AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the three months ended June 30, 2018 and 2017
(In Canadian Dollars)

Australis Capital Inc. (the "Company" or "ACI") was incorporated under the *Business Corporations Act* (Alberta). The head office and principal address of the Company is Suite 900 – 510 Seymour Street, Vancouver, BC, Canada, V6B 1V5. The Company's registered and records office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7.

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of the Company for the three months ended June 30, 2018 and is prepared as of August 31, 2018. The MD&A should be read in conjunction with the Company's unaudited Financial Statements for the three months ended June 30, 2018 and notes thereto (the "Financial Statements") and the audited financial statements for the year ended March 31, 2017 and the related MD&As.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except for share and per share amounts, and where indicated otherwise.

FORWARD-LOOKING STATEMENTS

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

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

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

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and other risks as set out under "Risk Factors" in the Company's preliminary prospectus dated June 18, 2018 filed on SEDAR.

BUSINESS OVERVIEW

ACI is an investment company which may invest in a broad range of industries, primarily focusing on investments in the cannabis and real estate industries in the United States. The Company's investments may include the acquisition of equity, debt or other securities of publicly traded or private companies or other entities, financing in exchange for pre-determined royalties or distributions and the acquisition of all or part of one or more businesses, portfolios or other

assets, in each case that the Company believes will enhance value for the shareholders of the Company in the long term.

ACI's parent company, Aurora Cannabis Inc. ("ACB"), filed a prospectus for the spin-out of the Company and applied for ACI's listing on the Canadian Stock Exchange ("CSE"), as more particularly described below.

INVESTMENT IN AHL

On April 7, 2015, the Company entered into a joint venture with AJR Builders Group LLC ("AJR") and formed AHL, a Washington Limited Liability Partnership, with each of ACI and AJR holding 50% interest in AHL.

AHL purchased two parcels of land totaling approximately 24.5 acres (the "Property") in Whatcom county, Washington for USD$2,300,000 in 2015 with the initial intention to construct a new cannabis production and processing facility. The parties subsequently decided not to move forward with US medical cannabis production at the Washington Property.

Pursuant to a promissory note dated April 10, 2015, the Company loaned $1,644,831 to AHL to fund the purchase of the Property. The note bears interest at a rate of 5% per annum and matures on October 31, 2018. In the event of a default, interest will be charged at 12% per annum. The note is secured by a first mortgage on one parcel of land purchased by AHL and a second mortgage on the other title as well as a general security agreement granting the Company security over all present and after-acquired property of AHL.

On October 31, 2017, the Company advanced a further $1,235,221 to AHL. The loan is due on demand, unsecured and bears no interest. The loan proceeds were used by AHL to fully repay the remaining loan on the Property.

On July 20, 2018, the Company, through its wholly-owned subsidiary, Australis Nevada, acquired the remaining 50% joint venture interest in AHL for US$500,000, resulting in the Company holding a 100% interest in the Property.

SPIN-OUT TRANSACTION

On August 13, 2018, ACB filed a final prospectus with the securities regulatory authorities in each of the provinces and territories in Canada for the spin-out of the Company and applied for its listing on the CSE. ACB will distribute to holders of its common shares as of the record date, as a return of capital (the "Distribution"), units of the Company. Each unit will consist of one common share and one warrant exercisable for a period of one year at a price of $0.25 per share. The Distribution will be paid on the basis of one unit for every thirty four shares of ACB which are outstanding on the record date.

In connection with the Distribution, the Company completed the following transactions:

a) ACB assigned its interest in the loans of $3,156,402 from ACI to its wholly-owned subsidiary, Aurora Marijuana Inc. ("AMI").

b) The Company issued 18,567,070 units to AMI at a deemed price of $0.17 per unit in settlement of the outstanding loans and interest of $3,156,402 as of June 13, 2018.

c) The Company repurchased the 100 issued and outstanding shares of the Company for $0.17 which were cancelled and returned to treasury.

d) The Company acquired certain assets ("SubTerra Assets") from Prairie Plant Systems Inc. ("PPS"), a wholly-owned subsidiary of ACB. Included in the SubTerra assets are 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, a $150,000 annual payment receivable 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 for US $3,000. In consideration for the acquisition, the Company issued a promissory note of $1,400,000 payable to PPS.

e) The Company issued 8,235,294 units at a deemed price of $0.17 per unit in settlement of the $1,400,000 promissory note.

All of the units issued above consist of one common share and one warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.25 per share for a period of one year from the date of listing on the CSE.

On June 14, 2018, the Company entered into a Funding Agreement with ACB, pursuant to which ACB has advanced $500,000 to the Company, in consideration for which the Company will provide ACB with a Restricted Back-in Right, by issuing to ACB:

(i) a warrant to purchase 20% of the issued and outstanding shares of the Company as of the date on which its shares commence trading on the CSE, exercisable at a price of $0.20 per share for a period of ten years; and

(ii) a warrant to purchase 20% of the issued and outstanding shares of the Company as of the date of exercise, exercisable for a period of ten years from the date of issue at a price equal to the five-day volume weighted average trading price of the Company's shares on the CSE, or if the shares are not then listed on a stock exchange, at the fair market value of the shares at the time of exercise.

