of the Lock-up Period, the Company will begin depleting the prepaid balance. The Lock-up Period ended June 21, 2020 and future purchases of kiosks will reduce the carrying value of the prepaid balance.

Additionally, under the terms of the agreement, the Company will reimburse Rapid Cash if eighteen months following contract execution (the "True Up Date"), the 30 day volume-weighted average share price of the Body and Mind common shares on the CSE for the 30 trading days preceding the True Up Date (the "True Up Share Price") is less than discounted share price (or $0.55 per share) at execution of the agreement. The Company will make a one-time payment to Rapid Cash (in cash, the Company's shares or a combination of the two) in the amount up to the difference between the discounted share price and the True Up Share Price for each Body and Mind share held by Rapid Cash as a result of this transaction, as of the True-up Date. Further, if the proceeds received by Rapid Cash from the sale of Body and Mind shares during the 6 month period between the end of the Lock-up Period and 12 months following contract execution, do not exceed the value of kiosks sold to the Company during the same period, the Company will make a one-time, cash payment in the amount of the difference between the value of kiosks provided during the period and the proceeds from sale of Body and Mind Shares. Lastly, if Rapid Cash receives a profit from the sale of Body and Mind shares during the 6 month period following the anniversary of execution of the contract and the True Up Date, Rapid Cash will pay to the Company an amount equal to half of the profits received during the period.

In accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* these constitute possible obligations and a possible asset arising from prior events, the probability of which is based in part, on movement of Body and Mind's share price and the activities of Rapid Cash with respect to the shares acquired, inputs not within the control of the Company. The Company treats these true ups as contingent obligations and a contingent asset and has therefore not recognized the obligations or asset as of the period ended June 30, 2020. The Company will assess the probability of the obligations and asset at each reporting period to determine if a provisional obligation or asset should be recorded.

The Company has not yet procured kiosks using deposit funds and therefore the balance of the Rapid Cash deposit remains unchanged, $2,749,178, of which $224,121 is reflected in Short-Term Deposits and the remaining $2,525,057 is in Long-Term Deposit.

The remainder of the balance in Long-Term Deposits, $102,637, pertains to the Company's real estate lease for office premises.

13. Marketable Securities

(a) Investment in Quality Green Inc.

On December 3, 2018, the Company entered into a subscription agreement with Quality Green Inc. ("Quality Green") to purchase units of the latter in connection with Quality Green's proposed going public transaction. Quality Green was incorporated under the jurisdiction of the Province of Ontario on July 16, 2013 and is domiciled in Canada. Quality Green is in the process of creating a business of growing, marketing, selling and distributing cannabis for medical and recreational uses. 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 cash consideration 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. The fair value of the Company's investment in Quality Green as of March 31, 2019 was $1,781,818 and $145,455 for the common shares and the warrants, respectively.

The warrants procured under this investment were not exercised and expired on December 10, 2019. The Company therefore reversed the derivative asset as of December 31, 2019, resulting in the recognition of a loss in the amount of $145,455 during the period then ended. As relevant, observable inputs for Company's investment in the common shares of Quality Green are not available, the transaction is classified as Level 3. The Company utilized available entity specific and market data to reassess the fair value of the Company's investment in the common shares of Quality Green as of March 31, 2020. Declines in the stock market for Canadian cannabis companies, as well as the delay in Quality Green's proposed going public transaction resulted in a loss on investment of $1,281,140 and an overall investment fair value of $500,678 as of March 31, 2020. The Company is not aware of any significant changes in conditions of the business of Quality Green during the three-months ended June 30, 2020 and did not record an adjustment to fair value of the investment during the period then ended.

(b) Investment in Folium Equity Holding, LLC

On January 14, 2019, the Company entered into a subscription agreement with Folium Equity Holding, LLC ("Folium"), a vertically integrated producer, manufacturer, and distributor of hemp derived phytocannabinoids in the United States. The Company acquired the amount of $3,988,200 (USD $3,000,000) in Class A non-restricted membership interest at a price of USD $1 per unit of membership interest. The cash represents the total consideration paid.

Measurement

The investment in Folium Biosciences is accounted for at fair value through profit or loss. The Company is investing in a private company where relevant observable inputs are not available. Transactions in such investments do not occur on a regular basis and are classified as Level 3. The fair value of the investment as at fiscal year-ended March 31, 2019 was $3,980,811.

Utilizing entity specific information as well as market factors, such as declining retail prices of CBD and the uncertainty surrounding the Food and Drug Administrations' ("FDA") involvement in the CBD space, the Company reassessed the fair value of the investment balance recorded as of March 31, 2020. The Company recognized a loss on investment of $3,184,648 during the year ended March 31, 2020 resulting in an investment fair value of $796,163 for the period then ended. The Company is not aware of any significant changes in conditions of the business of Folium during the three-months ended June 30, 2020 and did not record an adjustment to fair value of the investment during the period then ended.

14. Investment in Associates – Body and Mind, Inc.

On November 2, 2018, the Company completed an 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:

(a) 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

(b) $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:

(a) BaM entered into a commercial advisory agreement with the Company pursuant to which BaM will pay the Company USD $10,000 per month (as subsequently amended to USD $12,000 per month beginning June 1, 2019) 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

(b) for as long as the Company owns 10% of the issued and outstanding shares of BaM, the Company will be entitled to nominate one director to the board of BaM and one 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 two directors on the board of BaM if it maintains at least a 25% ownership interest in BaM. On November 2, 2018, the Company nominated one director to the board of BaM.

