AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Financial Statements

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

AUSTRALIS CAPITAL INC.

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

	Notes	September 30, 2020	March 31, 2020
		$	$
Assets			
Current			
Cash		10,345,587	7,646,919
Restricted cash	3	-	8,685,581
Accounts receivable	4, 23	241,636	380,655
Inventory		572,417	-
Prepaid expenses		699,142	332,324
Current portion of deposits		538,063	956,705
Current portion of annuity receivable - SubTerra	6	53,081	53,081
Convertible debt instruments - BaM	16	-	1,553,055
Investment in associate held for sale	16	357,198	38,396
Intangible asset held for sale - Mr. Natural	8	-	382,000
Land held for sale	7, 10, 17	8,825,827	2,977,532
Other current assets	9	666,950	709,350
		22,299,901	23,715,598
Non-current			
Marketable securities - Quality Green	15(a)	500,678	500,678
Marketable securities - Folium Equity Holding	15(b)	796,163	796,163
Investment in associates - BaM	16	9,280,394	10,500,148
Property, plant and equipment, net	10, 17	245,504	4,931,023
Intangible assets	18	14,552,151	14,775,466
Goodwill	11, 18	589,843	589,843
Annuity receivable - SubTerra	6	739,067	739,067
Long-term deposits	14	6,125,202	6,407,851
Right-of-use asset	25	610,639	744,502
TOTAL ASSETS		55,739,542	63,700,339
Liabilities			
Current			
Accounts payable and accrued liabilities		1,087,769	1,968,003
Deferred revenue		8,670	-
Advances payable - related parties	22	590,428	617,275
Current portion of lease liability	25	148,531	141,563
Provisions	12, 14(a)	1,615,835	855,423
Liabilities Associated with Assets Held for Sale - Mr. Natural	8	-	293,208
		3,451,233	3,875,472
Non-Current			
Contingent consideration payable	9	1,361,912	1,448,493
Lease liability	25	487,285	610,350
TOTAL LIABILITIES		5,300,430	5,934,315
Shareholders' equity (deficit)			
Share capital	19	77,201,547	74,650,429
Treasury shares	8, 19	(101,456)	-
Reserves	5, 19	10,064,913	10,264,001
Accumulated other comprehensive income		78,394	527,974
Accumulated deficit		(36,804,286)	(27,676,380)
TOTAL SHAREHOLDERS' EQUITY		50,439,112	57,766,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		55,739,542	63,700,339

Nature of Operations (Note 1)
Commitments and Contingencies (Note 25)
Subsequent Events (Note 26)

Approved on November 25, 2020

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

/Hanoz Kapadia/ — Director

/Avi Geller/ — Director

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - in Canadian Dollars, except share amounts)

	Notes	Three months ended September 30, 2020	Three months ended September 30, 2019	Six months ended September 30, 2020	Six months ended September 30, 2019
Income					
Income-Services		20,207	5,489	34,672	12,055
Income-Kiosks		36,329	-	36,329	-
Income-Consulting		48,264	47,437	96,601	107,300
		104,800	52,926	167,602	119,355
Cost of goods sold		(220,920)	-	(228,108)	-
Gross (Loss) Profit		(116,120)	52,926	(60,506)	119,355
Operating Expenses					
Wages and benefits		(708,731)	(1,064,580)	(1,645,501)	(2,168,435)
Share-based payments	19(e), 19(f)	(732,982)	(1,387,773)	(1,654,633)	(3,253,829)
Selling, general and administrative	20	(1,032,553)	(1,748,905)	(1,579,776)	(2,198,456)
Depreciation and amortization	17, 18, 25	(171,250)	(164,303)	(344,014)	(266,272)
		(2,645,516)	(4,365,561)	(5,223,924)	(7,886,992)
Loss from operations		(2,761,636)	(4,312,635)	(5,284,430)	(7,767,637)
Other income (expense)					
Gain (loss) on asset disposal		56	-	56	(1,808)
Impairment loss - SubTerra annuity receivable		-	-	-	(282,389)
Loss on investment in associate	16	(303,662)	(1,334,735)	(854,712)	(1,639,414)
Loss on settlements	13	(1,025,477)	-	(1,025,477)	-
Loss on true-up provision	14(a)	(1,615,835)	-	(1,615,835)	-
Recognition of deferred gain		-	61,533	-	2,015,941
Net change on investment at fair value through profit and loss	16	-	-	(196,555)	(143,101)
Other income		344	(175)	413	220,685
Other expense - M&A		(82,207)	-	(168,535)	-
Foreign exchange gain (loss)		(14,912)	(109,722)	1,797	(52,112)
Interest and other expenses		(24,047)	(28,381)	(10,483)	(42,185)
Interest expense - Leases		(16,331)	(19,459)	(33,805)	(40,298)
Interest income		28,526	80,047	59,660	777,055
		(3,053,545)	(1,350,892)	(3,843,476)	812,374
Net loss for the period		(5,815,181)	(5,663,527)	(9,127,906)	(6,955,263)
Other comprehensive income					
Foreign currency translation		(73,620)	(44,820)	(253,163)	(181,327)
Share of OCI from investment in associates		(50,708)	88,265	(196,417)	88,265
Comprehensive loss for the period		(5,939,509)	(5,620,082)	(9,577,486)	(7,048,325)
Net loss per share					
Basic and diluted		(0.03)	(0.04)	(0.05)	(0.04)
Weighted average number of shares outstanding					
Basic and diluted		171,619,984	159,004,486	171,088,535	155,382,228

