

# **AUSTRALIS CAPITAL INC.**

## **Consolidated Financial Statements**

**For the Years Ended March 31, 2021 and 2020  
(In Canadian Dollars)**

## Independent Auditors' Report

To the Shareholders of Australis Capital Inc.:

### **Opinion**

We have audited the consolidated financial statements of Australis Capital Inc. and its subsidiaries (together the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss of \$25,753,250 during the year ended March 31, 2021, negative cashflows from operations, and, as of that date, an accumulated deficit of \$52,937,270. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sam Salty.

BAKER TILLY US, LLP

*Baker Tilly US, LLP*

Irvine, California  
August 25, 2021

# AUSTRALIS CAPITAL INC.

## Consolidated Statements of Financial Position

As at March 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Notes	March 31, 2021	March 31, 2020
		\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		3,531,357	7,646,919
Restricted cash	4	-	8,685,581
Accounts receivable	5,25	1,696,656	380,655
Inventory	6	473,185	-
Prepaid expenses		470,479	332,324
Current portion of deposits	15	649,464	956,705
Current portion of annuity receivable - SubTerra	7	66,070	53,081
Convertible debt instruments – BaM	17	-	1,553,055
Investment in associate held for sale	17	-	38,396
Intangible asset held for sale – Mr. Natural	10	-	382,000
Marketable securities (held for sale)	16	12,803,638	-
Other current assets	11	-	709,350
Land held for sale	8	4,151,551	2,977,532
		<b>23,842,400</b>	<b>23,715,598</b>
<b>Non-current</b>			
Marketable securities	16	-	1,296,841
Investment in associates – BaM	17	-	10,500,148
Investment in ALPS technology solution APIS	14	1,130,233	-
Property, plant, and equipment	18	298,258	4,931,023
Right-of-use assets	18	1,097,361	744,502
Intangible assets	19	14,227,461	14,775,466
Goodwill	14,19	15,057,796	589,843
Derivative financial instrument – NCI call option	14	7,320,630	-
Annuity receivable – SubTerra	7	672,998	739,067
Long-term deposits	15	4,130,168	6,407,851
Other assets – acquisition deposit	11	14,677,674	-
<b>TOTAL ASSETS</b>		<b>82,454,979</b>	<b>63,700,339</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	25	5,915,674	2,585,278
Deferred revenue		17,813	-
Current portion of lease liability	20	459,895	141,563
Provisions	25	1,029,014	855,423
Liabilities associated with assets held for sale – Mr. Natural	10	-	293,208
		<b>7,422,396</b>	<b>3,875,472</b>
<b>Non-current</b>			
Contingent consideration payable	12,14	3,698,980	1,448,493
Lease liability	20	686,191	610,350
Loan payable	29	747,115	-
Deferred tax liability	22	3,205,244	-
<b>TOTAL LIABILITIES</b>		<b>15,759,926</b>	<b>5,934,315</b>
<b>Shareholders' equity (deficit)</b>			
Share capital	21	104,617,900	74,650,429
Treasury shares	11,21	(11,367,770)	-
Exchangeable shares reserve	21	11,114,175	-
Reserves	21	9,640,106	10,264,001
Accumulated other comprehensive income		234,035	527,974
Accumulated deficit		(52,937,270)	(27,676,380)
Equity attributable to owners of the Company		61,301,176	57,766,024
Non-controlling interest	14	5,393,877	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>66,695,053</b>	<b>57,766,024</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>82,454,979</b>	<b>63,700,339</b>

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 28)

Subsequent Events (Note 29)

Approved on August 25, 2021

“Terry Booth”

Director

“Hanoz Kapadia”

Director

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

# AUSTRALIS CAPITAL INC.

## Consolidated Statements of Comprehensive Loss

For the years ended March 31, 2021 and 2020

(Expressed in Canadian Dollars, except number of shares)

	Notes	2021	2020
<b>Revenue</b>		\$	\$
Revenue-Services		420,441	18,515
Revenue-Kiosks		107,830	-
Revenue-Consulting		188,880	202,967
		717,151	221,482
Cost of goods sold		(920,042)	-
Gross (loss) profit		(202,891)	221,482
<b>Operating expenses</b>			
Wages and benefits		5,898,508	4,817,497
Share-based payments	21(f),21(g)	1,390,158	5,339,280
Selling, general and administrative	23	5,947,983	3,861,246
Depreciation and amortization	18,19	595,886	601,245
		13,832,535	14,619,268
Loss from operations		(14,035,426)	(14,397,786)
<b>Other income (expense)</b>			
Gain (loss) on asset disposal		212	(5,005)
Impairment loss – SubTerra annuity receivable	7	-	(282,389)
Loss on investment in associate	17	(1,162,261)	(1,126,348)
Loss on dilution and disposal of marketable securities		-	(1,389,172)
Revaluation of contingent consideration		-	80,121
Loss on acquisition of Passport Licence		-	(855,423)
Loss on settlements	10,13,15(b)	(2,368,058)	-
Change in provision	15(a)	(1,088,584)	-
Impairment of intangible assets	9,19	(7,684,824)	(1,266,385)
Gain (loss) on remeasurement of land held for sale	8	(758,049)	30,827
Recognition of deferred gain		-	2,282,141
Net change on investment at fair value through profit or loss	16,17	2,122,525	(5,977,580)
Other income		483	225,693
Other expense – merger and acquisition costs		(286,846)	(1,363,261)
Foreign exchange loss		(258,187)	(37,787)
Interest and other expenses		(72,770)	(119,456)
Interest expense – leases		(52,450)	(77,099)
Interest income		106,770	936,761
		(11,502,039)	(8,944,362)
Net loss for the year before tax		(25,537,465)	(23,342,148)
Deferred tax recovery		78,154	-
Net loss for the year		(25,459,311)	(23,342,148)
Other comprehensive income (loss)			
Foreign currency translation		290,671	146,381
Share of OCI from investments in associates		(584,610)	51,975
Total comprehensive loss for the year		(25,753,250)	(23,143,792)
Net loss attributable to:			
Shareholders of the Company		(25,260,890)	(23,342,148)
Non-controlling interest		(198,421)	-
Net loss for the year		(25,459,311)	(23,342,148)
Total comprehensive loss attributable to:			
Shareholders of the Company		(25,554,829)	(23,143,792)
Non-controlling interest		(198,421)	-
Total comprehensive loss for the year		(25,753,250)	(23,143,792)
<b>Net loss per share attributable to shareholders of the Company</b>			
Basic and diluted		\$ (0.14)	\$ (0.14)
<b>Weighted average number of shares outstanding</b>			
Basic and diluted		177,116,372	162,361,059

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

## AUSTRALIS CAPITAL INC.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2021 and 2020

(Expressed in Canadian Dollars, except number of shares)

	Notes	Common shares	Share capital	Treasury shares	Exchangeable shares reserve	Share-based reserves	Warrant reserves	Accumulated other comprehensive income	Accumulated deficit	Non-controlling Interest	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	11	7,831,855	7,322,241	-	-	-	-	-	-	-	7,322,241
Shares issued for acquisition of land	8	3,585,521	3,944,073	-	-	-	-	-	-	-	3,944,073
Finder's fees	11	109,090	101,991	-	-	-	-	-	-	-	101,991
Shares issued for acquisition of Intangible Asset Passport License	13	1,829,219	1,058,626	-	-	-	-	-	-	-	1,058,626
Exercise of warrants	21(d)	9,999,838	2,988,162	-	-	-	(488,202)	-	-	-	2,499,960
Warrant forfeitures	21(d)	-	249,130	-	-	-	(249,130)	-	-	-	-
Exercise of stock options, net of withholding	21(e)	759,353	130,613	-	-	(121,133)	-	-	-	-	9,480
Vesting of RSU's, net of withholding	21(f)	766,167	(110,663)	-	-	-	-	-	-	-	(110,663)
Share-based payments	21(e), 21(f)	-	2,661,055	-	-	2,748,730	-	-	-	-	5,409,785
Net loss for the year		-	-	-	-	-	-	-	(23,342,148)	-	(23,342,148)
Other comprehensive income for the year		-	-	-	-	-	-	198,356	-	-	198,356
<b>Balance, March 31, 2020</b>		<b>169,943,997</b>	<b>74,650,429</b>	<b>-</b>	<b>-</b>	<b>2,895,969</b>	<b>7,368,032</b>	<b>527,974</b>	<b>(27,676,380)</b>	<b>-</b>	<b>57,766,024</b>
Shares issued for acquisition of Paytron, LLC assets	12, 21(b)	949,926	170,717	-	-	-	-	-	-	-	170,717
Return of shares relating to the disposal of Mr. Natural assets	10, 21(c)	(533,981)	-	(101,456)	-	-	-	-	-	-	(101,456)
Return of shares relating to the unwind and settlement of the GT transaction	11	(11,417,376)	909,436	(11,266,314)	-	-	-	-	-	-	(10,356,878)
Shares issued pursuant to the agreements with Passport Technology Inc. and the Company's former CEO	13, 21(b)	4,250,000	595,000	-	-	-	-	-	-	-	595,000
Shares issued pursuant to revised GT Transaction	11	-	-	-	14,662,500	-	-	-	-	-	14,662,500
Subsidiary shares exchanged relating to the GT Transaction	11	9,075,000	3,548,325	-	(3,548,325)	-	-	-	-	-	-
Shares issued pursuant to ALPS Transaction	14	50,000,000	22,500,000	-	-	-	-	-	-	-	22,500,000
Vesting of RSUs, net of withholding	21(f)	2,198,653	(145,350)	-	-	-	-	-	-	-	(145,350)
Share-based payments	21(f), 21(g)	-	1,574,623	-	-	(270,724)	-	-	-	-	1,303,899
Shares issued on transactions, settlement, and as signing bonus		1,323,148	419,280	-	-	-	-	-	-	-	419,280
Warrant forfeitures	21(e)	-	323,048	-	-	-	(323,048)	-	-	-	-
Stock option exercise, net of withholding		255,069	72,392	-	-	(30,123)	-	-	-	-	42,269
Non-controlling interest on ALPS Transaction	14	-	-	-	-	-	-	-	5,592,298	5,592,298	5,592,298
Net loss for the year		-	-	-	-	-	-	-	(25,260,890)	(198,421)	(25,459,311)
Other comprehensive loss for the year		-	-	-	-	-	-	(293,939)	-	-	(293,939)
<b>Balance, March 31, 2021</b>		<b>226,044,436</b>	<b>104,617,900</b>	<b>(11,367,770)</b>	<b>11,114,175</b>	<b>2,595,122</b>	<b>7,044,984</b>	<b>234,035</b>	<b>(52,937,270)</b>	<b>5,393,877</b>	<b>66,695,053</b>

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

# AUSTRALIS CAPITAL INC.

## Consolidated Statements of Cash Flows

For the years ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
Cash provided by (used in)			
<i>Operating activities</i>			
Net loss for the year		(25,459,311)	(23,342,148)
Adjustments for non-cash items:			
Depreciation	18	112,824	96,122
Depreciation – right of use assets	18	160,093	178,272
Interest expense (income) – leases		73,747	(16,124)
Amortization of intangibles	19	496,479	326,851
Share-based payments		1,723,179	5,409,785
Gain (loss) on asset disposal		(212)	5,005
Impairment loss – SubTerra annuity receivable	7	-	282,389
Impairment loss - intangible assets	19	7,684,824	1,266,385
Gain (loss) on remeasurement of land held for sale	8	758,049	(30,827)
Loss on acquisition of Passport License		-	855,423
Loss on settlements		2,368,058	-
Loss on true-up provision		1,088,584	-
Loss on dilution and disposal of marketable securities		-	1,389,172
Loss on investment in associate	17	1,162,261	1,126,348
Recognition of deferred gain		-	(2,282,141)
Revaluation of contingent consideration		-	(80,121)
Net change on investment at fair value through profit or loss		(2,122,525)	5,977,580
Deferred tax recovery		(78,154)	-
Foreign exchange loss		237,842	107,211
Changes in non-cash working capital			
Accounts receivable and others	5	431,202	63,299
Prepaid expenses and deposits	15	525,651	(476,409)
Inventory	6	(739,348)	-
Accounts payable and accrued liabilities		2,093,108	928,130
Deferred revenue		17,813	-
Payment of royalty – Mr. Natural	10	-	(107,477)
<b>Net cash used in operating activities</b>		<b>(9,465,836)</b>	<b>(8,323,275)</b>
<i>Investing activities</i>			
Investment in associate	17	-	(6,396,920)
Purchase of ALPS, net of cash acquired	14	(1,950,531)	-
Investment in ALPS technology solution APIS		(143,713)	-
Purchase of property, plant and equipment	18	(1,477,974)	(704,576)
Acquisition of License Agreement with Passport Technology		-	(493,264)
Proceeds from repayment of BaM loan		-	5,340,000
Proceeds from sale of property, plant, and equipment		19,318	-
Proceeds from sale of investments and marketable securities		637,667	153,217
<b>Net cash used in investing activities</b>		<b>(2,915,233)</b>	<b>(2,101,543)</b>
<i>Financing activities</i>			
Repayments of lease liability		(201,890)	(129,790)
Proceeds from exercise of warrants		-	2,502,156
Proceeds from exercise of stock options		42,269	186,600
Payment of tax withholdings upon settlement of options and restricted stock unit awards		(145,350)	(287,280)
<b>Net cash (used in) provided by financing activities</b>		<b>(304,971)</b>	<b>2,271,686</b>
<b>Effect of foreign exchange on cash and restricted cash</b>		<b>(115,103)</b>	<b>(29,862)</b>
<b>Decrease in cash and cash equivalents and restricted cash</b>		<b>(12,801,143)</b>	<b>(8,182,994)</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>		<b>16,332,500</b>	<b>24,515,494</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>		<b>3,531,357</b>	<b>16,332,500</b>
<i>Supplementary information</i>			
Cash paid for interest - leases		75,915	104,990
Cash received for interest		124,343	990,564
Cash received for dividends		-	24,675

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



## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
For the years ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars, except where noted)

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### 1. Nature of Operations and Going Concern

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 is involved in the cannabis and horticultural industries in the United States and abroad. As a multi-state operator in the cannabis industry in the US, the Company is focused on strong brands and attractive cannabis licenses in states with favorable economics. As an engineering consulting firm, the Company advises on large scale greenhouse design, build and operations throughout the world in cannabis and horticulture.