In accordance with IFRS 28, *Investment in Associates and Joint Ventures,* if an entity holds, directly or indirectly, 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. The Company concluded that the November 2, 2018 acquisition of the 25% ownership in BaM constitutes significant influence over the investee and as such, accounted for the purchase of voting-right share instruments under the equity method of accounting. Transactions involving the acquisition of derivative instruments, or other instruments that do not hold current voting rights, are accounted for under the appropriate IFRS guidance.

On November 28, 2018, the Company executed a loan agreement with BaM in which the Company advanced the principal amount of $5,340,000 (USD $4,000,000) to BaM at a rate of 15% per annum accruing and payable in arrears at the end of each six month period following the date of the agreement either in cash or in kind (the "Note"). 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.

The Company acquired an additional 6,079,788 shares in BaM as of March 31, 2019 through exercise of 3,206,160 warrants acquired in connection with the October 30, 2018 investment agreement, through a finance fee of 1,105,083 shares issued in connection with a loan from the Company to Body and Mind issued in November 2018, and through acquisition of 1,768,545 shares on February 1, 2019.

On May 29, 2019, the Company acquired, through the exercise of its remaining 12,793,840 warrants of BaM, ownership of 12,793,840 common shares in the capital of BaM. The Company paid $6,396,920 to exercise the Warrants at a price of $0.50 per share, and the warrants were carried at a fair value of $6,524,858 at time of exercise, for a total fair value as deemed cost of $12,921,778 recorded to investment in associate. With the proceeds from warrant exercise, Body and Mind repaid to the Company, the $5,340,000 loan including interest incurred through the date of repayment of $397,208 and a prepayment penalty of $267,000.

On October 29, 2019, the Company transferred to Passport Technology Canada, Ltd. (“Passport”) 5,000,000 shares of Body and Mind common stock (Note 11), representing a 14.3% reduction in ownership held by the Company from 34,873,628 shares to 29,873,628 shares held. As a result of the transfer, the Company recorded a reduction to investment in associates in proportion to the reduction in ownership interest of the investee, or $2,934,287 based on the carrying value of the investment at time of transfer. The Company recorded a gain on disposition of $968,366 in the period ended December 31, 2019, representing the difference between the carrying value of the transferred interest and the consideration received in exchange for the transferred interest.

On November 20, 2019, the Company transferred to ASTOUND GROUP, 5,000,000 shares of Body and Mind common stock (Note 12(a)), representing a 16.7% reduction in ownership held by the Company from 29,873,628 shares to 24,873,628 shares held. As a result of the transfer, the Company recorded a reduction to investment in associates in proportion to the reduction in ownership interest of the investee, or $2,920,498 based on the carrying value of the investment at time of transfer. The Company recorded a gain on disposition of $687,694 in the period ended December 31, 2019, representing the difference between the carrying value of the transferred interest and the consideration received in exchange for the transferred interest.

On December 14, 2019, the Company transferred to RAPIDCASH ATM Ltd, 5,000,000 shares of Body and Mind common stock (Note 12(b)), representing a 20.1% reduction in ownership held by the Company from 24,873,628 shares to 19,873,628 shares held. As a result of the transfer, the Company recorded a reduction to investment in associates in proportion to the reduction in ownership interest of the investee, or $2,904,091 based on the carrying value of the investment at time of transfer. The Company recorded a loss on disposition of $154,913 in the period ended December 31, 2019, representing the difference between the carrying value of the transferred interest and the consideration received in exchange for the transferred interest

On February 18, 2020, the Company transferred to a brokerage account, 1,018,532 shares of Body and Mind common stock for immediate sale. The Company classifies the portion of shares transferred to the brokerage account as held for sale as of the date of transfer and measures the shares at the lower of their carrying amount and fair value less costs to sell, or $423,353. The Company recognized an impairment loss on investment in associate held for sale of $154,202 upon transfer. The Company sold 877,500 of the shares as of March 31, 2020 for proceeds of $272,294 and recognized a loss on sale of investment in associate of $92,439. The remaining shares classified as held for sale were revalued as of March 31, 2020 to the lower of their carrying amount and fair value less costs to sell, and an additional impairment loss on investment in associate held for sale of $20,224 was recognized as of the same period ended. The shares held for sale are a part of the Company’s cannabis operating segment.

On April 21, 2020, the Company transferred an additional 1,768,545 shares of Body and Mind common stock to a brokerage account for immediate sale. The shares were measured at the lower of their carrying amount and fair value less costs to sell, or $783,978, and an impairment loss on investment in associate held for sale of $193,504 was recognized upon transfer.

The Company sold 816,032 shares during the three months ended June 30, 2020 for proceeds of $350,900 and recognized a gain on sale of investment in associate of $13,283 during the same period ended. The remaining shares classified as held for sale were revalued as of June 30, 2020 to the lower of their carrying amount and fair value less costs to sell, or $405,907, and an additional impairment loss on investment in associate held for sale of $78,851 was recognized during the three months then ended.

On June 25, 2020, the Company transferred an additional 1,802,542 shares of Body and Mind common stock to Passport in settlement of the Company's provision payable to Passport in connection with the true-up conditions of the License, Development and Services Agreement (Note 11). The transfer resulted in a reduction in ownership held by the Company of 10.6% from 17,086,551 shares to 15,284,009 shares held. As a result of the transfer, the Company recorded a reduction to investment in associates in proportion to the reduction in ownership interest of the investee, or $972,401 based on the carrying value of the investment at time of transfer. The Company recorded a loss on disposition of $116,978 in the period ended June 30, 2020, representing the difference between the carrying value of the interest and the obligation settled in exchange for the transferred interest.