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	10	3,585,521	3,944,073	-	-	-	-	-	3,944,073
Finders fees	9	109,090	101,991	-	-	-	-	-	101,991
Exercise of warrants	19(d)	9,999,838	2,988,162	-	-	(488,202)	-	-	2,499,960
Warrant forfeitures	19(d)	-	249,130	-	-	(249,130)	-	-	-
Exercise of stock options, net of withholding	19(e)	726,353	119,729	-	(116,849)	-	-	-	2,880
Vesting of RSUs, net of withholding	19(f)	117,000	(110,160)	-	-	-	-	-	(110,160)
Share-based payments	19(e), 19(f)	-	1,747,020	-	1,506,809	-	-	-	3,253,829
Net loss for the period		-	-	-	-	-	-	(6,955,263)	(6,955,263)
Other comprehensive gain for the period		-	-	-	-	-	(93,062)	-	(93,062)
Balance, September 30, 2019		167,432,611	72,667,387	-	1,658,332	7,368,032	236,556	(11,289,495)	70,640,812

	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	11, 19(b)	949,926	170,717	-	-	-	-	-	170,717
Return of shares relating to the disposal of Mr. Natural assets	8, 19(c)	(533,981)	-	(101,456)	-	-	-	-	(101,456)
Shares issued pursuant to the agreements with Passport Technology Inc. and the Company's former CEO	13, 19(b)	4,250,000	595,000	-	-	-	-	-	595,000
Vesting of RSUs, net of withholding	19(f)	1,589,120	(77,061)	-	-	-	-	-	(77,061)
Share-based payments	19(e), 19(f)	-	1,862,462	-	(199,088)	-	-	-	1,663,374
Net loss for the period		-	-	-	-	-	-	(9,127,906)	(9,127,906)
Other comprehensive gain for the period		-	-	-	-	-	(449,580)	-	(449,580)
Balance, September 30, 2020		176,199,062	77,201,547	(101,456)	2,696,881	7,368,032	78,394	(36,804,286)	50,439,112

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 Six Months Ended	
	Notes	September 30, 2020	September 30, 2019
Cash provided by (used in)			
Operating activities			
Net loss for the period		(9,127,906)	(6,955,263)
Adjustments for non-cash items:			
Depreciation	17	59,137	40,490
Depreciation - leases	25	90,045	88,913
Interest income - leases		(7,164)	(8,126)
Amortization of intangibles	18	229,586	136,869
Share-based payments	19(e), 19(f)	1,663,374	3,253,829
Gain (loss) on asset disposal		(56)	1,808
Impairment loss - SubTerra annuity receivable			282,389
Loss on settlements	13	1,025,609	-
Loss on true-up provision	14(a)	1,615,835	-
Loss on investment in associates	16	854,712	1,639,414
Recognition of deferred gain		-	(2,015,941)
Net gain/(loss) on investments at fair value through profit and loss	16	196,555	143,101
Unrealized foreign currency gain/loss		(11,990)	124,628
Changes in non-cash working capital			
Accounts receivable and others		16,324	64,295
Prepaid expenses and deposits		(318,246)	(507,053)
Inventory		(182,150)	-
Accounts payable and accrued liabilities		(1,497,097)	465,533
Deferred revenue		8,746	-
Payments of royalty - Mr. Natural		-	(55,821)
Liabilities associated with assets held for sale - Mr. Natural		(12,664)	-
Net cash used in operating activities		(5,397,349)	(3,300,935)
Investing activities			
Purchase of interest in investment in associate	16	-	(6,396,920)
Proceeds from repayment of BaM loan	16	-	5,340,000
Purchase of property, plant and equipment	17	(766,583)	(382,494)
Proceeds from sale of equipment		5,617	-
Proceeds from sale of investments in associates held for sale	16	469,977	-
Net cash used in investing activities		(290,989)	(1,439,414)
Financing activities			
Lease liability (principal)	25	(71,698)	(73,507)
Exercise of warrants	19(d)	-	2,501,905
Exercise of stock options	19(e)	-	180,000
Payment of tax withholdings upon settlement of options and restricted stock unit awards		(77,255)	-
Net cash (used in) provided by financing activities		(148,953)	2,608,398
Effect of foreign exchange on cash and restricted cash		(149,621)	(143,532)
Decrease in cash and restricted cash		(5,986,913)	(2,275,483)
Cash and restricted cash, beginning of year		16,332,500	24,515,494
Cash and restricted cash, end of period		10,345,587	22,240,011

Supplementary Information:			
Cash paid for Interest		42,677	60,083
Cash received for interest		12,250	767,481
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 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.

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").

During the three months ended September 30, 2020, the Company launched operations of Cocoon Technology. In connection with the launch of operations, the Company changed the presentation of the Company's Condensed Interim Consolidated Statements of Comprehensive Loss for the three and six months then ended, from a "nature of expense" method of classification to a "cost of sales" method of classification, such that expenses directly related to the revenue generating activities of the Company are presented as cost of sales, and separate from selling, general and administrative expenses. Presentation of the Company's Consolidated Statements of Comprehensive Loss using the cost of sales method, provides reliable and more relevant information about the effects of transactions and other events or conditions on the Company's financial performance and will continue such that comparability is not impaired in future periods. In accordance with IAS 1, *Presentation of Financial Statements,* the Company has also presented comparative amounts in the Condensed Interim Consolidated Statements of Comprehensive Loss for the three and six months ended September 30, 2019, using the cost of sales method.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 25, 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 September 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

(c) Functional and presentation of foreign currency

All amounts in the condensed interim 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. During the three and six months ended September 30, 2020, the Company recognized nil and $35,548 of inventory expense to cost of goods sold (nil for the three and six months ended September 30, 2019).

(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.