The Company filed a preliminary prospectus dated June 19, 2018 and filed a final prospectus dated August 16, 2018, for the spin-out of the Company by Aurora Cannabis Inc. (“ACB”), its former parent company. On August 16, 2018, the Company received a receipt for its final prospectus, and on September 19, 2018, ACB completed a distribution of the Company’s shares and warrants. The Company’s shares and warrants commenced trading on the Canadian Securities Exchange (the “CSE”) on September 19, 2018 under the trading symbol “AUSA”. On February 6, 2019, the Company’s common shares commenced trading on the OTCQB Venture Market under the ticker symbol “AUSAF.”

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

On 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, a group of concerned shareholders (the “Concerned Shareholders”), each published for shareholder review and consideration, information circulars outlining proposed future plans for the Company and a slate of Board of Director nominees. The outcome of the shareholder vote was significantly in favor of the proposals and nominees of the Concerned Shareholders. As a result of proxies received in favour of the Concerned Shareholders prior to the AGM, 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 election of the nominees of the Concerned Shareholders being Dr. Duke Fu, Dr. Jason Dyck, Mr. Avi Geller, Mr. Hanoz Kapadia and Mr. John Esteireiro. Further, 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 composed Board elected to terminate the former executives for cause effective December 16, 2020 and to void the former executives’ October 2020 employment agreements as breaches of their fiduciary duties. The Company’s former Chief Executive Officer, Chief Operating Officer and Chief Legal Officer initiated arbitration proceedings to recover severance. The newly elected directors of the Company appointed Dr. Duke Fu as Interim Chief Executive Officer. On December 30, 2020, the Company also announced the appointment of Jon Paul as its new Chief Financial Officer (“CFO”) effective January 1, 2021.

On February 24, 2021, the Company announced it has reached a definitive agreement with 2750176 Ontario Inc. (“ALPS”) and their shareholders to acquire 51% of the issued and outstanding shares of ALPS, with an option to purchase the remaining 49%, and closed the acquisition (the “ALPS Acquisition”) on March 8, 2021 (Note 14). As a condition to the ALPS Acquisition, on March 8, 2021, Terry Booth, principal of ALPS, became Chief Executive Officer (“CEO”) of the Company taking over from Dr. Duke Fu, who had been serving as Interim CEO since November 17, 2020, and Dr. Fu concurrently took over the role of Chief Operating Officer (“COO”) of the Company.

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
For the years ended March 31, 2021 and 2020  
(Expressed in Canadian Dollars, except where noted)

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### 1. Nature of Operations and Going Concern (continued)

On January 4, 2021, the Company entered into a non-binding term sheet with Green Therapeutics, LLC (“GT”) and the holders of the issued and outstanding membership interests of GT setting forth the terms of a proposed revised transaction (the “Revised GT Transaction”) whereby the Company would purchase 100% of the issued and outstanding membership interests in GT.

Prior to completing the Revised GT Transaction, the parties agreed to settle a previously announced legal dispute regarding the original May 2019 asset acquisition transaction, and on March 23, 2021, the Revised GT Transaction was finalized, subject to regulatory approval (Note 11).

#### Going concern

These consolidated financial statements have been prepared on the assumption that the Company will be able to continue operating as a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. The Company has a history of losses and negative cash flows from operating activities. As at March 31, 2021, the Company had positive working capital of \$16,420,004 (March 31, 2020 - \$19,840,126), which includes \$12,803,638 of marketable securities which have declined in value subsequent to year end, and an accumulated deficit of \$52,937,270 (March 31, 2020 - \$27,676,380). These circumstances represent a material uncertainty that cast significant doubt on the Company’s ability to continue as a going concern and ultimately the appropriateness of the use of going concern assumption.

Subsequent to March 31, 2021, the Company initiated a capital raise in progress to support the growth and investment in its recent acquisitions of GT and ALPS. The Company also announced a term sheet to acquire the LOOS beverage companies (see Note 29). The Company is pursuing several other accretive acquisition opportunities. The Company is growing through additional contract awards at ALPS, the launch of the ALPS APIS service line, and growth that can come once the GT license transfer is approved by regulators. In addition, the Company is shifting focus away from fintech operations with negative cash flows as well as reducing certain non-productive corporate expenses.

The ability of the Company to continue operating as a going concern depends on its ability to raise sufficient additional funds to finance acquisition activities and/or its ability to achieve profitable operations. These financial statements do not reflect adjustments (if any) to the recorded amounts and classification of assets and liabilities, which could be necessary if the use of the going concern assumption is ultimately determined to be inappropriate. Such adjustments, if any, could be material. While there is no certainty management’s plans described above will be successful or that sufficient financing will be available on terms acceptable to the Company, based on the circumstances described above, the financial statements are prepared on the assumption that the Company is a going concern.

### 2. Basis of Presentation

#### (a) Basis of presentation

The consolidated financial statements of the Company and its wholly owned subsidiaries 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 year ended March 31, 2020, the Company launched operations of Cocoon Technology. In connection with the launch of operations, the Company changed the presentation of its Consolidated Statements of Comprehensive Loss, 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 Consolidated Statements of Comprehensive Loss, using the cost of sales method.

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
For the years ended March 31, 2021 and 2020  
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### 2. Basis of Presentation (continued)

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on August 25, 2021.

#### (b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets held at fair value through profit or loss or fair value through other comprehensive income.

#### (c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries (as described below) with intercompany balances and transactions eliminated on consolidation. Subsidiaries over which the Company has control are 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 March 31, 2021, the Company has investments in the following entities with respective percentage ownership alongside:

Entity	Location	Functional Currency	Percentage Ownership
Australis Capital (Nevada) Inc. (ACN)	Nevada (USA)	U.S. Dollar	100%
Australis Holdings LLP (AHL)	Washington (USA)	U.S. Dollar	100%
Rthm Technologies Inc.	Ontario (Canada)	Canadian Dollar	100%
Australis Perennial LLC	Nevada (USA)	U.S. Dollar	100%
Australis Prosper LLC	Nevada (USA)	U.S. Dollar	100%
Australis Terrain LLC	Nevada (USA)	U.S. Dollar	100%
Cocoon Technology LLC	Nevada (USA)	U.S. Dollar	100%
GT Acquisition LLC (GTA)	Nevada (USA)	U.S. Dollar	100%
GT Intellectual Property LLP (GTIP)	Nevada (USA)	U.S. Dollar	100%
2750176 Ontario Inc. (ALPS)	Ontario (Canada)	Canadian Dollar	51%
ALPS B.V. (ALPSBV)	Netherlands	Euro	51%
Larssen GC Ltd.	Ontario (Canada)	Canadian Dollar	51%
Aurora Larssen Projects Inc.	Alberta (Canada)	Canadian Dollar	51%
Larssen Ltd. (LAR)	Ontario (Canada)	Canadian Dollar	51%

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to the Company's shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings and other comprehensive income (loss) attributable to the NCI, as well as any dividends or distributions paid to the NCI. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of financial position, consolidated statements of changes in equity and consolidated statements of comprehensive loss, respectively. Changes in the parent company's ownership interest that do not result in a change of control are accounted for as equity transactions.

#### (d) Functional and presentation currency

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

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
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### 2. Basis of Presentation (continued)

#### (e) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the statements of comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the exchange rate in effect on the statement of financial position date and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the year. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity, when applicable. On disposal of a foreign operation the cumulative translation adjustments recognized in equity are reclassified to the statement of comprehensive loss and recognized as part of the gain or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the translation reserve.

### 3. Significant Accounting Policies and Estimates

#### (a) Cash and cash equivalents

Cash and cash equivalents are financial assets that are measured at amortized cost. Cash and cash equivalents include restricted cash, cash deposits in financial institutions and other deposits that are readily convertible into cash. The Company made an accounting policy change during the year-ended March 31, 2020 to include restricted cash as a component of cash and cash equivalents in order to provide more relevant information about the effects of restricted cash conditions and transactions on the Company's cash flows. The Company voluntarily imposed certain investment restrictions on the use of funds, the restrictions of which were lifted during the year-ended March 31, 2021 by way of shareholder vote and were approved by the British Columbia Securities Commission on October 2, 2020 (Note 4). The accounting policy change has been applied retrospectively to the Company's consolidated statement of cash flows and related disclosures, such that the comparative amount for prior periods presented, reflects the change in accounting policy.

#### (b) 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 allocated 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, on a weighted average cost basis.

#### (c) Marketable securities

The Company classifies investments in marketable securities as fair value through profit or loss ("FVTPL") financial assets. Marketable securities are non-derivative financial assets. They are initially and subsequently measured at fair value and the changes in fair value are recorded in profit or loss. Directly attributable transaction costs on acquisition are expensed as incurred.

## AUSTRALIS CAPITAL INC.

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### 3. Significant Accounting Policies and Estimates (continued)

The Company applies the residual method in allocating the investment cost of unit private placements to the underlying common share and warrant (derivative) components, unless the transaction price does not approximate fair value. In such cases, each component of the investment is measured at fair value with the difference between fair value at initial recognition and the transaction price recognized in either profit or loss or deferred, depending on whether the valuation inputs are based on observable market data. Subsequent changes in fair value are recognized in profit or loss for the year.

#### (d) Derivatives

The Company classifies derivative investments as financial assets at fair value through profit or loss. At initial recognition, the investment is recognized at fair value. If the transaction price does not equal fair value, management measures the fair value of the investment and any unrealized gains or losses at inception is either recognized in profit or loss or deferred, depending on whether the valuation inputs are based on observable market data. Subsequent changes in fair value are recognized in profit or loss for the year. The NCI Purchase Call Option (Note 14) is a derivative financial instrument.

#### (e) Written call option

As part of certain incorporation or business acquisition agreements, the Company entered into call agreements with the non-controlling interests for the purchase of their stake in the relevant entity. Under the terms of these agreements, the Company has an option to buy the non-controlling interest (the call option) at a set price for a certain period of time. The call option included in the agreements is accounted for at fair value if material and is remeasured to fair value at each reporting date in the consolidated income statements.

#### (f) Convertible debentures

Convertible debenture investments are hybrid instruments which are classified as financial assets at fair value through profit or loss. The convertible Note can be converted into equity instruments. Upon initial recognition, the investment is recognized at fair value with directly attributable transaction costs expensed as incurred. If the transaction price does not equal fair value, management measures the fair value of each component of the investment and any unrealized gains or losses at inception is either recognized in profit or loss or deferred and recognized over the term of the financial instrument, depending on whether the valuation inputs are based on observable market data. Subsequent changes in fair value are recognized in profit or loss.

#### (g) Assets held for sale

Non-current assets held for sale are presented separately in the current assets section of the consolidated statement of financial position when management is committed to selling the asset or disposal group in its present condition, and this sale is highly probable and expected to be completed within one year. Liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the current liabilities section of the consolidated statement of financial position.

Assets held for sale and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Assets held for sale are no longer amortized or depreciated.

#### (h) Property, plant, and equipment

Property, plant, and equipment is measured at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset.

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
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### 3. Significant Accounting Policies and Estimates (continued)

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Life
Computer Equipment	3 years
Furniture and Fixtures	5 years
Production Equipment	5 years
Leasehold Improvements	Lesser of 5 years or remaining lease term

An asset's residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted if appropriate. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss.

#### (i) Impairment of property, plant, and equipment

The Company assesses impairment on property, plant, and equipment annually, or when an indication of impairment occurs, such as evidence of obsolescence or physical damage. In assessing impairment, the Company compares the carrying amount to the recoverable amount which is determined as the higher of the asset's fair value less costs of disposal and its value in use. Value in use is assessed based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded in the consolidated statements of comprehensive loss.

#### (j) Investments in associates

Associates are companies over which the Company has significant influence and are accounted for under the equity method. Significant influence is assumed when the Company has 20% - 49% ownership interest, unless qualitative factors overcome this assumption. In assessing significant influence, potential voting rights that are currently exercisable are taken into account.

Investments in associates are accounted for using the equity method and are initially recognized at cost, exclusive of financial assets that are not in-substance common shares, and inclusive of transaction costs.