Measurement – Convertible Debenture

The Company measures the convertible debentures at fair value through profit and loss. Through March 31, 2020, fair value was determined for each component of the hybrid instrument by applying a market discount rate to the debt feature and using the Black Scholes model to value the conversion feature. Pursuant to a conversion agreement executed July 1, 2019, the Company agreed to convert all of its 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 or before July 1, 2020, to acquire 2,909,091 common shares of Body and Mind Inc. The Company completed the conversion the day following the end of the reporting period, or July 1, 2020 (Note 23).

As the Company agreed to convert the debentures to common shares, the fair value of the loan feature is foregone, and the value of the instrument is based upon the value of the underlying equity interest. Upon conversion, the shares will represent an increase to the Company's investment in associate and the fair value of the converted instrument becomes the Company's deemed cost basis. The Company engaged a third-party valuation firm to assess the value of the equity interest of the convertible debentures as of June 30, 2020. Using a market based approach that takes into account multiples derived from the business and sale of companies similar to Body and Mind, Level 2 inputs, a fair value of $1,356,500 was assigned to the instrument as at June 30, 2020 ($1,553,055 as of March 31, 2020) resulting in an unrealized loss of $196,555 for the three months then ended ($152,348 loss for the three months ended June 30, 2019).

Measurement – Investment in Associate

As of June 30, 2020, the Company holds 15,284,009 Common Shares in BaM, excluding shares classified as held for sale, and Debentures in the principal amount of $1,600,000. The Company's ownership percentage in BaM's issued and outstanding common stock is 14.6%. As the Company holds one seat on the Board of Directors of BaM and holds potential voting rights through the convertible debenture representing an additional 2.8% ownership interest in BaM, the Company continues to account for its voting right interest in BaM using the equity method of accounting.

Body and Mind incorporated in the State of Delaware, United States and is publicly listed in Canada. The reporting periods of Body and Mind, Inc. differ from that of the Company and the Company uses available public financial information to account for the value of the invested entity. The Company therefore utilized the most recently published financial statements of Body and Mind, the period-ended April 30, 2020, to determine the proportional loss to be recorded in the Company's financials for the current period. The Company reviewed the significant activity of Body and Mind as communicated through press releases during the period of May 1, 2020 through June 30, 2020 and noted no significant events or changes in the activities of the entity that would materially affect the proportional loss recorded during the current quarter. Further, management made certain assumptions based on available information, to convert BaM's consolidated statement of operations from US GAAP to IFRS. The Company estimated an decrease to net loss in the amount of $420,000 for the three months ended April 30, 2020 based on the conversion from US GAAP to IFRS, specifically related to adjustments for Biological Asset Transformation in accordance with IAS 41, *Agriculture*, and the provision for income taxes.

During the three months ended June 30, 2020, the Company recognized a proportional loss on investment of $166,141 and a proportional other comprehensive loss of $154,568 ($304,679 proportional loss on investment and nil proportional other comprehensive loss for the three months ended June 30, 2019). The carrying value of the investment at June 30, 2020 is $8,229,556 ($10,500,148 at March 31, 2020). Based on Body and Mind's closing stock price of $0.375 as of June 30, 2020, the 15,284,009 common shares owned by the Company as of that same date, had a value of $5,731,503. The Company considered the potential for impairment based on the difference in carrying value of the investment in associate and the value of the total shares held as quoted in the market. Based on the Company's assessment of the investment, including factors such as the investee's recent activities as disclosed in their public press releases, current fluctuations in the domestic stock market, and the economic uncertainty surrounding the duration and impact of the novel coronavirus, "COVID-19", management believes it is too soon to tell if the difference in values is more than temporary and signifying impairment.

The Company's investment in Body and Mind can be summarized below:

Investment in Associates - BaM		**$**	**# of Shares**
Opening Balance, March 31, 2019		9,223,456	22,079,788
Additions:			
Warrant Exercise	5/29/2019	12,921,778	12,793,840
Deletions:			
Share Issuance - Passport License Agreement	10/29/2019	(2,934,287)	(5,000,000)
Share Issuance - ASTOUND Service Agreement	11/20/2019	(2,920,498)	(5,000,000)
Share Issuance - Rapid Cash Kiosk Agreement	12/14/2019	(2,904,091)	(5,000,000)
Shares Held for Sale	2/18/2020	(577,555)	(1,018,532)
Proportional OCI Gain Recognized for Shares Issued/Sold		54,323	
Proportional Loss Recognized - FY2020			
Proportional Loss Recognized - FY2020		(2,414,953)	
Proportional OCI Recognized - FY2020 (net of disposals) [(1)]		51,975	
Balance at March 31, 2020		10,500,148	18,855,096
Deletions:			
Shares Held for Sale	4/21/2020	(977,482)	(1,768,545)
Share Issuance - Passport License True-up	6/13/2020	(972,401)	(1,802,542)
Proportional OCI Loss Recognized for Shares Issued/Sold		(8,859)	
Proportional Loss Recognized - FY2021			
Proportional Loss Recognized - FY2021		(166,141)	
Proportional OCI Recognized - FY2021 (net of disposals) [(1)]		(145,709)	
Balance at June 30, 2020		**8,229,556**	**15,284,009**

[(1)] Proportional OCI Recognized is net of proportional gains/losses previously recognized in other comprehensive income relating to the Company's reduction in ownership interest, that have been reclassified to the Company's Comprehensive Statements of Loss in the period of disposal.