Merchant Service Fee Revenue

These revenues are derived from the Company's former, 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. These revenues have been discontinued in connection with the disposal of Paytron (Note 11).

Consulting Revenue

Consulting Revenue consists of consulting fees for services provided to Body and Mind, Inc (Note 16). 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.

Cocoon Platform Revenue

The Company's Cocoon Platform (the "Platform") is a platform-as-a-service solution for cannabis dispensaries, comprised of both hardware and a hosted software solution, and offers among other features, the facilitation of minimal contact sales transactions by dispensary patrons on self-service kiosks at dispensary locations. Revenue derived from the Platform includes fees associated with the sale and installation of self-service kiosks, access to the Platform's hosted software solution ("Platform-as-a-Service" or "PaaS"), and ongoing maintenance.

The sale of self-service kiosks is a distinct performance obligation satisfied at a point in time. Revenue related to the sale of the kiosk is recognized when control of the kiosk transfers to the customer, or at time of delivery. In the normal course of business, the Company does not accept kiosk returns and therefore no provision for estimated returns is recorded.

Installation of the kiosk is a distinct performance obligation satisfied at a point in time. Revenue related to installation, is recognized upon successful completion of the installation services provided. Invoicing of these services generally occurs upon completion of the installation services.

The nature of the Company's promise with respect to PaaS, is to provide continuous access to the Platform's hosted software solution over the customer's contract term. The nature of the Company's promise to provide continuous access to the platform (a "stand-ready" obligation), is substantially the same regardless of whether the day to day activities performed through dispensary use of the platform differ. Under a stand-ready obligation, the evaluation of the nature of the performance obligation is focused on each time increment rather than the underlying activities. Therefore, the Company views PaaS to comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. For providing this service, the Company receives a fee based on a percent of the transaction total completed on the platform. Given the nature of the promise and the fact that the underlying fees are based on unknown transaction value to be completed on the Platform over the contract term, the total PaaS consideration is determined to be variable consideration. The Company has determined that the variable fee relates specifically to the Company's efforts to satisfy the performance obligation of providing daily access to the Platform, and that allocating the variable consideration entirely to the performance obligation is consistent with the allocation objective of IFRS 15. Further, the uncertainty related to the amount of consideration to which the Company is entitled is resolved on a daily basis as the entity satisfies its obligation to provide daily Platform access. Therefore, the Company allocates and recognizes PaaS revenues each day, based on the percentage fee earned for transactions that are completed on the Platform that day. Invoicing of these services is commensurate with performance and occurs on a monthly basis.

The nature of the Company's promise with respect to ongoing maintenance services is also a stand-ready obligation. The nature of the Company's promise is to stand-ready to provide maintenance and upgrade services on an as-needed and if and when available basis over the contract term, and is substantially the same regardless of whether the day to day maintenance activities differ. The Company views ongoing maintenance services to comprise a series of distinct days of services that are substantially the same and have the same pattern of transfer to the customer. Satisfaction of this performance obligation is measured based upon time elapsed and the Company recognizes revenue ratably over the contract term, as the Company's performance obligation to stand ready to provide maintenance services is satisfied. Invoicing of these services is commensurate with performance and occurs on a monthly basis.

The timing of revenue recognition, billings and cash collections for the above listed performance obligations results in billed receivables, accrued receivables, and customer deposits (contract liabilities), each a current asset or current liability on the Company's consolidated statements of financial position. Payment terms can vary by customer; however, amounts billed are typically payable within 30 to 90 days. The Company does not offer financing as part of its contracts with customers.

As of September 30, 2020, the Company does not have significant unsatisfied performance obligations for contracts expected to be long-term, or contracts for which we recognize revenue at an amount other than for which we have the right to invoice for goods or services delivered or performed.

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). The cannabis segment involves expenditures for the acquisition of premium brand names and intellectual property and for the construction of a cultivation and manufacturing facility. Technology includes the assets, liabilities and results of operations related to the Company's Cocoon Platform.

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. 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 and six months ended September 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, except as updated below:

Revenue Recognition

Recognition of revenue is dependent upon judgments and estimates used to determine the performance obligations of a contract, the stand-alone selling prices ("SSP") of each performance obligation, and the timing of transfer of control of the respective performance obligations. Performance obligations are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the good or service either on its own or together with resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. In contracts with multiple promised goods and/or services, judgment is applied to determine whether the promised goods and services are capable of being distinct and are distinct in the context of the contract. Such judgment generally requires an assessment of the level of integration and interdependency between individual performance obligations of the contract.

Further, the Company must apply judgment in determining the transaction price of the contract and, in contracts with multiple performance obligations, allocating the transaction price to the performance obligations based on managements' best estimate of stand-alone selling price. As the Company is new to operations, the Company does not have directly observable standalone selling prices and each performance obligation has a level of uncertainty with respect to its stand-alone selling price. To determine an appropriate estimate of SSP for each obligation, management generally uses the adjusted market assessment approach and includes estimates and judgment that maximize to the extent possible, the use of observable inputs available, taking into consideration market conditions, such as competitor pricing and market demand, and entity-specific conditions, such as Company profit objectives, cost structure and pricing practices.

(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, 2023, with earlier application permitted.

3. Cash and 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, with formal removal of the restrictions pending approval from the British Columbia Securities Commission (the "Commission"). On October 2, 2020, the Company was informed by the Commission, that due to the operational focus and efforts of the Company, formal approval of the lift was no longer required. The funds have been removed from restricted cash on the Company's condensed interim consolidated statements of financial position, and are presented in cash as at September 30, 2020. At September 30, 2020, $8,412,401 formerly held in trust, is presented in cash ($8,395,919 presented in restricted cash 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 a 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 September 30, 2020, nil was held in trust ($289,662 at March 31, 2020).