When the Company holds derivative financial assets and subsequently obtains significant influence in that investee, the fair value of the financial instruments is reclassified to investments in associates as the deemed cost with the cumulative unrealized gains or losses in other comprehensive income (loss), if any, transferred to deficit. For each additional acquisition of ownership interest within the investment in associate classification and prior to obtaining control, the difference between the cost of the incremental investment acquired and the investee's fair value of identifiable net assets is allocated to goodwill. The carrying amount of goodwill arising from the acquisition of associates is included in the carrying amount of the investments in associates.

The consolidated financial statements include the Company's share of the income and expenses and equity movement of equity accounted investees. The investee's most recent available financial statements are used in the application of the equity method. Where the investee's reporting period differs from the Company's, the investee prepares financial information as of the same period end as the Company, unless it is impracticable to do so. Otherwise, the Company will adjust for its share of income and expenses and equity movement based on the investee's most recently completed financial statements, adjusted for the effects of significant transactions.

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
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### 3. Significant Accounting Policies and Estimates (continued)

#### *Impairment of investments in associates*

The entire carrying amount of the investment is assessed for indicators of impairment annually. An impairment test is performed when there is objective evidence of impairment, such as significant adverse changes in the environment in which the equity-accounted investee operates or a significant or prolonged decline in the fair value of the investment below its carrying amount. An impairment loss is recorded when the carrying value exceeds the recoverable amount, which is defined as the higher of the value in use or the fair value less the costs to sell.

#### (k) Intangible assets and goodwill

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

<b>Intangible</b>	<b>Estimated Useful Life</b>
Software	5 years
Intellectual Property License	10 years
Customer Relationships	10 years
Brands	10 years to Indefinite Life
Licenses and Permits	Indefinite Life

The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. The Company's indefinite life intangible assets are comprised of a brand and production and cultivation licenses. The Company's intangible assets not yet available for use are comprised of software and the intellectual property license.

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as research and development expenses on the consolidated statement of comprehensive loss as incurred. Capitalized development costs, if any, are internally generated intangible assets. Intangible assets with finite lives are amortized when available for use.

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination.

#### *Impairment of intangible assets and goodwill*

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested when there is an indication of impairment.

For the purpose of impairment testing, goodwill and intangible assets with an indefinite life or not yet available for use have been allocated to CGUs representing the lowest level that the assets are monitored for internal reporting purposes. All goodwill, software and intellectual property license (Note 19) are allocated to the Technology CGU, synonymous with the Company's technology operating Segment (Note 3(s) and 24). The indefinite life intangible assets of a brands and relationships are allocated to the Green Therapeutics CGU (Note 11) and the ALPS CGU (Note 14).

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements  
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### 3. Significant Accounting Policies and Estimates (continued)

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company performs the recoverability test using a discounted cash flow method, unless the asset has been designated as held for sale in which case, the Company uses the asset's fair value less costs to sell. When applying the discounted cash flow valuation technique, the Company relies on a number of factors including business plans, forecasts for a period of no more than 5 years, and relevant market data. Due to the Company's limited operating history, external sources of information are used to determine the appropriate values to assign to key assumptions used in the assessment. The Company applies to the projected cash flows, a discount rate commensurate with the risk of the CGU. Changes in the conditions for these judgments and estimates may significantly affect the assessed recoverable amount of the CGU.

Impairment losses recognized in respect of a CGU, if any, are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the CGU on a pro rata basis. Any impairment is recorded in profit or loss in the period in which the impairment is identified. A reversal of an impairment loss for a CGU is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amount of those assets. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. Impairment losses on goodwill are not subsequently reversed.

#### (l) Share capital

Share capital issued as non-monetary consideration is recorded at an amount based on fair value of the shares on the date of issue. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

The Company issues share purchase warrants and options and uses the Black-Scholes valuation model to determine the grant-date fair value of the instrument issued. The fair value of options and warrants issued is recorded to reserves. Proceeds from the exercise of stock options or warrants together with amounts previously recorded in reserves over the vesting periods are recorded as share capital at exercise.

#### (m) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as stock options and warrants. Stock options and warrants are dilutive when the Company has income from operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants. As the stock options and warrants would be anti-dilutive, they have been excluded from the diluted loss per share calculations for the years ended March 31, 2021, and 2020.

#### (n) 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.



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### 3. Significant Accounting Policies and Estimates (continued)

#### *Consulting Revenue*

Consulting Revenue consists of consulting fees for services provided to Body and Mind, Inc (“BaM”) (Note 17). 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.

## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended March 31, 2021 and 2020

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### 3. Significant Accounting Policies and Estimates (continued)

The timing of revenue recognition, billings and cash collections for the above listed performance obligations results in accounts receivable, and deferred revenue (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 March 31, 2021, 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.

#### (o) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### (p) Share-based compensation

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company uses the Black-Scholes valuation model to determine the grant date fair value of options granted. Inputs into the Black-Scholes valuation model include the expected term of the instrument, expected volatility, risk-free interest rate and dividend rate, and are determined by reference to the underlying terms of the instrument and the Company's experience with similar instruments.

Fair value is measured at grant date and is recognized on a graded-vesting basis over the period in which the instruments vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to stock options reserve and share capital.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

On exercise, the value originally recorded in stock option and warrant reserves is recorded in share capital along with proceeds received from exercise. For those stock options that expire after vesting, the recorded value is transferred from stock option and warrant reserves to deficit.

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### 3. Significant Accounting Policies and Estimates (continued)

#### (q) Income taxes

Tax expense recognized in profit or loss comprises the sum of current and deferred taxes not recognized in other comprehensive income or directly in equity.

Current tax assets and/or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

#### (r) Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree.

The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss. Prior year classification of the contingent consideration payable as a current liability, is presented in the current year as a long-term liability to reflect the Company's forecasted timing of achievement of related milestones and related settlement of the contingent consideration payable.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net asset acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

## AUSTRALIS CAPITAL INC.

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### 3. Significant Accounting Policies and Estimates (continued)

#### (s) Asset acquisitions

Acquisitions that do not meet the definition of a business combination are accounted for as an asset acquisition. Consideration paid for an asset acquisition includes the purchase price, and those transaction costs direct and incremental to complete the asset acquisition, such as finder's fees. The consideration is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

#### (t) Segment information

The Company has two operating segments: Cannabis and Horticulture (AHL, ACN, Perennial, Terrain, Prosper, ALPS, LAR, GTA and GTIP) 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 or 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.

#### (u) Financial instruments

##### *Financial Assets*

##### i. Classification:

Financial assets are classified into three categories based on measurement:

- amortized cost;
- measurement at fair value through other comprehensive income ("OCI"); and
- measurement at fair value through profit or loss.

This classification depends on the Company's business model for managing its financial assets and contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

Furthermore, a financial asset is measured at fair value through profit or loss if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- at initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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### 3. Significant Accounting Policies and Estimates (continued)

#### ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on their trade date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### iii. Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Subsequent measurement is as follows:

**Equity investments:** All equity investments, which are not considered to be investments in associates, are subsequently measured at fair value through profit or loss.

**Convertible debt instruments:** These include investments that do not meet the SPPI test and therefore are valued at fair value through profit or loss

**Derivative financial instruments:** Derivative Financial Instruments are initially and subsequently recorded at fair value through profit or loss.

**Expected credit losses pursuant to accounts receivable:** The Company recognizes loss allowances for Expected Credit Losses (“ECLs”) on its accounts receivable measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset.

#### *Financial liabilities:*

#### i. Classification

Financial liabilities are classified into two categories based on measurement:

- amortized cost; and
- measurement at fair value through profit or loss.

#### ii. Recognition and derecognition

Financial liabilities are derecognized when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognized in profit or loss.

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### 3. Significant Accounting Policies and Estimates (continued)

#### iii. Measurement

Financial liabilities held for trading are measured at FVTPL and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

Financial liabilities can be designated to be measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or the liability is part of a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

#### (v) Other 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.

For acquisitions that include contingent consideration as part of the total consideration provided the Company has elected to recognize a liability for the expected variable payments at the time control is obtained of the underlying asset acquired. This contingent consideration, held as a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss. In relation to the ALPS acquisition (Note 14), it is management's judgement that the contingent consideration for indemnity holdback and Milestone Payments are not related to continued employment, rather they pertain to indemnification for loss coverage and valuation related business performance for meeting EBITDA and revenue targets, as applicable.

Management has applied significant estimates and assumptions related to the following:

#### *Estimated useful lives, impairment considerations and amortization of capital and intangible assets*

Amortization of capital and intangible assets is dependent upon estimates of useful lives based on management's judgment. At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. Impairment of definite long-lived assets is influenced by judgment in defining the CGU to which the asset belongs. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Impairment testing for indefinite life intangible assets and intangible assets not yet ready for use requires management to make critical estimates in the impairment testing model. On an annual basis, the Company tests whether indefinite life intangible assets or intangible assets not yet ready for use, are impaired. Estimation is required with respect to determining the recoverable amount of the intangibles as the calculation is based upon assumptions made by management, to estimate future cash flows, the cash flow growth rate, and the relevant discount rate.

Many factors are used in assessing recoverable amounts for long-lived assets and are outside of the control of management. It is reasonably likely that assumptions and estimates will change from period to period and these changes may result in future impairments.

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### 3. Significant Accounting Policies and Estimates (continued)

#### *Share-based compensation and warrants*

The fair value of share-based compensation and warrants are estimated using the Black-Scholes option pricing model and rely on a number of estimates made at the initial grant date, such as the expected life of the option or warrant, the expected volatility of the Company's future share price, the risk-free rate of return, and the estimated rate of forfeiture for options granted.

#### *Income Taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

#### *Expected credit losses*

The Company measures expected credit losses in accordance with IFRS 9, Financial Instruments. Under this approach, the Company estimates the lifetime expected credit losses of financial instruments. In the case of an expected credit loss, the Company recognizes an impairment.

#### *Financial instruments*

The Company reviews the fair value of investments at the end of each reporting period to determine if the fair value of the investment recorded, remains representative of the fair value at the reporting date. In addition to investment-specific information, the Company considers general market trends, conditions and transactions. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable. Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

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### 3. Significant Accounting Policies and Estimates (continued)

The fair value of investments may be adjusted if:

- i. There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place.
- ii. There have been significant corporate, political or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value.
- iii. The investee company is placed into receivership or bankruptcy.
- iv. Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern.
- v. The investee company makes important positive/negative management changes that the Company's management believes will have a positive/negative impact on the investee company's ability to achieve its objectives and build value for shareholder.

#### *CGU Determination*

The Company determines its CGUs in accordance with IAS 36, Impairment of Assets, defined as the smallest group of assets that independently generate cash inflows and whose cash inflows is largely independent of the cash flows generated by other assets.

#### *Functional currency*

The determination of an entity's functional currency is a matter of judgment based on an assessment of the specific facts and circumstances relevant to determining the primary economic environment of each individual entity within the group. The Company reconsiders the functional currencies used when there is a change in events or conditions considered in determining the primary economic environment of each entity.

#### *Business combination or asset acquisition*

Classification of an acquisition as a business combination or asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition.

The most significant estimates for a business combination or an asset acquisition involve contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. In an asset acquisition, all identifiable assets are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. Management exercises judgement in applying the concentration test to determine whether substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.



## AUSTRALIS CAPITAL INC.

Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies and Estimates (continued)

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for no more than one year from the acquisition date.

(w) New or amended standards adopted

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

#### *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. The Company is in the process of determining the impact of the amendments on its financial results.

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### 4. Cash and Restricted Cash

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. At the Company’s Annual General Meeting held in September 2019, shareholders of the Company approved the lifting of 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, the restrictions were no longer required. During the year ended March 31, 2021 the funds were transferred to an operating account and the restricted cash account was closed. At March 31, 2021, \$nil was held in trust (2020 - \$8,395,919). Also, pursuant to a non-brokered private placement in fiscal 2019, there was \$nil held in trust at March 31, 2021 (2020 - \$289,662) which was released during the year ended March 31, 2021. In total there was \$nil held in trust at March 31, 2021 (2020 - \$8,685,581).

### 5. Accounts Receivable

Accounts receivable consists of the following as at March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Trade accounts receivable	1,602,739	253,206
Interest receivable (Note 7)	75,107	90,483
Goods and services tax recoverable	18,810	36,966
	<b>1,696,656</b>	<b>380,655</b>

### 6. Inventory

Inventory consists of CocoonPod self-service kiosks with a cost of \$473,185 (2020 - \$nil).

During the year ended March 31, 2021, the Company recognized \$920,042 of inventory expense to cost of goods sold (\$nil for the year ended March 31, 2020).

### 7. SubTerra Note Receivable

In connection with the Company’s listing on the CSE, 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).

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### 7. SubTerra Note Receivable (continued)

The initial fair value of the annuity receivable of \$839,442 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 March 31, 2019, the Company recognized this annuity stream as a USD receivable and therefore translated the \$839,442 fair value to the Company's functional currency, assigning a value of \$1,121,831 using the USD to CAD spot rate as of the year then ended. Through review of the assignment agreement transferring rights to the annuity payments from PPS to the Company, the Company determined that the payments are to be settled in CAD and recorded an adjustment to fair value of \$282,389 to correct the annuity receivable balance during the period ended September 30, 2019.