The following is a summary of financial information for the Company's investment in Body and Mind based on the latest publicly available information, or April 30, 2020. The figures are presented in accordance with US GAAP as the investee does not prepare IFRS financial statements and it is impracticable for them to do so. BaM reports in U.S. Dollars and therefore, the below amounts are translated to Canadian Dollars based on the foreign exchange rate as at April 30, 2020 for summary information from their consolidated balance sheets and based on the 12 month average exchange rate as of that date, for summary information from their consolidated statement of operations.

As at April 30, 2020		
	USD	CAD
Cash and cash equivalents	1,283,342	1,785,129
Current assets	5,573,590	7,752,864
Non-current assets	33,750,188	46,946,512
Current liabilities	1,534,120	2,133,961
Non-current liabilities	3,445,810	4,793,122

Nine Months Ended April 30, 2020		
	USD	CAD
Revenue	4,066,216	5,434,498
Depreciation and amortization	(244,978)	(327,413)
Interest income	845,540	1,130,064
Interest expense	(131,850)	(176,218)
Net income (loss) from continued operations	(3,383,498)	(4,522,045)
Other comprehensive income (loss)	(667,803)	(892,519)
Total comprehensive income (loss)	(4,092,035)	(5,469,005)

15. Property, Plant and Equipment

Property, Plant and Equipment held for use and related accumulated depreciation are as follows:

	March 31, 2020	Additions	Disposals	Impairment (Loss)/Reversal	Foreign Currency Translation	**June 30, 2020**
Cost						
Land	3,944,073	-	-	-	-	3,944,073
Computer Equipment	66,313	12,159	-	-	(2,063)	76,410
Furniture & Fixtures	109,238	-	-	-	(4,304)	104,934
Leasehold Improvements	31,528	-	-	-	(1,242)	30,286
Production Equipment	200,370	-	-	-	-	200,370
Construction in Progress	686,278	522,628	-	-	(23,353)	1,185,554
	5,037,800	534,788	-	-	(30,962)	5,541,626
Accumulated depreciation						
Computer Equipment	18,060	5,554	-	-	(399)	23,215
Furniture & Fixtures	25,736	5,169	-	-	(937)	29,969
Leasehold Improvements	5,340	1,614	-	-	(186)	6,768
Production Equipment	57,641	16,697	-	-	-	74,338
	106,777	29,035	-	-	(1,522)	134,290
Net book value						
Land	3,944,073	-	-	-	-	3,944,073
Computer Equipment	48,253	6,606	-	-	(1,664)	53,195
Furniture & Fixtures	83,502	(5,169)	-	-	(3,368)	74,965
Leasehold Improvements	26,188	(1,614)	-	-	(1,056)	23,518
Production Equipment	142,729	(16,697)	-	-	-	126,032
Construction in Progress	686,278	522,628	-	-	(23,353)	1,185,554
	4,931,023	505,753	-	-	(29,440)	5,407,336

Depreciation expense for the three months ended June 30, 2020 amounted to $29,035 ($15,289 for the three months ended June 30, 2019). As of June 30, 2020, the Company has contractual commitments of USD $650,220 related to land improvement work of the North Las Vegas land (nil as of June 30, 2019).

The Company acquired certain assets of Green Therapeutics on May 21, 2019 (Note 9) and finalized its valuation of the asset acquisition as of March 31, 2020. The Company updated prior period depreciation expense in the consolidated statements of comprehensive income in the amount of $7,548, to reflect depreciation expense related to the acquired assets as of the date of acquisition.

Property, Plant and Equipment held for sale are as follows (Note 7):

	March 31, 2020	Additions	Disposals	Impairment (Loss)/Reversal	Foreign Currency Translation	**June 30, 2020**
Cost						
Land held for sale	2,977,532	-	-	-	(117,321)	2,860,211
	2,977,532	-	-	-	(117,321)	2,860,211

16. Goodwill and Intangible Assets

Identifiable intangible assets, and the related reconciliation of beginning and ending balances, are as follows:

Intangible	*Note*	**March 31, 2020**	Additions: Acquired in Business Combination	Amortization	Disposal	**June 30, 2020**
Definite Life Intangible Assets:						
Software		1,810,135	-	-	-	1,810,135
Brands	*9*	3,472,787	-	(94,991)	-	3,377,796
License - IP	*11*	5,454,544	-	-	-	5,454,544
Relationships	*10*	-	105,345	(3,762)	-	101,583
Indefinite Life Intangible Assets:						
Licenses and Permits	*9*	4,038,000	-	-	-	4,038,000
Total Intangible Assets Held for Use, net		14,775,466	105,345	(98,753)	-	14,782,058
Intangible Assets Held for Sale:						
Brands	*8*	382,000	-	-	(382,000)	-
Total Intangible Assets Held for Sale		382,000	-	-	(382,000)	-

Amortization expense for the three months ended June 30, 2020 amounted to $98,753 ($41,878 as of June 30, 2019). Amortization for the Company's intangible assets of Software and License – IP, is expected to commence in the second fiscal quarter of 2021 in connection with the launch of the Company’s Cocoon Platform. The Company’s intangible asset of a Brand has a remaining amortization period of 8.9 years.