4. Accounts Receivable

Accounts Receivable consist of the following:

	September 30, 2020	**March 31, 2020**
	$	$
Trade accounts receivable	31,763	1,437
Interest receivable	128,440	90,483
Other receivables	81,433	288,735
	241,636	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 September 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). Accretion for the three and six months ended September 30, 2020 was $22,730 and $46,030 respectively ($24,605 and $50,017 for the three and six months ended September 30, 2019, respectively) with an interest receivable balance related to SubTerra of $127,061 as at September 30, 2020 ($81,031 as at March 31, 2020).

SubTerra has made all payments due as of the date of filing of these financial statements. The Company anticipates full payment of the remaining annuity receivable and has recorded no provision for expected credit loss as of the period ended September 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 filed for the three and six months ended September 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 September 30, 2020, the land was carried at USD $2,098,775 ($2,799,556 revalued using the period end 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 $177,976 was recorded during the six months ended September 30, 2020 (Note 17). 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 19(c)). No gain or loss was recognized on disposal of the assets and related liabilities during the three or six months ended September 30, 2020.

9. Asset Acquisition with Green Therapeutics, LLC

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.

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 is to be provided upon completion of the following milestones:

(i) USD $800,000 in shares will be issued when the new cultivation and production facility 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 ($1,361,912 CAD revalued using the period end 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 $86,581, no further adjustment was recorded to the contingent obligation during the six months ended September 30, 2020.

10. Land Acquisition with Meridian Companies, LLC

On May 20, 2019, the Company entered into an Agreement of Purchase and Sale with Meridian Companies, LLC ("Meridian"), and acquired from Meridian, 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, as determined by the fair market valuation of an independent appraiser, 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 on date of acquisition is determined by a third-party appraiser, based on an as-is market value of the parcel, or $3,944,073.

On July 7, 2020, the Company entered into a non-binding letter of intent ("LOI") for the sale of its North Las Vegas land. 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, completion of the Company's current contract for civil work land improvements on the North Las Vegas land, and a final investigation and review of the property. The Company is committed to the sale of the land and as of September 30, 2020, the land is classified as held for sale (Note 17). In addition, amounts carried as construction in progress ("CIP") and related to land improvements made to the North Las Vegas land, are also presented as held for sale as they will transfer to the buyer upon closing of the sale. The land and related CIP are part of the Company's cannabis operating segment.

11. 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. The acquisition includes all active merchant accounts of Paytron, established relationships with large payment processors, and the existing management and agent workforce of Paytron.

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**

In September 2020, the Company entered into a series of connected agreements (collectively, the "Settlement Agreements") with Passport Technology, Inc. ("Passport Technology") and the Company's former CEO and Director, to fully and finally settle the termination of the Company's proposed acquisition of Passport Technology (Note 13). In connection with Settlement Agreements, the Company transferred all operations, rights, previously acquired assets and related liabilities of Paytron, to Passport Technology, and reversed the provisions of the contingent obligation. This disposal is consistent with the Company's renewed focus on the United States Cannabis industry and commitment to focus efforts and resources on developing its United States cannabis operations. The Company recorded a loss on settlement of $164,315 during the three and six months ended September 30, 2020.

Results of Paytron operations for the period April 1, 2020 through date of disposition account for $29,973 of the Company's total consolidated revenues and $135,169 of the Company's total consolidated net loss.

12. 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.

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:

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**

The Company assigned a useful life of 10 years to the intangible asset and upon launch of the technology in connection with the Company's Cocoon Platform in September 2020, commenced straight-line amortization of the asset in the period then ended.

Additionally, under the terms of the agreement, the Company is to 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 3,000,000 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.

13. Termination of the proposed acquisition of Passport Technology, Inc. and the Settlement Agreements

On June 25, 2020, the Company entered into an agreement to acquire (the "Passport Acquisition") Passport Technology, Inc ("Passport Technology"), a developer of technology-based products and services for highly regulated payments, gaming and financial institutions. This arrangement falls within the scope of a related party transaction as the Company's former CEO and Director held the position of CEO and Director at the time into which this agreement was entered, and also has control over Passport Technology.

On August 2, 2020, the Company received a letter from Passport Technology purporting to assert a right to terminate the pending acquisition. The Company entered into a series of connected agreements on September 3, 2020 with Passport Technology and the Company's former CEO and Director, to formalize the termination and fully and finally settle all obligations and entitlements of the Company and Passport Technology with respect to the proposed acquisition (collectively, the "Settlement Agreements").

In addition, the following resulted:

(i) The Company transferred all operations, rights, previously acquired assets and related liabilities of Paytron, LLC, to Passport Technology, and eliminated the Earnout Provisions payable to Paytron upon achievement of certain Earnout Thresholds, resulting in a loss of $164,315 (Note 11).
(ii) The Company amended the License, Development and Services Agreement with Passport Technology Canada, Ltd. (Note 12) such that the maintenance revenues generated from the Cocoon Platform self-service kiosks, previously to be shared between Passport Technology and the Company, would be retained solely by the Company and in exchange, the Company agreed to transfer and assign to Passport Technology, all rights, title and interest to fifteen of the Company's self-service kiosks valued at $266,162.
(iii) The Company entered into an agreement with the Company's former CEO and Director pursuant to which the former CEO and Director resigned from his then current position as Executive Chairman of the Board of Directors, and agreed to forgo all cash severance and surrender all previously granted stock options of the Company. The former CEO and Director retained all previously granted restricted share units, which fully vested upon resignation, and was issued 4,250,000 common shares of the Company with a fair value of $595,000 based on a level 1 input of the quoted market price of the shares at close of market on the day prior to settlement (Note 19).