A continuity of interest income and payments received are as follows:

	\$
March 31, 2019	1,121,831
Impairment	(282,389)
Interest income	102,706
Cash payment received	(150,000)
<b>March 31, 2020</b>	<b>792,148</b>
Interest income	96,920
Cash payment received	(150,000)
<b>March 31, 2021</b>	<b>739,068</b>

As at March 31, 2021, the short-term portion and long-term portion of the annuity receivable balances are \$66,070 and \$672,998, respectively (2020 – \$53,081 and \$739,067, respectively). Interest receivable related to SubTerra at March 31, 2021 is \$75,107 (2020 - \$81,031) and is included in accounts receivable (Note 5).

### 8. Land Held for Sale

	Whatcom Property	Meridian Property	Total
	\$	\$	\$
March 31, 2019	2,773,635	-	2,773,635
Impairment reversal	30,827	-	30,827
Foreign currency translation	173,070	-	173,070
<b>March 31, 2020</b>	<b>2,977,532</b>	<b>-</b>	<b>2,977,532</b>
Transfer from asset held for use (Note 18)	-	5,977,635	5,977,635
Additions	-	43,215	43,215
Revised GT Transaction (Note 11)	-	(3,755,550)	(3,755,550)
Impairment loss	(758,049)	-	(758,049)
Foreign currency translation	(333,232)	-	(333,232)
<b>March 31, 2021</b>	<b>1,886,251</b>	<b>2,265,300</b>	<b>4,151,551</b>

#### Whatcom Property

AHL purchased two parcels of land in 2015 totaling approximately 24.5 acres (the "Whatcom 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.

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### 8. Land Held for Sale (continued)

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 within the next fiscal year. The fair value of the land is determined by a third-party appraiser using market comparables, based on an as is market value of both parcels together, which is a Level 2 input. The land was remeasured based on management's best estimate of its fair value less estimated costs to sell following the discovery of wetlands not previously observed by the appraiser.

During the year ended March 31, 2021, the Company recognized a \$758,049 loss on remeasurement (2020 - \$30,827 gain on remeasurement) of the Whatcom Property, noting that the land is carried at a cost of \$1,886,251 which is management's best estimate of its fair value less estimated costs to sell. The land and related construction in progress ("CIP") are part of the Company's cannabis operating segment.

#### Meridian Property

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 (the "Meridian Property"). This property has the potential to support a 400,000 square foot cultivation and production facility. Consideration, consisted of 3,585,521 common 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).

Acquisition of the land was recorded at cost. As the consideration provided was in the form of the Company's common 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 the date of acquisition is determined by a third-party appraiser using market comparables, 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.

During the year ended March 31, 2021, the Company classified the land as held for sale. In addition, amounts carried as CIP and related to land improvements made to the North Las Vegas land, were 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.

On January 5, 2021, GT reached an agreement on the sale of the Meridian Property. In accordance with a settlement arrangement with Meridian, the Company would receive approximately USD \$1.95 million upon closing, subject to the satisfaction of the applicable closing conditions. Pursuant to the Revised GT Transaction (Note 11) and the required sale of the Meridian Property, during the year ended March 31, 2021, the Company recognized no gain or loss arising from the difference between the return of shares from Meridian and the expected net amount recoverable from the sale transaction.

On April 30, 2021, the Meridian Property was sold with proceeds divided between Meridian and the Company (Note 29). No gain or loss was realized on the transaction close as the land was adjusted to its recoverable value as at March 31, 2021.

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### 9. Rthm Technologies, Inc.

During the year ended March 31, 2020, the Company refocused the core efforts and operations of Rthm to support the Company's Cocoon Technology Platform utilizing the software and synergies, including members of the workforce, from the acquired entity. The change in focus results in a probability of achieving the milestones linked to the contingent consideration contemplated in the acquisition, of nil. Further, the patents were not granted within the contractual period defined of which payment of the contingent promissory note was based upon. Consequently, during the year ended March 31, 2020, the Company reversed the \$120,141 balance of contingent consideration related to the Rthm acquisition and recorded an offsetting gain to the Company's statement of comprehensive loss.

#### *Goodwill and intangibles*

The Company performs goodwill impairment testing annually and whenever impairment indicators arise. Based on the Company's impairment test performed at fiscal year-end March 31, 2021, the \$589,843 carrying value of the Rthm CGU exceeded the estimated \$nil recoverable amount based on management's assessment of negative future cash flows of Rthm, and the Company recorded a \$589,843 goodwill impairment (2020 - \$nil impairment), as well as a \$1,810,135 impairment of Rthm intangibles (2020 - \$nil impairment). As a result, both goodwill and intangible carrying values as at March 31, 2021 were \$nil.

### 10. 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 common shares in the capital of the Company 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 21(c)). No gain or loss was recognized on disposal of the assets and related liabilities during the year ended March 31, 2021.

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### 11. Green Therapeutics, LLC – Asset Acquisition and Revised Transaction

#### Asset Acquisition

On May 21, 2019, the Company entered into an asset purchase agreement (the “Original GT Transaction”) 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 Original GT Transaction, consisted of 7,831,855 common 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 was to be provided upon completion of the following milestones:

- (i) USD \$800,000 in common shares would be issued when the new cultivation and production facility is fully licensed and operational; and
- (ii) USD \$800,000 in common shares would 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 common shares as a finder’s fee related to the above acquisition.

#### *Measurement*

The Company accounted for the Original GT 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 \$1,286,776 (\$956,000 USD), based on management’s judgment of the probability and timing of when the milestones would 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:

<b>Consideration</b>	<b>\$</b>
Common shares issued (inclusive of finder's fee)	7,424,232
Contingent consideration	1,286,776
<b>Total consideration provided</b>	<b>8,711,008</b>

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

<b>Net assets acquired</b>	<b>\$</b>
Other current assets	673,000
Production equipment	200,370
Intangible asset – brands	3,799,638
Intangible asset – cultivation and production licenses	4,038,000
<b>Total net assets acquired</b>	<b>8,711,008</b>

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### 11. Green Therapeutics, LLC – Asset Acquisition and Revised Transaction (continued)

#### *Contingent consideration*

Prior to the settlement of the Original GT Transaction (see below), as at March 31, 2020, the Company reassessed the carrying amount of the GT contingent obligations to ensure that it reflected management's best estimate of the expected outflow required to settle the obligation as of the year then ended. During the year ended March 31, 2020, the Company recorded an increase to the contingent obligation of USD \$65,000 for a total contingent obligation of USD \$1,021,000 (\$1,448,493 revalued using the year end spot rate) based on management's judgement of the updated probabilities and timing of when the milestones will be completed.

#### *Settlement of the Original GT Transaction*

#### Revised Transaction

On January 4, 2021, the Company entered into a non-binding term sheet with GT and the holders of the issued and outstanding membership interests of GT setting forth the terms of a proposed revised transaction while also settling a previously announced legal dispute which settled the Original GT Transaction including the required sale of the Meridian Property (Note 8). The Company determined that the settlement of the Original GT Transaction and the Revised GT Transaction were separate transactions as the settlement was not dependent on concluding a Revised GT Transaction, and there were different assets, benefits, and cash-flows being acquired including that the Original GT Transaction was evaluated to be an asset acquisition and that the Revised GT Transaction was evaluated to be a business combination.

In relation to the Revised GT Transaction, the Original GT Transaction (including the required disposal of the Meridian Property – Note 8) was settled with the following impacts, noting that the \$10,356,878 fair value of shares returned included the \$11,266,314 original fair value of the shares issued for both the Original GT Transaction and the Meridian Land was recorded to treasury shares, while the \$909,436 difference was recorded to share capital (Note 21(c)):

	\$
<b>Reduction of assets:</b>	
Land held for sale	(3,755,550)
Other current assets	(673,000)
Property, plant and equipment, net	(81,505)
Intangible assets	(7,225,815)
<b>Reversal of consideration and shares</b>	
Contingent consideration payable	1,378,992
Return of shares (allocated share capital)	(909,436)
Return of shares (allocated to treasury shares)	11,266,314
<b>Net settlement</b>	<b>-</b>

Pursuant to the Revised GT Transaction as negotiated by the new board and management (Note 1) on March 23, 2021, the Company's wholly owned subsidiary GTA issued 37,500,000 exchangeable shares ("Exchangeable Shares" – see Note 21(vii)) to members of GT with a \$14,662,500 fair value recorded as Exchangeable Shares Reserve with an offset to acquisition deposit on the Consolidated Statement of Financial Position. Each Exchangeable Share is exchangeable into one common share of the Company with exchange subject to certain free-trading restrictions and milestones. In addition to the consideration shares, there is a \$500,000 indemnity holdback and \$2,000,000 in contingent consideration payable which may be paid in cash or shares, at the Company's discretion, noting that \$1,000,000 will be contingently payable in 12 months, \$500,000 in 18 months, and \$1,000,000 in 24 months.

In addition, pursuant to the Revised GT Transaction, GT contracted with GTIP to provide consulting, accounting, administrative and other management services to GT, while GT still retains final say on business decisions and overall control of its business until regulatory approval is granted transferring control of GT over to the Company.

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### 11. Green Therapeutics, LLC – Asset Acquisition and Revised Transaction (continued)

#### *Measurement*

The Revised GT Transaction was determined to be a business combination under IFRS 3. Due to the delayed and uncertain timing of regulatory approval, which is a required step for the acquisition to culminate, it was determined that the acquisition date would be the date that regulatory approval was attained or reasonably certain, and as such the fair value of the consideration provided was recorded as an acquisition deposit. The Company engaged an independent valuation firm to assess the fair value of the consideration provided and will utilize the same valuation firm to determine the fair value of the assets, liabilities, and intangibles at the date of acquisition. 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 utilizes observable inputs, such as market prices for assets comparable to those acquired, however certain inputs and assumptions may be based upon unobservable inputs, such as future revenue projections, and require significant judgment based on the best information available to management. Results of the independent valuation and allocation of consideration to assets acquired will be outlined once the acquisition is complete. Customer relationships and brands acquired will be assigned a useful life and will be amortized straight-line from the date of acquisition. The goodwill value, as applicable, will arise from the remaining value in the business and is not deductible for tax purposes.

Once control of GT is transferred to the Company, and in the event that certain holders of the Exchangeable Shares don't convert their Exchangeable Shares into common shares of the Company, then the Company will recognize a non-controlling interest for the portion of GT owned by holders of Exchangeable Shares.

Total consideration for the assets acquired, which is recorded as an acquisition deposit, is as follows:

<b>Consideration</b>	<b>\$</b>
Exchangeable Shares issued	14,662,500

As at March 31, 2021, the GT acquisition deposit of \$14,662,500 was remeasured to \$14,677,674 with a \$15,174 foreign currency translation gain recorded to other comprehensive income (loss).

#### *Consideration fair value*

The Company determined that the Exchangeable Shares have a \$14,662,500 fair value based on a \$17,250,000 market value (\$0.46 market price on closing) less a \$2,587,500 discount for lack of marketability relating to free-trading restrictions whereby 25% of the shares become free trading on issuance and 25% at each six-month interval thereafter. The 37,500,000 Exchangeable Shares were determined based on \$7,500,000 consideration per the Revised GT Transaction agreement amount at \$0.20 per Exchangeable Share (consistent with the quoted price of Australis shares at the time of entering into the non-binding term sheet in January 2021).

### 12. Paytron, LLC - Acquisition and Disposal

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 would issue up to USD \$1,000,000 in common shares of the Company. 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.



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### 12. Paytron, LLC - Acquisition and Disposal (continued)

#### 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.

Total consideration for the assets acquired was \$219,886 as follows:

<b>Consideration</b>	<b>\$</b>
Common shares issued	170,717
Contingent consideration	49,169
<b>Total consideration provided</b>	<b>219,886</b>

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

<b>Net asset acquired</b>	<b>\$</b>
Customer relationships	105,345
Goodwill	114,541
<b>Total net assets acquired</b>	<b>219,886</b>

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 the 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 \$164,315 loss on settlement during the year ended March 31, 2021.

Results of Paytron's 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.

### 13. Passport Technology Canada Ltd. - License Agreement, Acquisition, and Termination

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.

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### 13. Passport Technology Canada Ltd. - License Agreement, Acquisition, and Termination (continued)

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”) held by the Company (see Note 17), and 1,829,219 common shares of the Company with fair value as follows:

- The \$3,902,654 fair value of the 5,000,000 BaM shares issued was based on a Level 1 input of a quoted market price in an active market but was 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 management’s 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 BaM 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 \$1,058,626 fair value of the Company’s shares issued 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:

<b>Consideration</b>	<b>Shares issued</b>	<b>Price per share</b>	<b>\$</b>
Cash	N/A	N/A	493,264
BaM common shares	5,000,000	0.781	3,902,654
Australis common shares	1,829,219	0.579	1,058,626
<b>Total consideration provided</b>			<b>5,454,544</b>

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 agreed to reimburse Passport if as of June 13, 2020 (the “True Up Date”), the 30 day volume-weighted average share price of the BaM 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 agreed to 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 BaM 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 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 this agreement was entered, and such individuals also had control over Passport Technology.