The Company acquired certain assets of Green Therapeutics on May 21, 2019 (Note 9) and finalized its valuation of the asset acquisition as of March 31, 2020. The Company updated prior period amortization expense in the consolidated statements of comprehensive income in the amount of $41,878, to reflect amortization expense related to the acquired assets as of the date of acquisition. Further, the Company reversed previously recorded amortization expense for its Rthm Software in the amount of $240,346 as the assets are not yet available for use. Although not reflected in the interim financial statements for the period ended June 30, 2019, these adjustments were reflected in the Company’s annual audited consolidated financial statements for the year-ended March 31, 2020.

The following is a continuity schedule of the Company's goodwill, comprised of the goodwill arising in the Company's acquisitions of Rthm and Paytron, both belonging to the Company's technology operating segment:

Goodwill	*Note*	**March 31, 2020**	Additions	**June 30, 2020**
2019 Acquisitions				
Rthm Goodwill				
Acquisition of Rthm		1,644,843	-	1,644,843
(Accumulated Impairment - Rthm)		(1,055,000)	-	(1,055,000)
Rthm Goodwill, net		589,843	-	589,843
2021 Acquisitions				
Paytron Goodwill				
Acquisition of Paytron	*10*	-	114,541	114,541
(Accumulated Impairment - Paytron)		-	-	-
Paytron Goodwill, net		-	114,541	114,541
Total Goodwill		589,843	114,541	704,384

17. 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 June 30, 2020, there were 170,761,297 issued and outstanding common shares. As of March 31, 2020, there were 169,943,997 issued and outstanding common shares.

(i) 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 ("RSUs") that, in the aggregate, do not exceed a maximum of 15% of the issued and outstanding common shares of the Company. The Company has issued approximately 14.0% of its currently issued and outstanding common shares in options and RSUs.

(ii) On May 21, 2019, the Company entered into an asset purchase agreement with Green Therapeutics, LLC 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 cultivation and production facility in North Las Vegas, Nevada. The Company issued 7,831,855 shares at a price of $1.10 per share for a total of $8,615,041, with a fair value of $7,322,241 as described in Note 9, upon the signing of a definitive agreement. Upon achievement of certain milestones, the Company will issue an additional USD $1,600,000 in the Company's common stock. A finder's fee of 109,090 shares of the Company, at a price of $1.10 per share for a total of $119,999 and with a fair value of $101,991, was issued in conjunction with this transaction (Note 9).

(iii) On May 21, 2019, the Company acquired from Meridian Companies LLC an 8.9-acre parcel of land in North Las Vegas. The Company issued 3,585,521 shares at a price of $1.10 per share for a total of $3,944,073 of its common stock (Note 9).

(iv) On October 29, 2019, the Company entered into a ten-year License, Development and Services Agreement with Passport Technology Canada Ltd to acquire an exclusive license to Passport's proprietary platform and technology for use in cannabis dispensaries. As consideration, the Company issued 1,829,219 shares at a price of $0.58 per share for a total of $1,058,626 of its common stock (Note 11).

(v) On April 1, 2020, the Company acquired 100% of the equity interest of Paytron, LLC, a merchant service provider. The Company issued 949,926 shares at a price of $0.18 per share for a total fair value of $170,717. Upon achievement of certain performance milestones, the Company will issue up to an additional USD $1,000,000 in the Company's common stock (Note 10).

(vi) The Company issued an aggregate of nil common shares on the exercise of nil warrants for gross proceeds of nil for the three months ended June 30, 2020 (654,213 common shares issued on the exercise of 654,213 warrants for gross proceeds of $163,554 for the three months ended June 30, 2019).

(vii) The Company issued an aggregate of nil common shares on the exercise of nil stock options, net of shares withheld for tax, for gross proceeds of nil for the three months ended June 30, 2020 (726,353 common shares on exercise of 900,000 stock options, net of shares withheld for tax, for gross proceeds of $180,000 for the three months ended June 30, 2019).

(viii) The Company issued an aggregate of 401,355 common shares, net of shares withheld for tax, upon vesting of 530,652 RSUs for the three months ended June 30, 2020 (117,000 common shares, net of shares withheld for tax, upon vesting of 225,000 RSUs for the three months ended June 30, 2019).

(c) Treasury Shares

Pursuant to the terms of the Modification, Settlement, Assignment and Consent Agreement entered into by the Company, Mr. Natural Productions, Inc. and Robert Luciano (collectively, the "Natural Parties") and a third party assignee, on April 30, 2020, the Natural Parties returned to the Company 533,981 common shares of the Company. The fair value of the shares returned is $0.19 per share, for a total of $101,456 based on the market price of the Company shares at close on the day prior to execution of the agreement. The amount is reflected as treasury shares in the consolidated statement of financial position (Note 8).

(d) Share purchase warrants

Each whole 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, 2020	30,929,562	0.85
Issued	-	-
Exercised	-	-
Balance, June 30, 2020	30,929,562	0.85

The following table summarizes the warrants that remain outstanding as at June 30, 2020:

Exercise Price	Warrants	Expiry Date
$	#	
2.64	7,389,128	October 25, 2020
2.64	369,458	November 14, 2020
2.64	542,226	November 27, 2020
0.20	22,628,751	September 19, 2028
	30,929,562	

(e) 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. Each option granted under the Share Option Plan carries a five-year life and vests over a term of three years such that one-third vests in year one, one-third vests in year two and the final third vests in year three, unless otherwise designated below.