14. 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. As of September 30, 2020, the Company recorded a provision and corresponding loss on true-up obligation in the amount of $1,615,835 based on the above outlined terms.

As of the period ended September 30, 2020, the Company has used a total of $119,289 in services (of which, $13,634 and $66,024 were used during the three and six months ended September 30, 2020 respectively) and the ASTOUND deposit balance is $3,488,903 ($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. 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.

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 September 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.

As of the period ended September 30, 2020, the Company has used $216,342 of deposit funds for the purchase of kiosks and the Rapid Cash deposit balance is $2,532,836 ($2,749,178 as of March 31, 2020).

(c) Wagner Dimas

On February 26, 2020, the Company entered into an agreement with Wagner Dimas, Inc. whereby the Company returned to Wagner Dimas its holding of Wagner Dimas Class A shares. In connection with, and in exchange for the return of shares, the Company executed a Sales Order for the purchase of a Wagner Dimas pre-roll machine valued at USD $350,000 ($464, 835 CAD). The balance is carried in short-term deposits, pending receipt of the finished machine.

15. 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.

Measurement

The investment in Quality Green 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 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 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 six-months ended September 30, 2020 and did not record an adjustment to fair value of the investment during the period then ended. If conditions persist such that the proposed going public transaction of Quality Green does not occur by the Company's fiscal year-end, or March 31, 2021, it is likely that additional write-downs will occur.

(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 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 six-months ended September 30, 2020 and did not record an adjustment to fair value of the investment during the period then ended.

16. 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 12), 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 14(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 14(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 six months ended September 30, 2020 (nil during the three months then ended) for proceeds of $350,900 and recognized a gain on sale of investment in associate of $13,283. The remaining shares classified as held for sale were revalued as of September 30, 2020 to the lower of their carrying amount and fair value less costs to sell, or $357,198, and an additional impairment loss on investment in associate held for sale of $127,560 was recognized during the six months then ended ($48,709 for 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 12). 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 transferred 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 on July 1, 2020.

Upon conversion, the shares represent an increase to the Company's investment in associate. 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, the day prior to conversion. 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, resulting in an unrealized loss of $196,555 during the period then ended. The fair value of the converted instrument of $1,356,500 is the Company's deemed cost basis and is presented as an increase to the Company's carrying value of its investment in associate as at September 30, 2020.

Measurement – Investment in Associate

As of September 30, 2020, the Company holds 18,193,100 Common Shares in BaM, excluding shares classified as held for sale. The Company's ownership percentage in BaM's issued and outstanding common stock is 16.9%. Although the Company's voting right interest in BaM has fallen below the 20% threshold for presumed significant influence, the Company holds one seat on the Board of Directors of BaM, and therefore continues to account for its voting right interest 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, such that Body and Mind's most recently published financial statements are typically reported as of the period ended two months prior to that of the Company's current period ended. The Company uses available public financial information to account for the value of the invested entity. Filing of Body and Mind's financial statements for the period ended July 31, 2020, is pending as of the date of authorization of issuance of these condensed interim consolidated financial statements. Therefore the most recently published financial statements of Body and Mind, are for the period-ended April 30, 2020, and as such, these financial statements were used 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 September 30, 2020, and noted that Body and Mind opened two new locations in mid to late April 2020, with the related grand opening events in July 2020, and completed the license transfer for a third location in early September 2020. These events could have a significant effect on the proportional loss recorded by the Company during the current quarter. However, since the Company is unable to obtain the investee's published financial data as of the period ended July 31, 2020 due to the investee's late filing status, it is impracticable to estimate the financial impact of these activities in the current reporting period. Further, management made certain assumptions based on available information, to convert BaM's consolidated statement of operations from US GAAP to IFRS, and estimated an increase to net loss in the amount of $23,000 during the period, 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 and six months ended September 30, 2020, the Company recognized a proportional loss on investment of $254,954 and $421,094 respectively ($1,334,735 and $1,639,414 for the three and six months ended September 30, 2019) and a proportional other comprehensive loss of $50,708 and $205,276 respectively ($88,265 gain for the three and six months ended September 30, 2019). The carrying value of the investment at September 30, 2020 is $9,280,394 ($10,500,148 at March 31, 2020). Based on Body and Mind's closing stock price of $0.33 as of September 30, 2020, the 18,193,100 common shares owned by the Company as of that same date, had a value of $6,003,723. 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, including specifically the market for BaM Common Shares and due in part to 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
Additions:			
Conversion of Debentures	7/1/2020	1,356,500	2,909,091
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		(421,094)	
Proportional OCI Recognized - FY2021 (net of disposals) [1]		(196,417)	
Balance at September 30, 2020		**9,280,394**	**18,193,100**

[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)