On June 25, 2020, concurrent with the Passport Acquisition, the Company transferred 1,802,542 common shares of BaM to Passport in settlement of the true-up obligation with a fair value of \$972,401 based on BaM’s share price of \$0.54.

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### 13. Passport Technology Canada Ltd. - License Agreement, Acquisition, and Termination (continued)

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 Passport Acquisition (collectively, the "Settlement Agreements"). 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 12).
- (ii) The Company amended the License, Development and Services Agreement with Passport Technology Canada, Ltd. 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 21).

### 14. ALPS - Acquisition

On January 5, 2021, the Company and ALPS announced that they, along with the holders of the outstanding shares of ALPS, entered into a non-binding term sheet setting forth the terms on which the Company was to acquire 51% of the issued and outstanding shares of ALPS, with an option to purchase the remaining 49%. On February 24, 2021, the Company announced it has reached a definitive agreement with ALPS and their shareholders and closed the ALPS Acquisition on March 8, 2021.

#### *Measurement*

The ALPS acquisition was determined to be a business combination under IFRS 3. The Company engaged an independent valuation firm to assess the fair value of the assets acquired, the NCI Purchase Call Option acquired (see below), 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 customer relationships and brands acquired have been assigned a useful life of ten years and will be amortized straight-line from the date of acquisition. The goodwill value arises from the remaining value and assemble workforce in the business and is not deductible for tax purposes.

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### 14. ALPS – Acquisition (continued)

Total consideration for ALPS acquisition is as follows:

<b>Consideration</b>	<b>\$</b>
Cash	2,000,000
Common shares issued	22,500,000
Contingent consideration	3,698,980
<b>Total consideration provided</b>	<b>28,198,980</b>

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

<b>Net assets acquired</b>	<b>\$</b>
Cash	49,469
Accounts receivable	1,623,441
Prepaid expenses	49,963
Other current assets	70,682
Property, plant, and equipment	193,845
Other investment – ALPS technology solution APIS	986,520
Intangible asset - brands	601,000
Intangible asset - customer relationships	13,662,000
Accounts payable and accrued liabilities	(747,860)
Advances payable - related parties	(1,045,695)
Loans	(747,115)
Deferred tax liability	(3,283,398)
Subtotal, net assets acquired	11,412,852
Goodwill	15,057,796
Non-controlling interest	(5,592,298)
NCI Purchase Call Option	7,320,630
<b>Total net assets acquired</b>	<b>28,198,980</b>

The other investment represents development costs in a new service line which is being launched in the first quarter of fiscal year 2022. APIS is a proprietary suite of services designed to provide critical post-handover facility operational control and savings which allows ALPS to generate monthly recurring revenues from horticultural and cannabis greenhouse facilities already in operation.

The consideration will be paid based on various milestones and adjustments as set out below, noting that the \$3,698,980 contingent consideration comprises the \$1,609,000 fair value of the indemnity holdback and the \$2,089,980 fair value of the Milestone Payments (defined below). The remaining 49% of ALPS is included as a non-controlling interest.

#### *Consideration fair value*

- (i) The 50,000,000 consideration shares were determined to have a \$22,500,000 fair value based on the \$0.45 market price at time of closing whereby pursuant to contractual (non-security) trading restrictions 25% of the shares become free trading on issuance and 25% at each six-month interval thereafter;
- (ii) The indemnity holdback was determined to have a \$1,609,000 fair value based on based on a 3.7% present value factor discount; and
- (iii) The Milestone Payments (defined below) were determined to have a \$2,089,980 fair value based on probability weighting of bear, base, and bull cash flow projections and likelihood of attaining the applicable EBITDA and revenue targets.

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### 14. ALPS – Acquisition (continued)

#### *Initial consideration*

- (i) \$10,000,000 paid through the issuance of shares of the Company with a deemed price of \$0.20 per share for a total 50,000,000 common shares of the Company (issued);
- (ii) \$2,000,000 paid in cash on closing (paid); and
- (iii) \$1,700,000 indemnity holdback, payable eighteen (18) months after closing, adjusted for any indemnity claim made by the Company pursuant to the terms of the purchase agreement. The indemnity holdback payment, if any, may be paid, at the election of Company in cash or the Company shares at a deemed price equal to the 10-day volume weighted average price calculated from the payment date.

#### *Milestone consideration*

The Company will also be responsible to pay to the ALPS vendors the following milestone-based payments:

- (i) The maximum milestone payments (the "Milestone Payments") that will payable, assuming full satisfaction of all milestones will be \$24,000,000, payable in six installments, commencing up to 90 days post June 30, 2022;
- (ii) Each Milestone Payment will be calculated against revenue (3 payments) and EBITDA (3 payments) targets, related to the 12-month periods up to June 30, 2022, 2023 and 2024. The actual Milestone Payments are capped at \$8,000,000 per 12-month period, contingent on actual performance.
- (iii) The maximum Milestone Payments of \$24,000,000 are payable upon ALPS achieving cumulative revenues of \$108.7 million with cumulative EBITDA of \$48.9 million over the period July 2021 to June 2024 (with separate revenue and EBITDA thresholds for each 12- month period).

If a Milestone Payment becomes payable by the Company prior to the Company exercise of the option to acquire the remaining 49% of ALPS, such payment will be 51% of the applicable Milestone Payment. The number of the Company's shares to be issued by the Company in connection with the payment of the Milestone Payment or the Option Amount (as defined below) will be calculated by dividing the amount payable by an amount equal to the greater of (a) the volume-weighted average trading price of the Company's shares on the Canadian Securities Exchange for the ten trading days immediately prior to the applicable payment date and (b) the maximum allowable discount permitted by the applicable stock exchange rules to the closing price of the Company's shares on the trading day prior to this announcement.

#### *NCI Purchase Call Option*

The Company shall have the right to purchase the remaining 49% of the ALPS shares (the "NCI Purchase Call Option") on the following terms:

- (i) The Company may elect to acquire the 49% of ALPS for an amount equal to \$14,300,000 plus any past Milestone Payment multiplied by that percentage of ALPS owned by the vendors at the time of the payment of such Milestone Payment (the "Option Amount");
- (ii) The Company may exercise all or part of the Option on a pro-rata basis at any time until the third anniversary of the closing of the initial purchase.

The Option Amount will be payable through either the issuance of the Company's shares, or in cash, or a mixture of both at the election of the Company. In the event that the issuance of the Company's shares would result in "change of control" (for the purposes of Canadian Securities Exchange rules), the Company will be prohibited from paying the Milestone Amount or the Option Amount in the Company's shares and shall be required to make the payments in cash. The Company's shares issued in connection with the transaction will be subject to certain contractual restrictions on transfer.

The Company determined that the NCI Purchase Call Option, a derivative financial instrument, had a \$7,320,630 fair value based on a multi-assumption valuation technique prepared by an independent valuation firm to assess the fair value of the call option. There was no change in the value of the option at March 31, 2021.

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### 15. Deposits

Long-term deposits consist of the following as at March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Astound	3,427,933	3,554,927
Rapid Cash	623,988	2,749,178
Other	78,247	103,746
	<b>4,130,168</b>	<b>6,407,851</b>

#### (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 transferred 5,000,000 shares of BaM to Astound, as an advance payment for the services to be provided.

The fair value of the BaM shares transferred to Astound 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 BaM 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 calculated a fair value of \$3,608,192 for the BaM 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 BaM 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 agreed to reimburse Astound if on the first anniversary of the transaction (the “True Up Date”), the 30 day volume-weighted average share price of BaM 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 agreed to 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 BaM share held by Astound as a result of this transaction, as of the True-up Date. As of March 31, 2020, the Company recorded a provision and corresponding loss on true-up obligation in the amount of \$1,088,584 based on the above outlined terms.

As of the year ended March 31, 2021, the Company has used a total of \$126,994 in services (of which, \$53,265 was used during the year ended March 31, 2020) and the Astound deposit balance is \$3,427,933 (\$3,554,927 as of March 31, 2020).

On February 1, 2021, Astound served the Company with notice to make the true-up payment. Subsequent to year end the Company negotiated a settlement with Astound (Note 29).

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### 15. Deposits (continued)

#### (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 transferred 5,000,000 shares of BaM to Rapid Cash, as an advance payment for kiosks to be procured in future periods.

The fair value of the BaM shares transferred 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 BaM 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 calculated a fair value of \$2,749,178 for the BaM 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 agreed to 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 agreed to reimburse Rapid Cash if eighteen months following contract execution (the “True Up Date”), the 30 day volume-weighted average share price of the BaM 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 agreed to 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 BaM 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 BaM 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 agreed to 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 BaM shares. Lastly, if Rapid Cash receives a profit from the sale of BaM shares during the 6-month period following the anniversary of execution of the contract and the True Up Date, Rapid Cash agreed to 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 BaM’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 year ended March 31, 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.

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### 15. Deposits (continued)

On February 1, 2021, Rapid Cash served the Company with notice of termination of the agreement due to material breach and representation. On February 12, 2021, the Company responded, disputing those claims and rejected the unilateral termination of the agreement. Subsequent to year end on May 25, 2021 the parties agreed to a settlement whereby Rapid Cash paid the Company for 2,262,000 BaM shares and the Company returned 25 kiosks to Rapid Cash (Note 29). Pursuant to the settlement terms as at March 31, 2021, the Company recorded a \$1,892,622 loss on settlement and impaired the Rapid Cash deposit by that amount, noting that the deposit had a \$2,532,836 value prior to impairment, and the BaM shares were determined to have a \$1,017,900 fair value (market price of approximately \$0.45 as at May 25, 2021).

During the year ended March 31, 2021, the Company used \$216,342 (2020 - \$nil) of deposit funds for the purchase of kiosks. As at March 31, 2021, the Rapid Cash deposit balance was \$623,988 (2020 - \$2,749,178).

#### (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 \$464,835 (\$350,000 USD). The balance is carried in short-term deposits, pending receipt of the finished machine.

### 16. Marketable Securities (including held for sale)

Marketable securities consist of the following as at March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Body and Mind, Inc. (held for sale)	12,803,638	-
Quality Green	-	500,678
Folium Equity Holding	-	796,163
	<b>12,803,638</b>	1,296,841

#### (a) Investment in Body and Mind, Inc. (held for sale)

On December 31, 2020, the Company determined that the criteria for significant influence and equity accounting of BaM, was no longer met, and both the BaM investment in associate (comprising 18,193,100 BaM shares at a fair value of \$8,823,910) and the BaM assets held for sale (comprising 1,093,545 BaM shares at a fair value of \$530,385) were reclassified to marketable securities (see Note 17). During the period from January 1, 2021 to March 31, 2021 the Company sold 343,532 BaM shares for \$286,803 net proceeds which had a \$166,618 carrying value resulting in a \$120,185 gain on sale. As at March 31, 2021, the remaining 18,943,113 BaM shares held by the Company had a \$12,803,638 fair value (based on a \$0.68 market price less expected cost to sell) and the Company recorded a \$3,615,961 fair value gain.

As at March 31, 2021, the Company was in the process of selling its investment in BaM marketable securities, which the Company plans to sell in its entirety in fiscal 2022. Accordingly, this investment has been classified as held for sale.



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### 16. Marketable Securities (including held for sale) (continued)

#### (b) 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 was 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 March 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 \$1,281,140 loss on investment and an overall \$500,678 investment fair value as of March 31, 2020.

During the year ended March 31, 2021, due to continued losses and delays in raising additional capital at Quality Green, the Company recorded a further impairment of \$500,678 whereby the investment had an carrying value of \$nil as at March 31, 2021.

#### (c) 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.

On December 10, 2019, the Company entered into an agreement and plan of merger by and among the Company and Folium which the Company subsequently elected to walk away from but continues to maintain the previously acquired ownership interest. One-time expenses for consulting, legal and other fees related to the proposed transaction amounted to \$1,363,261 for the twelve months ended March 31, 2020.

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### 16. Marketable Securities (including held for sale) (continued)

#### *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. During the year ended March 31, 2021, the Company determined that its investment is no longer recoverable given doubts over Folium's ability to carry on business as a going concern. Accordingly, the remaining carrying value of \$796,163 was impaired with an ending carrying value of \$nil.

### 17. Investment in Associates – Body and Mind, Inc.

On November 2, 2018, the Company completed an investment in 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 agreed to 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 IAS 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. BaM maintained prepayment rights at

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### 17. Investment in Associates – Body and Mind, Inc. (continued)

any time, in any amount, unless it is within the first year in which case BaM would be required to pay a 5% prepayment penalty on the amount repaid.

As of March 31, 2019, the Company acquired an additional 6,079,788 shares in BaM 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 the 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, BaM 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 BaM (Note 13), 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 March 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, 5,000,000 shares of BaM (Note 15(a)), representing a further 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 March 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 Rapid Cash, 5,000,000 shares of BaM (Note 15(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 March 31, 2019, representing the difference between the carrying value of the transferred interest and the consideration received in exchange for the transferred interest.

On June 25, 2020, the Company transferred an additional 1,802,542 shares of BaM 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 13). 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.

#### *BaM shares held for sale – through December 31, 2020*

On February 18, 2020, the Company transferred to a brokerage account, 1,018,532 shares of BaM for immediate sale. The Company classifies the 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 of \$154,202 upon transfer.