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average inputs were used in determining the fair value of options granted during the three-months ended June 30, 2020 and June 30, 2019:

	June 30, 2020 *(3 months ended)*	**June 30, 2019** *(3 months ended)*
Fair Value at Grant Date	0.12	0.55
Share Price at Grant Date	0.21	0.99
Exercise Price	0.23	0.99
Expected Volatility	93%	80%
Expected Option Life	3.5 years	3.5 years
Expected Dividends	-	-
Risk-free interest rate	0.41%	1.60%
Forfeiture rate	10.53%	8.33%

As the Company's trading history is less than the expected life of the options granted, the Company uses an expected volatility estimate based on an average of the Company's historical volatility and that of comparable companies operating in the cannabis industry. The expected option life represents the period of time that the options granted are expected to be outstanding. Expected dividend yield is based on the fact that the Company has not paid cash dividends and does not expect to do so in the foreseeable future. The risk-free interest rate is determined by reference to the Canada government bonds with a remaining term equal to the expected life of the options.

A summary of the status of stock options outstanding follows:

	Stock Options	Weighted Average Exercise Price
	#	$
Balance March 31, 2020	18,965,263	0.57
Granted	108,500	0.21
Exercised	-	-
Forfeited	-	-
Balance June 30, 2020	19,073,763	0.57

The following table summarizes the stock options that remain outstanding as at June 30, 2020:

Exercise Price	Outstanding Options	Expiry Date	Options Exercisable
$	#		#
0.20	4,767,000	August 13, 2023	1,566,667
0.20	310,000	September 11, 2023	130,000
1.62	40,000	November 13, 2023	13,333
1.04	552,500	November 26, 2023	184,167
0.69	195,000	December 17, 2023	65,000
0.98	5,662,000	April 13, 2024	1,903,333
1.05	620,000	June 3, 2024	206,667
0.92	80,000	July 2, 2024	
1.25	(1) 200,000	July 26, 2021	200,000
0.84	20,000	August 19, 2024	
0.69	56,000	September 30, 2024	
0.65	2,905,613	October 2, 2024	7,350
0.18	(2) 3,557,150	March 11, 2025	
0.18	73,500	May 11, 2025	
0.28	35,000	June 8, 2025	
	19,073,763		4,276,517

(1) 200,000 options were issued to a vendor of the Company as consideration for services provided. The options were issued pursuant to a service contract executed July 26, 2019 and the options vest in two tranches; 100,000 at contract execution and 100,000 three months following execution. The options are exercisable at a price of $1.25 per share, for a period of 2 years from date of grant.

(2) 140,000 options were issued to a consultant of the Company as consideration for services to be provided for the period of March 1, 2020 through February 28, 2021. The options were issued pursuant to a services agreement executed March 1, 2020 between the consultant and the Company. The options vest over a period of 3 years, with one-third vesting per year. The options are exercisable at a price of $0.18 for a period of one year following each vesting period.

During the three months ended June 30, 2020, the Company recorded aggregate share-based payments of $522,860 (three months ended June 30, 2019 – $757,845) for all stock options granted. Amounts recognized during the period ended June 30, 2020 include $4,363 recognized to consulting fees in conjunction with the above listed agreements (nil in the period ended June 30, 2019).

The Company updated prior period comparative information presented in the consolidated statements of comprehensive loss in the amount of $226,619 to reflect a change in the recognition pattern of share based compensation to graded vesting, and a concurrent, retrospective update of assumptions applied to option grants, related to the expected option life of options granted and forfeiture rate. Although not reflected in the interim financial statements for the period ended June 30, 2019, these adjustments were reflected in the Company's annual audited consolidated financial statements for the year-ended March 31, 2020.

(f) Restricted Share Units

On November 13, 2018, the Board adopted a Restricted Share Unit 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 restricted share units of the Company ("RSU"). Each RSU granted under the Restricted Share Unit Plan vests over a term of three years such that one-third vests in year one, one-third vests in year two and the final third vests in year three. RSUs are granted based on the closing price on the date prior to the grant date.

The following tables represent the Company's Restricted Share Units during the period:

Grant Date	RSU's Granted	Weighted Average Issue Price
	#	$
Non-vested Balance March 31, 2020	5,378,440	0.75
Issued	46,500	0.21
Vested	(521,500)	0.99
Forfeited	-	-
Non-vested Balance June 30, 2020	4,903,440	0.72

The following table summarized the RSUs that remain outstanding as at June 30, 2020:

Issue Price	RSU's Outstanding	Vesting Date [(1)]	RSU's Vested
$	#		#
1.62	730,000	November 13, 2021	740,000
1.04	198,333	November 26, 2021	99,167
0.77	70,000	December 17, 2021	35,000
0.98	939,667	April 13, 2022	475,833
1.05	103,333	June 3, 2022	51,667
0.92	20,000	July 2, 2022	
0.84	5,000	August 19, 2022	
0.68	24,000	September 29, 2022	
0.60	1,242,113	October 2, 2022	3,150
0.18	1,524,494	March 11, 2023	
0.18	31,500	May 11, 2023	
0.28	15,000	June 8, 2023	
	4,903,440		1,404,817

[(1)] RSU's vest ratably over a period of three years. Vesting Dates listed above, represent the end of the three-year term. At the end of each annual period from date of grant, one-third of the units granted, will vest.