17. 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	Transferred to Assets Held for Sale	Foreign Currency Translation	**September 30, 2020**
Cost							
Land	3,944,073	-	-	-	(3,944,073)	-	-
Computer Equipment	66,313	16,528	(7,519)	-	-	(3,380)	71,942
Furniture & Fixtures	109,238	-	-	-	-	(6,529)	102,709
Leasehold Improvements	31,528	2,011	-	-	-	(1,884)	31,655
Production Equipment	200,370	-	-	-	-	-	200,370
Construction in Progress	686,278	1,442,431	-	-	(2,082,198)	(46,510)	-
	5,037,800	1,460,970	(7,519)	-	(6,026,271)	(58,302)	406,676
Accumulated depreciation							
Computer Equipment	18,060	11,865	(2,019)	-	-	(761)	27,145
Furniture & Fixtures	25,736	10,537	-	-	-	(1,618)	34,655
Leasehold Improvements	5,340	3,340	-	-	-	(345)	8,336
Production Equipment	57,641	33,395	-	-	-	-	91,036
	106,777	59,137	(2,019)	-	-	(2,723)	161,172
Net book value							
Land	3,944,073	-	-	-	(3,944,073)	-	-
Computer Equipment	48,253	4,663	(5,500)	-	-	(2,619)	44,797
Furniture & Fixtures	83,502	(10,537)	-	-	-	(4,911)	68,054
Leasehold Improvements	26,188	(1,330)	-	-	-	(1,539)	23,319
Production Equipment	142,729	(33,395)	-	-	-	-	109,334
Construction in Progress	686,278	1,442,431	-	-	(2,082,198)	(46,510)	-
	4,931,023	1,401,832	(5,500)	-	(6,026,271)	(55,579)	245,504

Depreciation expense for the three and six months ended September 30, 2020 amounted to $30,102 and $59,137 respectively, which included $1,420 and $1,420 recognized to cost of goods sold for the three and six months then ended, and $28,682 and $57,717 to operating expenses in the consolidated statements of comprehensive loss for the three and six months then ended (three and six months ended September 30, 2019 – $25,201 and $40,490 respectively, all of which was recognized to operating expenses during the period).

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 year depreciation expense in the consolidated statements of comprehensive loss in the amount of $16,697 and $24,246 for the three and six months ended September 30, 2019, to reflect depreciation expense related to the acquired assets as of the date of acquisition. Although not reflected in the interim financial statements filed for the three and six months ended September 30, 2019, these adjustments were reflected in the Company's annual audited consolidated financial statements for the year-ended March 31, 2020.

Property, Plant and Equipment held for sale are as follows (Note 7 and 10):

	March 31, 2020	Additions	Disposals	Impairment (Loss)/Reversal	Transferred to Assets Held for Sale	Foreign Currency Translation	September 30, 2020
Cost							
Land held for sale	2,977,532	-	-	-	6,026,271	(177,976)	8,825,827
	2,977,532	-	-	-	6,026,271	(177,976)	8,825,827

During the period ended September 30, 2020, the Company reclassified its North Las Vegas land, and land improvements made to the North Las Vegas land that were previously carried in Construction in Progress, to land held for sale (Note 10).

18. 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	September 30, 2020	Remaining Useful Life *(in years)*
Definite Life Intangible Assets:							
Software		1,810,135	-	-	-	1,810,135	5.0
Brands	*9*	3,472,787	-	(189,982)	-	3,282,805	8.7
License - IP	*12*	5,454,544	-	(33,333)	-	5,421,211	9.9
Relationships	*11, 13*	-	105,345	(6,271)	(99,074)	-	
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	(229,586)	(99,074)	14,552,151	
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 and six months ended September 30, 2020 amounted to $130,833 and $229,586 respectively, which included $33,333 and $33,333 recognized to cost of goods sold for the three and six months then ended, and $97,500 and $196,253 to operating expenses in the consolidated statements of comprehensive loss for the three and six months then ended (three and six months ended September 30, 2019 – $94,991 and $136,869 respectively, all of which was recognized to operating expenses during the period). Amortization of the Company's intangible asset, Software, is expected to commence by March 31, 2021, in connection with the launch of the Company’s Mobile Application component of its Cocoon Platform. Research and development expenditures recognized during the period are comprised of expenses incurred in connection with the continued development of the Cocoon Mobile Application, that are not subject to capitalization.

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 year amortization expense in the consolidated statements of comprehensive loss in the amount of $94,991 and $136,869 for the three and six months ended September 30, 2019, 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 intangible asset, Software, in the amount of $90,507 and $330,852 for the three and six months ended September 30, 2019, as the asset is not yet available for use. Although not reflected in the interim financial statements filed for the period ended September 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	Disposal	September 30, 2020
FY 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
FY 2021 Acquisitions					
Paytron Goodwill					
Acquisition of Paytron	*11, 13*	-	114,541	(114,541)	-
(Accumulated Impairment - Paytron)		-	-	-	-
Paytron Goodwill, net		-	114,541	(114,541)	-
Total Goodwill		589,843	114,541	(114,541)	589,843

19. 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 September 30, 2020, there were 176,199,062 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. 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 10).

(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 12).

(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

(Note 11).

(vi) On September 3, 2020, the Company issued 4,250,000 shares to its former CEO and Director in connection with his resignation from the Company and the formal termination and full and final settlement of the Company's proposed acquisition of Passport Technology, Inc. (Note 13). The shares were issued at a price of $0.14 per share for a total fair value of $595,000.

(vii) The Company issued an aggregate of nil common shares on the exercise of nil warrants for gross proceeds of nil for the six months ended September 30, 2020 (9,999,838 common shares issued on the exercise of 9,999,838 warrants for gross proceeds of $2,499,960 for the six months ended September 30, 2019).

(viii) 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 six months ended September 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 six months ended September 30, 2019).