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### 17. Investment in Associates – Body and Mind, Inc. (continued)

On April 21, 2020, the Company transferred an additional 1,768,545 shares of BaM 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 of \$193,504 was recognized upon transfer.

During the year ended March 31, 2020, the Company sold 877,500 BaM shares held for sale for proceeds of \$272,294 and recognized a loss on sale of \$92,439.

During the period ended December 31, 2020, the Company sold 816,032 BaM shares held for sale for proceeds of \$350,900 and recognized a gain on sale of \$13,283.

The remaining shares classified as held for sale were revalued as of December 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.

As at December 31, 2020, prior to the change in classification, the remaining 1,093,544 (March 31, 2020 – 141,032) BaM shares classified as held for sale were revalued to the lower of their carrying amount and fair value less costs to sell, or \$530,385 (March 31, 2020 - \$38,396), and a fair value gain of \$300,747 for the period ended December 31, 2020 (fair value loss of \$20,224 for the year ended March 31, 2020).

#### *Change in classification from Investment in Associate and Held for Sale to Marketable Securities*

As at December 31, 2020, the Company determined that the criteria for significant influence of BaM including control considerations and percentage ownership were no longer met, and both the BaM investment in associate (comprising 18,193,100 BaM shares at a fair value of \$8,823,910) and BaM assets held for sale (comprising 1,093,545 BaM shares at a fair value of \$530,385) were reclassified to marketable securities (see Note 16).

#### *Measurement – Convertible Debenture*

The Company measures the convertible debentures at fair value through profit or loss. Through July 1, 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 BaM. 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 BaM. 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 BaM, Level 2 inputs, a fair value of \$1,356,500 was allocated to the instrument, resulting in an unrealized loss of \$196,555 during the period then ended. The \$1,356,500 fair value of the converted instrument was deemed the cost basis and was presented as an increase to the Company's carrying value of its investment in associate as at June 30, 2020.

#### *Measurement – Investment in Associate – through December 31, 2020*

As of December 31, 2020, and prior to the reclassification to marketable securities (see above), the Company held 18,193,100 shares of BaM, excluding the 1,093,545 shares classified as held for sale. The Company's ownership percentage in BaM's issued and outstanding common stock was 16.8%, or 17.8% including the shares held for sale. As the Company's voting right interest in BaM had fallen below (and was expected to remain below) the 20% threshold for presumed

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### 17. Investment in Associates – Body and Mind, Inc. (continued)

significant influence, and the Company held only one seat on the BaM Board of Directors (while not actively involved in any management of BaM) the Company determined that the significant influence criteria were no longer met, and the BaM shares and investment should no longer be accounted for using equity accounting, rather fair value accounting as marketable securities (see reclassification to marketable securities above and Note 16(a)). As a result of this reclassification, the Company recognized a \$647,552 loss on investment in associate.

BaM incorporated in the State of Delaware, United States and is publicly listed in Canada. The reporting periods of BaM differ from that of the Company, such that BaM'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, and as such the October 31, 2020 interim financial statements (3 months ended) and the July 31, 2020 annual financial statements were used to determine the equity income/loss to be recorded in the Company's financials for the nine-month period ended December 31, 2020. The Company reviewed the activity of BaM as communicated through press releases during the period of November 1, 2020 through December 31, 2020 and did not note any material events that could have a material impact on valuation. Management made certain assumptions based on available information, to assess the impact of converting BaM's consolidated statement of operations from US Generally Accepted Accounting Principles ("GAAP") to IFRS, noting no material likely impacts to the applicable periods.

During the nine-month period ended December 31, 2020, the Company recognized an equity loss on investment of \$469,774 (\$2,414,953 for the year ended March 31, 2020) and other comprehensive gain of \$43,330 (\$51,975 for the year ended March 31, 2020). The carrying value of the investment at December 31, 2020, prior to the transfer to marketable securities, was \$9,471,462 (\$10,500,148 at March 31, 2020). Based on BaM's closing stock price of \$0.485 as of December 31, 2020, the 18,193,100 common shares owned by the Company as of that same date had a value of \$8,823,910 - see above for reclassification to marketable securities.

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**17. Investment in Associates – Body and Mind, Inc. (continued)**

The Company's investment in BaM can be summarized as follows:

	\$	Number of Shares
Opening balance, April 1, 2019:	9,223,456	22,079,788
Additions:		
Warrant Exercise	12,921,778	12,793,840
Dispositions:		
Share issuance – Passport license agreement	(2,934,287)	(5,000,000)
Share issuance – Astound service agreement	(2,920,498)	(5,000,000)
Share issuance – Rapid Cash kiosk agreement	(2,904,091)	(5,000,000)
Shares held for sale	(577,555)	(1,018,532)
Proportional OCI gain recognized for shares issued/ sold	54,323	
Loss/OCI recognized – fiscal 2020:		
Loss recognized – fiscal 2020	(2,414,953)	
OCI recognized – fiscal 2020 (net of disposals) <sup>(1)</sup>	51,975	
Closing balance, March 31, 2020	10,500,148	18,855,096
Additions:		
Conversion of debentures	1,356,500	2,909,091
Dispositions:		
Shares held for sale	(977,482)	(1,768,545)
Shares issuance – Passport license true-up	(972,401)	(1,802,542)
Proportional OCI gain recognized for shares issued/ sold	(8,859)	
Loss/OCI recognized – fiscal 2021:		
Loss recognized – fiscal 2021	(469,774)	
OCI recognized – fiscal 2021 (net of disposals) <sup>(1)</sup>	43,330	
<b>Subtotal at December 31, 2020</b>	<b>9,471,462</b>	<b>18,193,100</b>
Loss on derecognition	(647,552)	-
Balance transferred to marketable securities (Note 16(a))	(8,823,910)	(18,193,100)
<b>Closing balance at December 31, 2020 and March 31, 2021</b>	<b>-</b>	<b>-</b>

(1) OCI recognized is net of 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 Consolidated Comprehensive Statements of Loss in the period of disposal.

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### 18. Property, Plant and Equipment

Property, plant and equipment held for use and related accumulated depreciation and carrying value are as follows:

	Land	Computer equipment	Furniture and fixtures	Leasehold improvements	Production equipment	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
April 1, 2019	-	24,977	84,013	21,650	-	-	130,640
Additions	3,944,073	42,457	18,401	10,995	200,370	649,862	4,866,158
Disposals	-	(4,658)	-	(2,396)	-	-	(7,054)
Foreign currency translation	-	3,537	6,824	1,279	-	36,416	48,056
<b>March 31, 2020</b>	<b>3,944,073</b>	<b>66,313</b>	<b>109,238</b>	<b>31,528</b>	<b>200,370</b>	<b>686,278</b>	<b>5,037,800</b>
Additions	-	24,679	-	2,011	-	1,408,069	1,434,759
Disposals	-	(19,106)	-	-	-	-	(19,106)
Transferred (Note 8)	(3,944,073)	-	-	-	-	(2,033,562)	(5,977,635)
ALPS Acquisition (Note 14)	-	126,205	66,117	4,220	-	-	196,542
GT restructuring (Note 11)	-	-	-	-	(200,370)	-	(200,370)
Foreign currency translation	-	(6,068)	(11,041)	(3,581)	-	(60,785)	(81,475)
<b>March 31, 2021</b>	<b>-</b>	<b>192,023</b>	<b>164,314</b>	<b>34,178</b>	<b>-</b>	<b>-</b>	<b>390,515</b>
<b>Accumulated depreciation</b>							
April 1, 2019	-	3,616	5,542	1,003	-	-	10,161
Depreciation	-	15,424	18,616	4,442	57,641	-	96,123
Disposals	-	(1,716)	-	(431)	-	-	(2,147)
Foreign currency translation	-	736	1,578	326	-	-	2,640
<b>March 31, 2020</b>	<b>-</b>	<b>18,060</b>	<b>25,736</b>	<b>5,340</b>	<b>57,641</b>	<b>-</b>	<b>106,777</b>
Depreciation	-	29,414	21,340	6,703	61,224	-	118,681
Disposals	-	(5,857)	-	-	-	-	(5,857)
ALPS Acquisition (Note 14)	-	1,792	905	-	-	-	2,697
GT restructuring (Note 11)	-	-	-	-	(118,865)	-	(118,865)
Foreign currency translation	-	(5,572)	(4,723)	(881)	-	-	(11,176)
<b>March 31, 2021</b>	<b>-</b>	<b>37,837</b>	<b>43,258</b>	<b>11,162</b>	<b>-</b>	<b>-</b>	<b>92,257</b>
<b>Carrying value</b>							
March 31, 2020	3,944,073	48,253	83,502	26,188	142,729	686,278	4,931,023
<b>March 31, 2021</b>	<b>-</b>	<b>154,186</b>	<b>121,056</b>	<b>23,016</b>	<b>-</b>	<b>-</b>	<b>298,258</b>

Depreciation expense for the year ended March 31, 2021 was to \$118,681 (2020 – \$96,123), which included \$3,813 recognized to cost of goods sold for the year then ended (2020 – \$nil).

During the year ended March 31, 2021, 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 8).

#### Right-of-use assets

Key movements relating to the right-of-use assets for years ended March 31, 2021 and 2020 was as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Opening balance	744,502	-
Adoption of IFRS 16 (inception amount)	-	880,306
Addition to leased assets	624,965	-
Depreciation expense	(160,093)	(178,272)
Foreign currency translation	(112,013)	42,468
<b>Carrying amount</b>	<b>1,097,361</b>	<b>744,502</b>

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### 19. Goodwill and Intangibles

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

	Software	Brands	Intellectual Property License	Customer Relationships	Licenses and Permits	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
April 1, 2019	1,810,135	1,648,031	-	-	-	3,458,166
Additions	-	3,799,992	5,454,544	-	4,038,000	13,292,536
Impairment	-	(1,266,385)	-	-	-	(1,266,385)
Transferred to held for sale (Note 10)	-	(382,000)	-	-	-	(382,000)
<b>March 31, 2020</b>	<b>1,810,135</b>	<b>3,799,638</b>	<b>5,454,544</b>	<b>-</b>	<b>4,038,000</b>	<b>15,102,317</b>
Additions	-	-	-	105,345	-	105,345
Impairment	(1,810,135)	-	(5,454,544)	-	-	(7,264,679)
Disposals	-	-	-	(105,345)	-	(105,345)
ALPS acquisition (Note 14)	-	601,000	-	13,662,000	-	14,263,000
GT settlement (Note 11)	-	(3,799,638)	-	-	(4,038,000)	(7,837,638)
<b>March 31, 2021</b>	<b>-</b>	<b>601,000</b>	<b>-</b>	<b>13,662,000</b>	<b>-</b>	<b>14,263,000</b>
<b>Accumulated amortization</b>						
April 1, 2019	-	-	-	-	-	-
Amortization	-	326,851	-	-	-	326,851
<b>March 31, 2020</b>	<b>-</b>	<b>326,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>326,851</b>
Amortization	-	284,972	169,697	41,810	-	496,479
Impairment	-	-	(169,697)	-	-	(169,697)
Disposals	-	-	-	(6,271)	-	(6,271)
GT settlement (Note 11)	-	(611,823)	-	-	-	(611,823)
<b>March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,539</b>	<b>-</b>	<b>35,539</b>
<b>Carrying value</b>						
March 31, 2020	1,810,135	3,472,787	5,454,544	-	4,038,000	14,775,466
<b>March 31, 2021</b>	<b>-</b>	<b>601,000</b>	<b>-</b>	<b>13,626,461</b>	<b>-</b>	<b>14,227,461</b>

Amortization expense for the year ended March 31, 2021 amounted to \$496,479, which included \$169,697 recognized to cost of goods sold for the year then ended, and \$326,782 to operating expenses in the consolidated statements of comprehensive loss for the year then ended (year ended March 31, 2020 – \$326,851, all of which was recognized to operating expenses during the period).

During the year ended March 31, 2021, the Company recognized an impairment loss of \$1,810,135 on the Rthm software (see Note 9) bringing the carrying value of the asset to \$nil, and an impairment loss of \$5,284,847 on the Passport license. The Passport license was terminated resulting in the related intangible being fully impaired bringing the carrying value of the asset to \$nil (see Note 13).

During the year ended March 31, 2020, the Company recognized an impairment loss of \$1,266,385 on the Mr. Naturals indefinite life intangible assets, bringing the carrying value of the asset to \$382,000 which was transferred to held for sale (Note 10).



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### 19. Goodwill and Intangibles (continued)

The following is a continuity schedule of the Company's goodwill is as follows:

	Rthm	Paytron	ALPS	Total
	\$	\$	\$	\$
April 1, 2019 and March 31, 2020	589,843	-	-	589,843
Acquisitions	-	114,541	15,057,796	15,172,337
Impairment	(589,843)	-	-	(589,843)
Disposals	-	(114,541)	-	(114,541)
<b>March 31, 2021</b>	<b>-</b>	<b>-</b>	<b>15,057,796</b>	<b>15,057,796</b>

During the year ended March 31, 2021, the Company recognized an impairment loss of \$589,843 (2020 - \$nil) in connection with the goodwill acquired in the Rthm acquisition as in management's estimation the carrying amount will no longer be recoverable (see Note 9).