During the three months ended June 30, 2020, the Company recorded aggregate share-based payments of $403,153 (three months ended June 30, 2019 – $1,108,212) for all RSU's granted.

The Company updated prior period comparative information presented in the consolidated statements of comprehensive loss in the amount of $424,374 to reflect a change in the recognition pattern of share based compensation to graded vesting, and a concurrent, retrospective update of assumptions applied to RSUs, related to the forfeiture rate. Although not reflected in the interim financial statements for the period ended June 30, 2019, these adjustments were reflected in the Company's annual audited consolidated financial statements for the year-ended March 31, 2020.

18. Segmented Information

During the year ended March 31, 2020, the Company revised the composition of its reportable operating segments such that the new segments reflect the information used by the Company's CODM in making decisions about resources to be allocated to the segments and about segment performance. Prior period comparative information has been adjusted to reflect these changes. Set out below is segmented information based on the Company's operating segments:

	Cannabis	Technology	Total
	$	**$**	**$**
As at June 30, 2020			
Non-current assets	25,599,445	12,359,546	37,958,991
Non-current liabilities	(1,934,151)	(49,169)	(1,983,320)
As at March 31, 2020			
Non-current assets	27,602,827	12,381,914	39,984,741
Non-current liabilities	(2,058,843)	-	(2,058,843)

	Cannabis	Technology	Total
	$	**$**	**$**
Three months ended June 30, 2020			
Loss from operations	(2,125,395)	(397,399)	(2,522,794)
Net Loss	(2,912,615)	(400,110)	(3,312,725)
Three months ended June 30, 2019			
Loss from Operations	(3,358,822)	(96,180)	(3,455,002)
Net Loss	(1,196,607)	(95,129)	(1,291,736)

19. Related Party Transactions

The Company incurred the following transactions with related parties during the three months ended June 30, 2020 and 2019:

	For the three months ended	
	June 30, 2020	**June 30, 2019**
	$	$
Wages and benefits [(1)]	319,576	664,194
Directors' fees [(2)]	274,287	681,973
Share-based compensation to related parties [(3)]	480,318	723,479

[(1)] The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consist of the Company's executive management team. The Company recorded an additional $166k in bonus expense in FY2020, related to services performed in FY2019, of which $137k pertains to bonuses for the Company's key management personnel.

[(2)] The Company's directors' fees include share-based compensation for the directors during the periods presented.

[(3)] The Company's related parties included for share-based compensation are the executive management team during the periods presented.

The following related party amounts were included in related party advances-payable, provisions and in receivables as at June 30, 2020 and March 31, 2020:

	June 30, 2020	**March 31, 2020**
	$	$
Due to a former shareholder [(1)]	599,577	617,275
Other receivable [(2)]	88,007	76,460
Due from officers	-	28,374
Provisions (Note 11)	-	855,423

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

(2) The amount is unsecured and includes advances of the employee portion of payroll taxes on RSU's exercised. The payroll taxes on RSU's exercised have a repayment term of six months.

20. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, annuity receivable, marketable securities, convertible instruments, accounts payable and accrued liabilities, contingent consideration payable, and advances payable. 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.

The carrying values of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at June 30, 2020 due to the relatively short-term maturity. The Company's annuity receivable carrying value at the effective interest rate approximates fair value (Note 6). The Company's investments in marketable securities are in private companies where relevant observable inputs are not available and are classified as Level 3 (Note 13). The fair value of the Company's investment in convertible debentures includes a Level 2 input of market multiples applied to the underlying equity component of the instrument and derived from businesses and transactions similar to that of the debenture issuer (Note 14). Fair value of contingent consideration payable is classified as Level 3 and is based upon management's best estimate of the probability and timing of achieving the milestones to which the obligation is tied (Note 9 and 10).

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

The following table summarizes the Company's financial instruments as at June 30, 2020:

	Amortized cost	Fair Value through profit and loss	Total
	$	$	$
Cash	4,647,699	-	4,647,699
Restricted cash	8,696,305	-	8,696,305
Accounts receivable	243,424	-	243,424
Annuity receivable - SubTerra	792,148	-	792,148
Convertible debt instruments - BaM	-	1,356,500	1,356,500
Marketable securities - Quality Green	-	500,678	500,678
Marketable securities - Folium Biosciences	-	796,163	796,163
Accounts payable and accrued liabilities	692,440	-	692,440
Contingent consideration payable	-	1,440,588	1,440,588
Advances payable - related parties	599,577	-	599,577

(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 accounts receivables and its annuity receivable (Notes 4 and 6). The risk exposure is limited to their carrying amounts at the statement of financial position date. Credit risk 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.

For financial assets carried at amortized cost, the Company recognizes loss allowances for expected credit losses ("ECLs"), where applicable. 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. Based on the payment history of the Company's annuity receivable, as well as the nature of the Company's remaining receivables measured at amortized cost, there are currently no ECLs recognized as at June 30, 2020.

(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, 2020, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	692,440	692,440	-	-
Contingent consideration payable (1)	1,440,588	-	1,440,588	-
Advances payable - related parties	599,577	599,577	-	-
Lease liability	686,481	143,749	396,077	146,654

(1) Contingent consideration payable is outlined in Note 9 and 10. The above reflects management's forecasted timing of achievement of the related milestones.