(ix) The Company issued an aggregate of 1,589,120 common shares, net of shares withheld for tax, upon vesting of 2,101,882 RSUs for the six months ended September 30, 2020 (117,000 common shares, net of shares withheld for tax, upon vesting of 225,000 RSUs for the six months ended September 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, September 30, 2020	30,929,562	0.85

The following table summarizes the warrants that remain outstanding as at September 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 six-months ended September 30, 2020 and September 30, 2019:

	September 30, 2020 *(6 months ended)*	**September 30, 2019** *(6 months ended)*
Fair Value at Grant Date	0.08	0.54
Share Price at Grant Date	0.13	0.98
Exercise Price	0.13	0.99
Expected Volatility	93%	80%
Expected Option Life	3.5 years	3.5 years
Expected Dividends	-	-
Risk-free interest rate	0.36%	1.59%
Forfeiture rate	12.16%	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	8,639,467	0.13
Exercised	-	-
Forfeited	(6,380,480)	0.50
Balance September 30, 2020	21,224,250	0.57

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

Weighted Average Exercise Price		Outstanding Options	Expiry Date	Options Exercisable
$		#		#
0.51		71,350	December 31, 2020	71,350
0.20		2,267,000	August 13, 2023	1,500,000
0.20		270,000	September 11, 2023	180,000
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		3,888,000	April 13, 2024	1,296,000
1.05		620,000	June 3, 2024	206,667
0.92		80,000	July 2, 2024	26,667
1.25	(1)	200,000	July 26, 2021	200,000
0.84		20,000	August 19, 2024	6,667
0.69		56,000	September 30, 2024	18,667
0.65		1,596,700	October 2, 2024	
0.18	(2)	2,728,233	March 11, 2025	
0.18		73,500	May 11, 2025	
0.28		35,000	June 8, 2025	
0.14		880,967	September 25, 2025	
0.13		7,650,000	September 30, 2025	
		21,224,250		3,768,517

(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 and six months ended September 30, 2020, the Company recorded a reversal of $177,565 in share-based payments, and an aggregate addition of $345,295 in share-based payments, respectively (three and six months ended September 30, 2019 – $748,964 and $1,506,809 respectively) for all stock options granted. Amounts recognized during the three and six months ended September 30, 2020 include $4,379 and $8,741 respectively, recognized to consulting fees in conjunction with the above listed agreements (nil in the period ended September 30, 2019).

The Company updated prior period comparative information presented in the consolidated statements of comprehensive loss in the amount of $193,448 and $420,067 for the three and six months ended September 30, 2019, 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 filed for the period ended September 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	342,796	0.14
Vested	(2,092,730)	0.90
Forfeited	(66,500)	0.18
Non-vested Balance September 30, 2020	3,562,007	0.62

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

Issue Price	RSU's Outstanding	Vesting Date [1]		RSU's Vested
$	#			#
1.62	313,333	November 13, 2021	[2]	1,156,667
1.04	198,333	November 26, 2021		99,167
0.77	70,000	December 17, 2021		35,000
0.98	648,000	April 13, 2022	[2]	767,500
1.05	103,333	June 3, 2022		51,667
0.92	13,333	July 2, 2022		6,667
0.84	3,333	August 19, 2022		1,667
0.68	16,000	September 29, 2022		8,000
0.60	684,300	October 2, 2022	[2]	560,963
0.18	1,169,244	March 11, 2023	[2]	288,750
0.18	31,500	May 11, 2023		-
0.28	15,000	June 8, 2023		-
0.14	296,296	September 25, 2023		-
	3,562,007			2,976,046

[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.

[2] Includes accelerated vesting of 1,554,896 RSU's previously granted to the Company's former CEO and Director upon resignation (Note 13)

During the three and six months ended September 30, 2020, the Company recorded aggregate share-based payments of $914,926 and $1,318,079 respectively (three and six months ended September 30, 2019 – $638,809 and $1,747,021 respectively) for all RSU's granted.

The Company updated prior period comparative information presented in the consolidated statements of comprehensive loss in the amount of $241,409 and $665,784 for the three and six months ended September 30, 2019, 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 filed for the period ended September 30, 2019, these adjustments were reflected in the Company's annual audited consolidated financial statements for the year-ended March 31, 2020.

20. Selling, general and administrative expense

Selling, general and administrative expenses consist of the following:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Six months ended September 30, 2020	Six months ended September 30, 2019
Selling, general and administrative expenses:				
Consulting fees	7,692	152,290	34,360	243,320
Advertising and promotion	63,681	112,316	145,470	208,692
Office and administration	42,435	46,385	93,029	78,137
Insurance	167,002	126,474	335,303	219,939
Regulatory and transfer agent fees	21,344	55,472	50,701	75,502
Travel and entertainment	7,778	100,266	12,694	180,833
Professional fees	677,704	1,155,702	827,558	1,192,033
Research and development	44,917	-	80,661	-
Total selling, general and administrative expense	**1,032,553**	**1,748,905**	**1,579,776**	**2,198,456**

21. 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. Additionally, and in connection with the launch of operations of the Company's wholly owned subsidiary Cocoon Technology during the six months ended September 30, 2020, the Company presents disaggregated revenue based on the relevant operating segment, and the timing of transfer of goods or services to the Company's customers in accordance with the Company's revenue recognition policy:

	Cannabis	Technology	Total
	$	$	$
As at September 30, 2020			
Non-current assets	21,323,644	12,115,997	33,439,641
Non-current liabilities	(1,849,197)	-	(1,849,197)
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
	$	$	$
Six months ended September 30, 2020			
Revenue			
Goods and services transferred at a point in time	-	36,329	36,329
Goods and services transferred over time	96,601	34,672	131,273
Loss from operations	(4,515,503)	(768,928)	(5,284,430)
Net Loss	(7,117,358)	(2,010,549)	(9,127,906)
Six months ended September 30, 2019			
Revenue			
Goods and services transferred at a point in time	-	-	-
Goods and services transferred over time	107,300	12,055	119,355
Loss from Operations	(7,561,271)	(206,366)	(7,767,637)
Net Loss	(6,747,416)	(207,847)	(6,955,263)

One-time losses incurred during the three and six months ended September 30, 2020, including the loss on true-up provision of $1,615,835 (Note 14(a)) and the loss on settlement of $1,025,477 (Note 13), were allocated approximately equally to the Cannabis and Technology operating segments.