### 20. Lease Liabilities

The following table provides a reconciliation of the Company's lease liability for years ended March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Opening balance	751,913	-
Adoption of IFRS 16 (inception amount)	-	838,649
Addition to lease liability	624,965	-
Lease payments	(201,890)	(223,013)
Interest expense	73,747	93,223
Foreign translation adjustment	(102,649)	43,054
<b>Lease liability</b>	<b>1,146,086</b>	<b>751,913</b>
Current portion	459,895	141,563
Long-term portion	686,191	610,350
<b>Lease liability</b>	<b>1,146,086</b>	<b>751,913</b>

The total interest expense on lease liabilities for the year ended March 31, 2021 was \$73,747 (\$93,223 for the year ended March 31, 2020). Total cash outflows for the year ended March 31, 2021 was \$201,890 (\$223,013 for the year ended March 31, 2020).

### 21. 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 March 31, 2021, there were 226,044,436 issued and outstanding common shares. As of March 31, 2020, there were 169,943,997 issued and outstanding common shares.

## AUSTRALIS CAPITAL INC.

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### 21. Share Capital (continued)

- (i) 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 12, 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 11).
- (ii) 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 8).
- (iii) 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 13).
- (iv) 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 12).
- (v) 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.
- (vi) On March 3, 2021, pursuant to the ALPS Transaction, the Company issued 50,000,000 common shares with a fair value of \$22,500,000 based on the \$0.45 market price at time of closing. Pursuant to the acquisition agreement there are contractual trading restrictions in place whereby 25% of the shares shall be free trading on issuance and 25% at each six-month interval thereafter (Note 14).
- (vii) On March 23, 2021, pursuant to the Revised GT Transaction (Note 11), the Company's wholly owned subsidiary GTA issued 37,500,000 Exchangeable Shares to members of GT with a \$14,662,500 fair value based on a \$17,250,000 market value (\$0.46 market price on closing) less a \$2,587,500 discount for lack of marketability relating to free-trading restrictions per the securities. 9,075,000 Exchangeable Shares were converted to 9,075,000 common shares of the Company with a \$3,548,325 fair value by March 31, 2021. Each Exchangeable Share is exchangeable into one common share of the Company with exchange subject to certain restrictions and milestones. The Company recorded the obligation to convert the Exchangeable Shares into common shares of the Company as Exchangeable Share reserve (Note 21(d)).
- (viii) During the year ended March 31, 2021, the Company issued an aggregate of 1,323,148 common shares (2020 – nil) with a fair value of \$419,280 including 237,000 shares issued pursuant to a settlement, 541,600 shares issued as part of a signing bonus pursuant to the ALPS Transaction (Note 14), and 544,548 shares issues as signing bonuses or shares for services.
- (ix) During the year ended March 31, 2021, the Company issued an aggregate of nil common shares on the exercise of nil warrants for gross proceeds of \$nil (2020 - 9,999,838 common shares issued on the exercise of 9,999,838 warrants for gross proceeds of \$2,499,960).

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### 21. Share Capital (continued)

- (x) During the year ended March 31, 2021, the Company issued an aggregate of 255,069 common shares on the exercise of 283,676 stock options, net of 28,607 shares withheld for tax, for gross proceeds of \$50,572 (2020 - 759,353 common shares on exercise of 933,000 stock options, net of 173,647 shares withheld for tax, for gross proceeds of \$186,600).
- (xi) During the year ended March 31, 2021, the Company issued an aggregate of 2,198,653 common shares, net of 1,149,373 shares withheld for tax, upon vesting of 3,348,026 RSUs (2020 - 766,167 common shares, net of 108,000 shares withheld for tax, upon vesting of 874,167 RSUs).

#### (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 (Note 10). 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.

Pursuant to the settlement of the Original GT Transaction (Note 11) 11,417,376 common shares of the Company were returned to the Company including 7,831,855 relating to the acquisition of GT assets and 3,585,521 relating to the acquisition of the Meridian land which together had a \$11,266,314 fair value. The \$909,436 difference between the \$10,356,878 carrying value of the net assets returned/settled and the \$11,266,314 fair value of the original GT and Meridian shares issues was recorded to share capital. As the returned shares were not cancelled as of March 31, 2021, the \$11,266,314 amount is reflected as treasury shares in the consolidated statement of financial position.

#### (d) Exchangeable share reserve

Pursuant to the Revised GT Transaction there were 37,500,000 Exchangeable Shares issued from GTA with a fair value of \$14,662,500 (Note 11), which are included as Exchangeable Share reserve in the consolidated statement of financial position. During the year ended March 31, 2021, there were 9,075,000 Exchangeable Shares converted to common shares of the Company transferring \$3,548,325 from Exchangeable Share reserve to share capital.

#### (e) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. The balance of warrants at March 31, 2020 are held by ACB in connection with the spin-out transaction (Note 1). A summary of the status of the warrants outstanding follows:

	Warrants	Weighted average exercise price
	#	\$
Balance March 31 2019	46,032,322	0.66
Forfeited	(5,102,922)	0.25
Exercised	(9,999,838)	0.25
Balance March 31 2020	30,929,562	0.85
Forfeited	(8,300,811)	2.64
<b>Balance March 31, 2021</b>	<b>22,628,751</b>	<b>0.20</b>

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### 21. Share Capital (continued)

The following table summarizes the warrants that remain outstanding as at March 31, 2021:

<b>Exercise price</b>	<b>Warrants</b>	<b>Expiry date</b>
\$	#	
0.20	22,628,751	September 19, 2028
	22,628,751	

#### (f) 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. At the AGM held on November 17, 2020 the shareholders of the Company did not approve the ratification of the Share Option Plan. As a result, the options outstanding under such plan continue to exist, but no new options are able to be granted under such plan.

Effective on December 1, 2020 the Board adopted a new Share Option Plan that is essentially identical to the former plan but with a reduced cap on the maximum number of options that can be granted (reduced from 15% of the issued and outstanding shares to 10% of the issued and outstanding shares). Options have been granted under the new Share Option Plan, but all such grants are conditional on receipt of shareholder approval of the new Share Option Plan and the Company's next annual meeting of shareholders.

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 year ended March 31, 2021 and March 31, 2020:

	For the year ended March 31,	
	2021	2020
Share price at grant date	\$0.32	\$0.70
Exercise price	\$0.36	\$0.71
Expected volatility	101%	80%
Expected option life	2.6 years	3.5 years
Expected dividends	-	-
Risk free rate	0.70%	1.29%

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.

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### 21. Share Capital (continued)

A summary of the status of stock options outstanding follows:

	Stock options	Weighted average exercise price
	#	\$
Balance March 31, 2019	8,597,500	0.27
Granted	15,186,638	0.72
Exercised	(933,000)	0.20
Forfeited	(3,885,875)	0.55
Balance March 31, 2020	18,965,263	0.57
Granted	35,479,467	0.36
Exercised	(283,676)	0.20
Forfeited	(26,495,108)	0.44
<b>Balance March 31, 2021</b>	<b>27,665,946</b>	<b>0.43</b>

The following table summarizes the stock options that remain outstanding as at March 31, 2021:

Weighted average exercise price	Outstanding options	Expiry date	Options exercisable
\$	#		#
0.20	167,000	August 13, 2023	167,000
0.20	130,000	September 11, 2023	103,333
0.98	80,000	April 13, 2024	26,666
0.84	20,000	August 19, 2024	6,666
0.65	42,000	October 2, 2024	14,000
0.18	295,946	March 11, 2025	95,974
0.18	73,500	May 11, 2025	-
0.32	17,500	June 8, 2025	-
0.19	3,850,000	December 7, 2025	-
0.20	2,000,000	December 30, 2025	250,000
0.40	450,000	February 8, 2026	-
0.50	16,040,000	March 8, 2026	1,937,500
0.50	3,900,000	March 11, 2026	487,500
0.50	600,000	March 15, 2026	-
	<b>27,665,946</b>		<b>3,088,639</b>

During the year ended March 31, 2021, the Company recorded a share-based payment expense of \$270,219, in connection with the vesting and forfeiture of stock options, (year ended March 31, 2020 – a share-based payment expense of \$2,748,730). In addition to the amounts recognized above, share-based payment expense was recognized within consulting fees of \$5,118 and cost of goods sold was \$126,702 for the year ended March 31, 2021 in connection with stock options, (\$70,505 and \$nil, respectively in the comparative year ended March 31, 2020).

#### (g) 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.

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### 21. Share Capital (continued)

At the AGM held on November 17, 2020 the shareholders of the Company did not approve the ratification of the Restricted Share Unit Plan. As a result, the RSUs outstanding under such plan continue to exist but no new RSUs are able to be granted under such plan. Effective on December 1, 2020 the Board adopted a new Restricted Share Unit Plan that is essentially identical to the former plan but with a reduced cap on the maximum number of options that can be granted (reduced from 15% of the issued and outstanding shares to 10% of the issued and outstanding shares). Any RSUs granted under the new plan prior to receipt of shareholder approval are conditional grants that are subject to the shareholder approval of the new plan.

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

	RSUs	Weighted average issue price
	#	\$
Non-vested balance March 31, 2019	2,172,500	1.50
Granted	5,054,632	0.62
Vested	(883,317)	1.51
Forfeited	(965,375)	1.04
Non-vested balance March 31, 2020	5,378,440	0.75
Granted	342,796	0.14
Vested	(3,338,872)	0.82
Forfeited	(2,222,330)	0.59
<b>Non-vested balance March 31, 2021</b>	<b>160,034</b>	<b>0.36</b>

The following table summarizes the RSUs that remain outstanding as at March 31, 2021:

Issue price	RSUs Outstanding	Vesting date <sup>(1)</sup>
\$	#	
1.62	6,667	November 13, 2021
0.98	13,333	April 13, 2022
0.84	3,333	August 19, 2022
0.60	12,000	October 2, 2022
0.18	85,701	March 11, 2023
0.18	31,500	May 11, 2023
0.28	7,500	June 8, 2023
	<b>160,034</b>	

<sup>(1)</sup> RSUs vest ratably over a period of three years. Vesting dates listed above, represent the end of the three-year term. At the end of each annual period from date of grant, one-third of the units granted, will vest.

During the year ended March 31, 2021, the Company recorded a net share-based payment expense of \$1,052,748 (2020 - \$2,661,055) in connection with the vesting and forfeiture of RSUs. In addition to the amounts recognized above, share-based payment expense was recognized within consulting fees of \$6,238 for the year ended March 31, 2021, in connection with RSUs granted (\$nil for the year ended March 31, 2020).

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### 22. Income Taxes

The reconciliation of the income tax rate of 23.5% (2020 – 26%) to the effective tax rate for the years ended March 31, 2021 and 2020 is as follows:

	For the year ended March 31,	
	2021	2020
	\$	\$
Net loss for the year before tax	(25,537,465)	(23,342,148)
Statutory tax rate	23.50%	26.00%
Expected income tax recovery	(6,001,304)	(6,068,958)
Non-deductible items	235,280	2,466,800
Changes in estimates	392,038	309,756
Foreign tax rate difference	140,241	321,420
Change in tax rates	15,330	182,624
Mr. Natural disposition	(127,326)	-
Tax impact of OCI adjustments	(13,992)	-
Other	184,061	-
Change in deferred tax asset not recognized	5,097,518	2,788,358
<b>Total income tax expense (recovery)</b>	<b>(78,154)</b>	<b>-</b>

The statutory tax rate decreased from 26% as of the year ended March 31, 2020 to 23.5% as of the year ended March 31, 2021 due to decreases in the Alberta corporate tax rate on January 1, 2020 and on July 1, 2020.