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market related factors, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

- 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, 2020, 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 $3,185 (three months ended June 30, 2019 - $21,545) to net loss and $504,651 (three months ended June 30, 2019 - $156,772) to comprehensive loss for the three months ended June 30, 2020.

At June 30, 2020, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

- Price risk

Price risk is the risk of unfavorable changes in the fair values of equity instruments or equity-linked derivatives as a result of changes in the value of individual shares. Equity price risk exposure arises from the Company's investments in Canada and U.S. cannabis, and from derivatives linked with such. The Company manages this risk by routinely monitoring and assessing the performance and outlook of its investments. The Company has determined that a 10% increase or decrease in the fair value of these financial assets would result in an increase or decrease of approximately $325,000 to net and comprehensive loss for the three months ended June 30, 2020.

(iv) Concentration risk

Concentration risk 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 reliance on a particular market in which to realize 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.

21. 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, 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 and services to fund operations and expansion activities. The Company made no changes to its capital structure or management of its capital structure in the current fiscal year.

As at June 30, 2020, the Company is not subject to externally imposed capital requirements.

22. Commitments and Contingencies

Lease Commitment

The Company's lease commitment consists of its lease for office space. The following table summarizes the Company's undiscounted lease payments as of June 30, 2020:

Commitment Period	$
Less than 1 year	219,052
Greater than 1 and less than 5 years	635,210
Greater than 5 years	-
Total Commitment	854,262

The following table provides a reconciliation of the Company's lease liability for the three months ended June 30, 2020:

Opening Balance, March 31, 2020	751,913
Lease payments (Apr - June 2020)	(56,275)
Amortization of discount	20,999
Foreign Translation Adjustment	(30,165)
Lease liability at June 30, 2020	686,481

The total interest expense on lease liabilities and the total cash outflow for the three months ended June 30, 2020 were $20,999 and $56,275, respectively ($24,872 and $54,850 for the three months ended June 30, 2019).

Key movements relating to the right-of-use asset balances are presented below:

Carrying value of Right-of-use assets	$
Carrying amount, April 1, 2020	744,502
Additions to leased assets	-
Depreciation expense	(44,976)
Foreign Currency Translation	(30,008)
Carrying amount, June 30, 2020	**669,518**

Legal

On June 29, 2020 the Company was served with a lawsuit naming the Company that has been filed, under seal, in Clark County, Nevada by Meridian Companies, LLC and Green Therapeutics, LLC. The lawsuit alleges, among other things, breach of contract by the Company with respect to certain obligations outlined in the Company's asset purchase agreement with Green Therapeutics entered into on May 21, 2019. The Company believes the lawsuit to be without merit and intends to vigorously defend the case.

The outcomes of legal proceedings are inherently unpredictable and subject to significant uncertainties. The lawsuit is in preliminary stages and based on management's assessment of the underlying claims of the lawsuit, the probability of a negative outcome and the related loss exposure is minimal. As such, no provision has been recognized as of June 30, 2020.

23. Subsequent Events

The following events occurred subsequent to June 30, 2020 but prior to authorization of issuance of these financial statements, or August 26, 2020:

(a) On July 1, 2020, the Company converted its unsecured convertible debentures of Body and Mind Inc. in the principal amount of $1,600,000, to acquire 2,909,091 common shares of Body and Mind at a price of $0.55 per common share.

(b) On July 7, 2020, the Company entered into a non-binding letter of intent ("LOI") for the sale of its 8.9-acre parcel of land in North Las Vegas. The terms of the LOI are such that completion of the sale is subject to, among other customary closing conditions, execution of a formal Purchase and Sale agreement, and the pending outcome of the lawsuit filed by Green Therapeutics, LLC and Meridian Companies, LLC against the Company and involving in part, the North Las

Vegas land (Note 22). Closing will occur no earlier than October 15, 2020. Prior to the execution of this LOI, the Company was not soliciting offers for, nor committed to the sale of the North Las Vegas land. Proceeds from the sale of the land will be used to provide additional cash flows for operations.

(c) On August 2, 2020, the Company received a letter from Passport Technology, Inc. ("Passport") purporting to assert a right to terminate the pending acquisition agreement previously announced on June 25, 2020. The terms of the acquisition agreement require Passport to pay a break fee of US$500,000 in the form of shares and the Company's demonstrated expenses.

(d) The Company continues to monitor guidance issued by state and federal authorities in response to the novel coronavirus, "COVID-19" pandemic. The Company implemented "social distancing" measures in the prior fiscal quarter, as recommended by these authorities and the Centers for Disease Control, by restricting non-essential travel by employees and permitting staff to work remotely, who have the ability to do so. These measures will remain in effect until such time as otherwise directed by appropriate authorities.

In connection with Nevada State Directives, beginning March 20, 2020, dispensaries in the state of Nevada were limited to delivery only services, with curbside pick-up available beginning May 1, 2020 and reopening later in May, subject to the dispensaries submitting and receiving approval from the state, a plan to address social distancing guidelines for in-store sales. The Company is in the process of establishing operations, most significantly through its Cocoon Platform, a self-service kiosk originally anticipated to be deployed in cannabis dispensaries in early calendar quarter two of 2020. As a result of state directives, the Company experienced a delay in deploying the initial round of Cocoon kiosks to local dispensaries, consequently delaying the related revenues derived from these kiosks. Deployment of the first kiosks is anticipated to occur in September 2020.

As of the date of issuance of these financial statements, there have been no changes to capital investment plans nor corporate objectives of the Company, as a result of the pandemic.