22. Related Party Transactions

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

	For the three months ended		For the six months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Settlements (Note 13)	1,025,477	-	1,025,477	-
Wages and benefits (1)	245,287	504,418	564,863	1,111,596
Directors' fees (2)	605,183	381,969	879,471	1,063,942
Share-based compensation to related parties (3)	172,864	795,893	653,182	1,519,372

(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 the period ended September 30, 2019, related to services performed through March 31, 2019, of which $137k pertains to bonuses for the Company's key management personnel.

(2) The Company's directors' fees include one-time compensation paid to the Special Committee members in August 2020, compensation paid to the Executive Chairman of the Board, and 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 September 30, 2020 and March 31, 2020:

	September 30, 2020	March 31, 2020
	$	$
Due to a former shareholder (1)	590,428	617,275
Other receivable (2)	30,300	76,460
Due from officers	-	28,374
Provisions (Note 12)	-	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 no fixed repayment terms.

23. Financial Instruments and Risk Management

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, accounts receivable, annuity receivable, marketable securities, accounts payable and accrued liabilities, provisions, 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, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at September 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 investment in associate held for sale includes marketable securities for which a quoted market price is available, and is carried at the lower of carrying value and fair value less costs to sell, the latter of which is based on the level 1 input of a quoted market price as adjusted for management's best estimate of costs to sell (Note 16). 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 15). The Company's provision payable is calculated based on the quoted price of Body and Mind shares in the market, a Level 1 input (Note 14(a)). 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).

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

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

	Amortized cost	Fair Value through profit and loss	Total
	$	$	$
Cash	10,345,587	-	10,345,587
Accounts receivable	241,636	-	241,636
Annuity receivable - SubTerra	792,148	-	792,148
Investment in associate held for sale	-	357,198	357,198
Marketable securities - Quality Green	-	500,678	500,678
Marketable securities - Folium Biosciences	-	796,163	796,163
Accounts payable and accrued liabilities	1,087,769	-	1,087,769
Provisions	-	1,615,835	1,615,835
Contingent consideration payable	-	1,361,912	1,361,912
Advances payable - related parties	590,428	-	590,428

(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 to the extent possible, 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 with respect to such receivables as at September 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 September 30, 2020, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	$	$	$	$
Accounts payable and accrued liabilities	1,087,769	1,087,769	-	-
Provisions (Note 14(a))	1,615,835	1,615,835	-	-
Contingent consideration payable [1]	1,361,912	-	1,361,912	-
Advances payable - related parties	590,428	590,428	-	-
Lease liability	635,816	148,531	403,289	83,997

[1] Contingent consideration payable is outlined in Note 9 of the Company's condensed interim consolidated financial statements for the three and six months ended September 30, 2020. 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 September 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 $300,419 (six months ended September 30, 2019 - $244,019) to net loss and $687,623 (six months ended September 30, 2019 - $461,222) to comprehensive loss for the six months ended September 30, 2020.

  At September 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 related assets, 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 $175,000 to net and comprehensive loss for the six months ended September 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 assets expose the Company to a certain amount of concentration risk.

24. 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 during the six months ended September 30, 2020.

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

25. 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 September 30, 2020:

Commitment Period	**$**
Less than 1 year	217,937
Greater than 1 and less than 5 years	562,302
Greater than 5 years	-
Total Commitment	780,240

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

	$
Opening Balance, March 31, 2020	751,913
Lease payments (Apr - Sep 2020)	(112,668)
Amortization of discount	40,970
Foreign Translation Adjustment	(44,399)
Lease liability at September 30, 2020	635,816

The total interest expense on lease liabilities for the three and six months ended September 30, 2020 was $19,971 and $40,970 respectively ($23,743 and $56,125 for the three and six months ended September 30, 2019). Total cash outflows for the three and six months ended September 30, 2020 were $56,393 and $112,668 respectively ($74,168 and $129,632 for the three and six months ended September 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	(90,045)
Foreign Currency Translation	(43,818)
Carrying amount, September 30, 2020	**610,639**

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 outcomes of legal proceedings are inherently unpredictable and subject to significant uncertainties, and as such, no provision has been recognized as of September 30, 2020.

26. Subsequent Events

On November 17, 2020, the Company held its annual and special meeting of the shareholders (the "AGM"), at which the Company's shareholders voted on, among other topics, changes to the Company's Board of Directors. Two groups, one led by management and incumbent members of the Board of Directors of the Company, and the other, the Concerned Shareholders, each published for investor review and vote, information circulars outlining proposed future plans for the Company and a slate of Board of Director nominees. The outcome of the investor vote was in favor of the proposals and nominees of the Concerned Shareholders. As a result, on the date of the AGM, the Company's incumbent Board of Directors agreed not to stand for re-election, resulting in the replacement of the Board in its entirety and the appointment of the nominees of the Concerned Shareholder group, including Dr. Duke Fu, Dr. Jason Dyck, Mr. Avi Geller, Mr. Hanoz Kapadia and Mr. John Esteireiro. Further, current management of the Company, including the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Legal Officer, tendered their resignation as officers of the Company, with each choosing their respective resignations to be effective December 18, 2020. The newly elected directors of the Company appointed Dr. Duke Fu as Interim Chief Executive Officer and have commenced an expedient executive search for a permanent, experienced Chief Executive Officer and a permanent, experienced Chief Financial Officer. The newly elected directors have also commenced a review of the Company's operations and strategic direction.