The exercise of the Restricted Back-in Right is subject to all of the Company's business operations in the U.S. being legal under applicable federal and state laws and approval of the TSX and other exchanges where ACB may be listed.

Pursuant to the terms of the Funding Agreement, ACB will also fund the Company's spin-out transaction costs of $200,000 in consideration for the Company issuing 1,176,470 units to ACB at a price of $0.17 per unit. In addition, ACB will purchase additional units of the Company, at a price of $0.17 per unit, which would result in Aurora holding a sufficient number of shares to pay out the Distribution. Each unit consists of one common share and one warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.25 per share for a period of one year from the date of the Company's listing on the CSE.

On August 3, 2018, the Company completed a private placement of 85,000,000 common shares at $0.20 per share for gross proceeds of $17,000,000. The Company intends to use the funds for general and administrative expenses, analysis and due diligence on potential investments, and the acquisition of future investments for the next twelve months. The Company estimates that its general and administrative expenses for the next 12 months will be approximately $335,000. The amount of funds to be allocated to the evaluation and acquisition of new investments will be dependent on the investment opportunities which are identified by the Company.

OTHER RECENT DEVELOPMENTS

On August 13, 2018, the Company granted 7,200,000 stock options to directors, officers and consultants, exercisable at $0.20 per share and expiring August 13, 2023.

SELECTED ANNUAL INFORMATION

	March 31, 2018	March 31, 2017	March 31, 2016
	$	$	$
Revenue	-	-	-
Net and comprehensive loss	(42,697)	(50,520)	(69,806)
Basic and diluted loss per share	(427)	(505)	(698)
Total assets	3,010,501	1,726,823	1,685,038
Total long-term liabilities	-	-	-

Total assets increased during the year ended March 31, 2018 primarily due to the additional $1,235,221 loan advanced to AHL and accrued interest income.

Net and comprehensive loss decreased in the fiscal 2018 year due to a decrease in professional fees and an increase in interest income.

Net and comprehensive loss decreased from fiscals 2016 to 2017 years primarily due to a decrease in professional fees of $22,016. Professional fess were higher during the year ended March 31, 2016 due to legal fees incurred for the formation of the AHL joint venture arrangement.

SUMMARY OF QUARTERLY RESULTS

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

Quarter ended	Revenue	Net Loss	Loss per share
	$	$	$
June 30, 2018	-	(1,704,643)	(0.06)
March 31, 2018	-	(5,485)	(55)
December 31, 2017	-	(12,485)	(125)
September 30, 2017	-	(12,483)	(125)
June 30, 2017	-	(12,244)	(122)
March 31, 2017	-	(11,457)	(115)
December 31, 2016	-	(16,435)	(164)
September 30, 2016	-	(11,402)	(114)
June 30, 2016	-	(11,226)	(112)

Net loss for the quarter ended June 30, 2018 increased primarily due to the fair value losses from the issuance of 26,802,364 units of the Company for the acquisition of the SubTerra Assets and for the settlement of outstanding loans.

Net loss for the quarter ended March 31, 2018 decreased primarily due to increased interest income earned from loans receivable and other income.

RESULTS OF OPERATIONS

Interest expense decreased by $3,154 during the three months ended June 30, 2018 compared to 2017. The decrease was due to the settlement of the loan in connection with the spin-out transaction.

Regulatory fees and transaction costs increased by $24,097 and $200,000, respectively, during the three months ended June 30, 2018. The increases were entirely due to spin-out transaction costs which included the initial listing fee on the CSE and professional fees.

The Company incurred a loss on the acquisition of SubTerra assets and loss on settlement of loans of $452,057 and $1,019,194, respectively, during the three months ended June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred operating losses over the past fiscal years, has limited resources and no sources of operating cash flow.

Working capital as of June 30, 2018 was $2,759,988 as compared to a deficiency of $163,022 at March 31, 2018. The increase in working capital of $2,596,966 was largely attributable to the settlement of loans payable in the total amount of $3,156,402.

Cash on hand increased by $705 from a bank indebtedness of $67 as at March 31, 2018 to $638 as at June 30, 2018. The increase in cash resulted from net cash provided by operations of $705.

On October 31, 2017, the Company received a loan of $1,235,221 from Aurora Cannabis Inc. ("ACB"). The loan is due on demand, unsecured and bears no interest. During the three months ended June 30, 2018, the Company settled this loan payable through the issuance of units in the Company.

On October 31, 2017, the Company loaned AHL a further $1,235,221. The loan is due on demand, unsecured and bears no interest. The loan proceeds were used by AHL to fully repay the remaining loan on the Property. As at June 30, 2018, the full balance of this loan receivable remained outstanding.