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following table summarizes the components of Canadian deferred tax:

	March 31, 2021	Deferred Tax Recovery	ALPS Business Combination	March 31, 2020
	\$	\$	\$	\$
Non-capital loss carryforwards	998,563	(169,972)	478,876	689,659
Property plant and equipment	(13,463)	(13,858)	17,421	(17,026)
Intangible assets	(3,778,216)	481,015	(3,779,695)	(479,536)
Investment in associates	(412,128)	(219,031)	-	(193,097)
Deferred tax asset (liability)	(3,205,244)	78,154	(3,283,398)	-

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### 22. Income Taxes (continued)

#### *Unrecognized deductible temporary differences and unused tax losses*

Deductible temporary differences and unused tax losses for which no deferred tax asset is recognized in the statement of financial position are as follows:

	March 31, 2021	March 31, 2020
	\$	\$
Property, plant and equipment	33,335	-
Intangibles and deferred development costs	6,431,216	691,700
SubTerra annuity receivable	560,558	560,558
Land	2,106,210	-
Convertible debt instruments – BaM	-	46,945
Marketable securities	5,835,296	4,538,455
Rapid Cash deposit	1,514,936	-
Intangible asset – Mr. Natural	1,107,184	-
Financing costs	381,958	567,552
Assets held for sale – BaM	1	27,584
Non-capital losses	9,651,936	3,157,656
Non-capital losses – US	13,486,605	8,044,752
Accrued loss on investment – US	1,870,436	1,152,960
Intercompany interest	330,642	239,594
Wage payable	176,050	28,297
Right-of-use asset	48,724	6,950

The Company's non-capital income tax losses expire as follows:

	March 31, 2021
	\$
2035	262,648
2036	576,221
2037	814,294
2038	562,296
2039	154,775
2040	374,280
2041	6,907,422
<b>Total</b>	<b>9,651,936</b>



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### 23. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following:

	For the year ended March 31,	
	2021	2020
	\$	\$
Selling, general and administrative expenses:		
Professional fees	4,078,161	1,162,265
Advertising and promotion	393,204	369,354
Insurance	677,433	555,159
Consulting fees	277,907	1,028,164
Office and administration	221,347	197,782
Regulatory and transfer agent fees	133,682	221,735
Research and development	119,895	-
Travel and entertainment	46,354	326,787
<b>Total selling, general and administrative expenses</b>	<b>5,947,983</b>	<b>3,861,246</b>

### 24. Segmented Information

During the year ended March 31, 2021, 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 year ended March 31, 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 & Horticulture	Technology	Total
	\$	\$	\$
<i>As at March 31, 2021</i>			
Non-current assets	56,728,130	1,884,449	58,612,579
Non-current liabilities	8,337,530	-	8,337,530
<i>As at March 31, 2020</i>			
Non-current assets	27,602,827	12,381,914	39,984,741
Non-current liabilities	2,058,843	-	2,058,843
<i>Year ended March 31, 2021</i>			
Revenue			
Goods and services transferred at a point in time	-	107,830	107,830
Goods and services transferred over time	589,605	19,716	609,321
Loss from operations	(13,089,258)	(946,168)	(14,035,426)
Net loss	(23,412,345)	(2,046,966)	(25,459,311)
<i>Year ended March 31, 2020</i>			
Revenue			
Goods and services transferred over time	202,967	18,515	221,482
Loss from operations	(13,875,709)	(522,077)	(14,397,786)
Net loss	(21,962,196)	(1,379,952)	(23,342,148)

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### 24. Segmented Information (continued)

Included in the net loss of the cannabis operating segment in the period ending March 31, 2021, is a loss on true-up provision of \$544,292 (Note 15(a) – 50% of the amount) and a loss on settlements of \$1,971,483 (Notes 12 and 15). Included in the net loss of the technology operating segment in the period ending March 31, 2021, is a loss on true-up provision of \$544,292 (Note 15(a) – 50% of the amount) and a loss on settlements of \$396,575 (Note 15(b)). Included in the net loss of the cannabis operating segment in the period ending March 31, 2020, is \$1,440,811 of impairment (Notes 8 and 13) and a reversal of impairment in the amount of \$30,827 (Note 8). All non-current assets, other than financial instruments, are located in the United States.

### 25. Related Party Transactions

The Company's key management personnel include executive management and directors of the Company who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company incurred the following transactions with related parties during the years ended March 31, 2021 and 2020:

	For the year ended March 31,	
	2021	2020
	\$	\$
Wages and benefits <sup>(1)</sup>	994,377	2,155,049
Directors' fees <sup>(2)</sup>	503,415	2,002,058
Share-based compensation to related parties <sup>(3)</sup>	86,670	2,304,597

(1) Wages and benefits incurred for the Company's executive management team during the periods presented.

(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 in 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 March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
	\$	\$
Due to officer and/or shareholder <sup>(1)</sup>	1,792,809	617,275
Other receivable <sup>(2)</sup>	115,100	76,460
Due from officers <sup>(2)</sup>	-	28,374
Provisions (Note 13)	-	855,423

(1) Included in accounts payable and accrued liabilities. The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

(2) Included in accounts receivable

### 26. 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, contingent consideration payable, and loans 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.

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### 26. Financial Instruments and Risk Management (continued)

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at March 31, 2021 due to the relatively short-term maturity. The carrying value of the Company's annuity receivable – SubTerra approximates its fair value (Note 7). The Company's investments in marketable securities of Quality Green and Folium, each a private company where relevant observable inputs are not available and are classified as Level 3 (Note 16(b)(c)). The Company's derivative financial instrument (NCI Purchase Call Option – Note 14) observable inputs are not available and are classified as Level 3. The Company's investment in marketable securities of BaM has a quoted market price in the public market (Note 16(a)) and is classified as Level 1.

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

The following table summarizes the Company's financial instruments as at March 31, 2021:

	Amortized Cost	Fair value through profit or loss	Total
	\$	\$	\$
Cash	3,531,357	-	3,531,357
Accounts receivable	1,696,656	-	1,696,656
Annuity receivable – SubTerra	739,068	-	739,068
Marketable securities – BaM		12,803,638	12,803,638
Derivative financial instrument – NCI call option		7,320,630	7,320,630
Accounts payable and accrued liabilities (excluding related parties)	4,869,979	-	4,869,979
Contingent consideration payable (Note 14)	-	3,698,980	3,698,980
Advances payable – related parties	1,045,695	-	1,045,695

#### (b) Financial instruments risk

##### *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 5 and 7). 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.

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### 26. Financial Instruments and Risk Management (continued)

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 March 31, 2021.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

As at March 31, 2021, the Company has the following contractual obligations:

	Total	<1 year	1 – 3 years	3 – 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,869,979	4,869,979	-	-
Provisions	1,029,014	1,029,014	-	-
Contingent consideration payable <sup>(1)</sup>	3,698,980	-	3,698,980	-
Advances payable – related parties	1,045,695	1,045,695	-	-
Lease liability	1,146,086	459,895	686,191	-

(1) Contingent consideration payable is outlined in Note 14. The above reflects management's forecasted timing of achievement of the related milestones.

#### *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.

## AUSTRALIS CAPITAL INC.

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### 26. Financial Instruments and Risk Management (continued)

At March 31, 2021, 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 \$252,240 to net and to comprehensive loss for the year ended March 31, 2021 (year ended March 31, 2020 - \$586,211).

At March 31, 2021, 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 \$1,280,000 to net and comprehensive loss for the year ended March 31, 2021 (year ended March 31, 2020 - \$150,000).

#### *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.

### 27. 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 attributable to owners of the Company, which at March 31, 2021 is \$61,301,176 (2020 - \$57,766,024). 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 year ended March 31, 2021.

As at March 31, 2021, the Company is not subject to externally imposed capital requirements.

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### 28. 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 March 31, 2021:

<b>Commitment period</b>	<b>\$</b>
Less than 1 year	572,764
Greater than 1 and less than 5 years	754,827
Greater than 5 years	-
<b>Total Commitment</b>	<b>1,327,591</b>

#### *Legal*

On June 29, 2020, the Company was served with a lawsuit naming the Company that was filed, under seal, in Clark County, Nevada by Meridian Companies, LLC and Green Therapeutics, LLC. The lawsuit alleged, 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. On January 4, 2021, the parties announced a resolution to their dispute (Note 11) and the lawsuit was dropped.

On November 2, 2020, the Company received a lawsuit from a concerned shareholder including requests for changes to board and management. Pursuant to the board and management changes at the November 17, 2020 AGM (see Note 1) management believes the matter has been addressed/resolved and no remaining contingency exists.

On January 11, 2021, a former CEO and board member filed suit seeking severance payment and acceleration of unvested stock awards. On February 9, 2021, the claimant initiated arbitration proceedings. The Company and the claimant are in settlement discussions. The Company accrued for its best estimate of the probable outflow of resources to settle the severance claim in accordance with IAS 37 provisions and the amount was included in the accrued expenses on the statement of financial position as at March 31, 2021.

On January 14, 2021, the former Chief Legal Officer initiated arbitration proceedings seeking severance payment, acceleration of some unvested stock awards and extended exercise periods for stock awards. The Company accrued for its best estimate of the expected outflow of resources to settle the severance claim in accordance with IAS 37 provisions and the amount was included in the accrued expenses on the statement of financial position as at March 31, 2021.

On January 28, 2021, a former CEO and Director filed a defamation suit against the Company. On March 22, 2021, the suit was dropped without prejudice.

On February 1, 2021, Rapid Cash served the Company with notice of termination of the agreement due to material breach and representation. On February 12, 2021 the Company responded, disputing those claims and rejected the unilateral termination of the agreement. On May 25, 2021, the parties agreed to a settlement (Notes 15(b) and 29).

On February 1, 2021, Astound served the Company notice to make the true-up payment. On April 15, 2021, the parties agreed to a true-up payment to settle the matter (Notes 15(a) and 29).

### 29. Subsequent Events

On April 16, 2021, the Company and Astound (Note 15(a)) reached agreement on the true-up payment dispute whereby 3,166,198 common shares of the Company with a \$1,029,014 fair value (market price of \$0.325 per share on that date) were issued to Astound. The \$1,029,014 amount was included in provisions on the statement of financial position as at March 31, 2021.

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### 29. Subsequent Events (continued)

On April 29, 2021, the Company settled a severance dispute with a former COO whereby 1,450,000 common shares of the Company with a \$529,250 fair value (market price of \$0.365 per share on that date) were issued to the former COO. The amount was included in accrued expenses on the statement of financial position as at March 31, 2021.

On April 30, 2021, the Meridian Property (Note 8) was sold and the proceeds divided between Meridian and the Company whereby USD \$2.93 million was paid to Meridian, USD \$1.02 million was paid to the Company, and the remaining proceeds were split 45% for Meridian and 55% for the Company. Total proceeds from this land transaction was \$1,801,432 including the final payment of \$402,496 received on May 13, 2021. No gain or loss was realized on the transaction close as the land was adjusted to its recoverable value as at March 31, 2021.

On May 18, 2021, the Company reached agreement with its current CEO to payoff \$747,115 in funds advanced to ALPS by the CEO (included as loan payable on the statement of financial position as at March 31, 2021) in exchange for 2,716,782 common shares of the Company with a \$747,115 fair value (market price of \$0.275 per share on that date) equal to the loan payable amount, resulting in no gain or loss.

On May 25, 2021, later amended on August 13, 2021, the Company and Rapid Cash (Note 15(b)) reached a mutually agreeable solution to settle their dispute whereby Rapid Cash paid the Company for 2,262,000 BaM shares (Note 16(a)), which the Company had previously transferred to Rapid Cash as an advance on future purchases of kiosks for the Company's Cocoon project, and the Company returned 25 kiosks to Rapid Cash.

As of June 7, 2021, GT completed the acquisition of and secured the last remaining water rights for a 23-acre plot of land in Sandy Valley, Clark County, Nevada, which is intended to become a hub for multiple operators from cultivation to extraction and manufacturing (subject to land use and regulatory approvals). The water rights were secured on June 7, 2021, with a USD \$390,000 purchase price, and the related land was acquired on June 3, 2021, with a USD \$1,100,000 purchase price. Pursuant to the GT Revised Transaction (Note 11) agreement, the Company paid for the water rights by issuing 1,662,141 common shares with a fair value of \$423,846 based on the \$0.255 market price per share on June 7, 2021, and paid for the land acquisition by issuing 4,516,207 common shares with a fair value of \$1,129,052 based on the \$0.250 market price per share on June 3, 2021. The share consideration paid for the water rights and land acquisition will be added to the GT acquisition deposit on the consolidated statement of financial position until control of GT is transferred to the Company (Note 11).

On June 25, 2021, in relation to a cannabis supply agreement (and facility engineering and design services contract) signed on June 23, 2021 with Belle Fleur Holdings LLC ("Belle Fleur"), the Company entered into a loan agreement with Belle Fleur whereby the Company will loan up to USD \$5,000,000 in interim financing to Belle Fleur towards the construction costs of the Belle Fleur cultivation facility in Blanford Massachusetts. The loan to Belle Fleur will earn interest at an annual interest rate of 15%, has a four-year term, principal and interest is due at maturity, and the borrower has the option to prepay the loan early. As at July 31, 2021, Belle Fleur had drawn USD \$472,498 on this loan.

On July 14, 2021, the Company entered into a binding term sheet to acquire all of the issued and outstanding shares of Gary Maverick Inc. operating under the brand name LOOS ("LOOS Co."), a cannabinoid infused shot beverage company based in Santa Cruz, California. Pursuant to the term sheet the Company will pay total consideration of USD \$3,000,000 comprising USD \$650,000 payable in 3,163,314 shares (based on a 10-day VWAP at June 24, 2021 of USD \$0.2055) on closing, USD \$350,000 in cash on closing to be used primarily towards working capital and certain identified debt repayments, and USD \$2,000,000 in contingent payments (USD \$500,000 December 2021, USD \$500,000 June 30, 2022, and USD \$1,000,000 June 2023) payable in the Company's shares, subject to certain performance milestones being met by LOOS Co. through June 2023.

From April 30, 2021 to July 20, 2021, the Company sold 836,564 shares of the BaM stock (see Note 16) on the open market at an average net price of \$0.443 per share. The remaining 18,106,549 shares held for sale have a fair value of \$8,419,545 based on the closing price of \$0.465 per BaM share as of August 13, 2021, a decline of 23.8% since March 31, 2021. The Company intends to sell the remaining BaM holdings in an orderly fashion during fiscal year 2022.

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On August 19, 2021, the Company and Toro Pacific Management Inc. (“TPMI”) reached an agreement whereby the Company will sell to TPMI and its assignees 9,900,000 BaM shares by September 30, 2021 at a price of \$2,970,000 at a price of \$0.30 per share. The Company agreed it would not sell any additional BaM shares until after that date and give TPMI the right of first refusal of any subsequent sales for two years until September 30, 2023.