The Company has financed its operations to date through loans received from ACB. During the three months ended June 30, 2018, ACB has filed a prospectus with the securities regulatory authorities in each of the provinces in Canada for the spin-out of the Company. As part of the transaction, the Company fully settled its loans through the issuance of common shares and raised $17,000,000 pursuant to a private placement financing. See "*Spin-Out Transaction*" above. The Company believes that it has sufficient cash and resources to fund its business objectives for the next twelve months.

The Company is not exposed to any externally imposed capital requirements.

Operating Activities

For the three months ended June 30, 2018, cash flows provided by operating activities were $705 compared to cash provided by operating activities of $11 for the three months ended June 30, 2017. During the three months ended June 30, 2018, cash flows provided by operations resulted primarily from operating expenses of $1,704,643 offset by $1,705,348 related to adjustments and changes in non-cash working capital.

Financing Activities and Investing Activities

During the three months ended June 30, 2018, there were no net cash flows from financing nor investing activities.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following transactions with related parties during the three months ended June 30, 2018 and 2017:

	2018	2017
	$	$
Interest income from AHL earned from loans receivable	11,854	10,252
Interest expense accrued to ACB for loans payable	19,341	22,495

Related party balances

The following related party amounts were included in (i) due from a shareholder, (ii) loans receivable, (iii) & (v) accounts payable and accrued liabilities and (iv) loans payable:

		2018	2017
		$	$
(i)	Due from a shareholder	100	100
(ii)	Loan to AHL	3,020,410	1,736,423
(iii)	Payable to AHL [(1)]	624	624
(iv)	Loan from ACB	-	1,833,792
(v)	Advances from companies with common directors and officers [(1)]	62,456	33,101

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

CRITICAL ACCOUNTING ESTIMATES

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

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

NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the following new or amended IFRS standards for the annual period beginning April 1, 2018.

(i) IFRS 7 Financial instruments: Disclosure

IFRS 7 *Financial instruments: Disclosure,* was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. There was no material impact on adoption.

(ii) IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39.

Under IFRS 9, financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss ("FVTPL"), transaction costs. Financial assets are subsequently measured at:

FVTPL;
Amortized cost;
Debt measured at fair value through other comprehensive income ("FVOCI");
Equity investments designated at FVOCI; or
Financial instruments designated at FVTPL.

The classification is based on whether the contractual cash flow characteristics represent "solely payment of principal and interest" (the "SPPI test") as well as the business model under which the financial assets are managed. Financial assets are required to be reclassified only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The assessment of the Company's business models for managing the financial assets was made as of the date of initial application of April 1, 2018.

Consistent with IAS 39, all financial liabilities held by the Company under IFRS 9 are initially measured at fair value and subsequently measured at amortized cost.

The following table summarizes the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due from shareholder	Loans and receivables	Amortized cost
Investment in SubTerra assets	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other liabilities	Other liabilities

Impairment

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financial assets not held at FVTPL, where credit losses that are expected to transpire in futures years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date.

There was no material impact on adoption of IFRS 9.

(iii) IFRS 15 Revenue from Contracts with Customers

The IASB replaced IAS 18 *Revenue*, in its entirety with IFRS 15 *Revenue from Contracts with Customers*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. There was no impact to the financial statements on adoption.

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

(i) IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 *Leases*, which will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Company's financial instruments consist of cash, loans receivable, due from shareholder, accounts payable and accrued liabilities, bank indebtedness and loans payable. The carrying values of these financial instruments approximate their fair values as at June 30, 2018.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

The following table summarizes the Company's financial instruments as at June 30, 2018:

	Amortized cost	Other financial liabilities	Total
	$	$	$
Financial Assets			
Cash	638	-	638
Loans receivable	3,020,410	-	3,020,410
Due from shareholder	100	-	100
Investment in SubTerra assets	1,400,000	-	1,400,000
Financial Liabilities			
Accounts payable and accrued liabilities	-	262,905	262,905

Financial instruments risks

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

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 loan receivable. The risk exposure is limited to their carrying amounts at the statement of financial position date. Credit risk from the loans receivable arises from the possibility that principal and/or interest due may become uncollectible. The Company mitigates this risk by managing and monitoring the underlying business relationships.

Liquidity risk

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

As at June 30, 2018, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 -5 years
	$	$	$	$
Accounts payable and accrued liabilities	262,905	262,905	-	-
	262,905	262,905	-	-

Market risk

a) Currency risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency transaction and translation risks.

At June 30, 2018, the Company holds cash, loans receivable, due from shareholder, bank indebtedness, accounts payables and accrued liabilities, and loans payable in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bear interest at market rates. The Company's loan receivable and loan payable have fixed rates of interest and therefore expose the Company to a limited interest rate fair value risk.

OUTSTANDING SHARE DATA

As of the date of this report, the Company had the following securities issued and outstanding:

Securities [1]	August 31, 2018
	#
Issued and outstanding shares	111,802,364
Warrants	26,802,364
Options	7,200,000

[1] See the "Spin-Out Transaction" for a detailed description of these securities.

ADDITIONAL INFORMATION

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