

AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

**For the year ended March 31, 2020
(In Canadian Dollars)**

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis For the years ended March 31, 2020 and 2019

Australis Capital Inc. (the "Company" or "ACI") was incorporated under the *Business Corporations Act* (Alberta). The head office and principal address of the Company is 376 East Warm Springs Road, Suite 190, Las Vegas, Nevada, USA 89119. The Company's registered and records office address is Suite 1500 – 1055 West Georgia Street, Vancouver, BC V6E 4N7. The common shares of the Company trade on the Canadian Securities Exchange (the "CSE") under the symbol "AUSA" and on the OTCQB® Venture Market (the "OTC") in the United States under the symbol "AUSAF."

This Management's Discussion and Analysis ("MD&A") reports on the financial condition and operating results of the Company for the year ended March 31, 2020 and is prepared as of July 1, 2020. The MD&A should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended March 31, 2020.

The consolidated financial statements of the Company 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") in effect for the years ended March 31, 2020 and 2019. This MD&A has been prepared by reference to the MD&A disclosure requirements as established under National Instrument 51-102, *Continuous Disclosure Obligations* ("NI 51-102"), of the Canadian Securities Administrators.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars, except as indicated otherwise.

FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans," "expects," "is expected," "budget," "scheduled," "estimates," "forecasts," "intends," "anticipates," or "believes," or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might" or "will be taken," "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may," "future," "expected," "intends" and "estimates." By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. This MD&A should be read in conjunction with the risk factors set out below and as set out under "Risk Factors" in the Company's final prospectus dated August 14, 2018. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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

- Information with respect to future financial and operating performance;
- Statements related to operational and investment objectives;
- Adequacy of financial resources; and
- Management's belief regarding the anticipated impact of COVID-19 on financial and operating results.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

BUSINESS OVERVIEW

ACI focuses on acquisitions specifically in technology supporting the cannabis space, with a view of developing the infrastructure required to meet the demands of the growing United States cannabis market. The Company's vision to build and operate transformative, differentiated companies in highly regulated industries, begins with selecting opportunities through adherence to stringent evaluation and operating criteria, while maintaining a steadfast commitment to governance and community. The Company's board and management team have material experience and extensive backgrounds in highly regulated industries and regulatory compliance to support the Company's vision. The Company's acquisitions may include intellectual property, license rights, certain technology platforms and infrastructure, and other assets. From time to time, the Company may also make strategic investments in the securities of publicly traded or private companies.

The recent growth and refinement of the Company's portfolio of operating assets will support the buildout of Cocoon Technology LLC, the Company's wholly-owned subsidiary focused on the development and deployment of a cloud-based, self-service fulfillment platform for dispensaries. The platform, combined with the experience of the Company's wholly-owned subsidiary Rthm Technologies in the mobile application space, is expected to provide a robust, customer-facing, omni-commerce technology that maximizes operational efficiency for dispensaries through integration with dispensary ERP systems, and that improves customer satisfaction and loyalty through rewards programs and convenient, user-friendly kiosk and mobile application interfaces.

As of the date of the MD&A, the Company has the following subsidiaries:

- Australis Capital (Nevada) Inc. ("ACN"), a corporation organized under the laws of Nevada, in which ACI holds a 100% ownership interest;
- Australis Holdings LLP ("AHL"), a limited liability partnership in the State of Washington, in which ACN holds a 1.3% ownership interest and ACI holds the remaining 98.7% ownership interest;
- Rthm Technologies Inc., a corporation organized under the laws of Ontario, Canada, in which ACI holds a 100% ownership interest; and
- Australis Perennial LLC ("Perennial"), a limited liability company organized under the laws of Nevada, in which ACI holds a 100% ownership interest;
- Australis Terrain LLC ("Terrain"), a limited liability company organized under the laws of Nevada, in which ACI holds 100% ownership interest; and
- Australis Prosper LLC ("Prosper"), a limited liability company organized under the laws of Nevada, in which ACI holds 100% ownership interest.
- Cocoon Technology LLC ("Cocoon Technology"), a limited liability company organized under the laws of Nevada, in which ACI holds 100% ownership interest.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

KEY DEVELOPMENTS DURING THE FOURTH FISCAL QUARTER 2020

The Company continued to focus efforts during the fourth fiscal quarter on enhancing its current portfolio of operating assets, specifically in the technology space. On February 4, 2020, the Company entered into a non-binding letter of intent ("LOI") to acquire 100% of Paytron, LLC, a privately held omnichannel payment services provider. Paytron offers merchant services, including credit and debit card processing, secure gateway processing, point of sale hardware, card terminals and business loans. Paytron will continue its current operations as a wholly owned subsidiary of the Company and will expand the existing service offering of the Company's Cocoon Technology™ platform.

Also during the fourth fiscal quarter, the Company acquired its first round of kiosks through its partnership with RAPIDCASH ATM Ltd, for deployment at THRIVE dispensaries in connection with the Company's four-year services agreement with THRIVE Cannabis Marketplace as entered into in December 2019. The Company originally anticipated deployment of the kiosks at THRIVE locations in the early second calendar quarter of 2020, however, in light of the impacts of the novel coronavirus pandemic, as further discussed below, the Company projects deployment in the early third calendar quarter 2020. Consequently, the one-time fees for sales of the kiosks and the recurring revenue related to THRIVE's subscription to the Company's Cocoon Technology platform, will be delayed by a similar period of time.

RECENT DEVELOPMENTS (SUBSEQUENT TO MARCH 31, 2020)

The following events occurred subsequent to March 31, 2020:

- On April 1, 2020, the Company completed its acquisition of Paytron, LLC by way of an Asset Purchase Agreement with the entity. The Company acquired all operating assets of Paytron, including all active merchant accounts, access to payment processing platforms, and reseller partnerships. In connection with the acquisition, the principals of Paytron were hired as employees of the Company and the operations of Paytron are in the process of being transitioned to an operating subsidiary of the Company to be overseen by said principals. As consideration for the assets acquired the Company issued 949,296 shares of the Company's common stock valued at \$120,000 USD (\$169,014 CAD) with the potential to issue up to an additional \$1,000,000 USD (\$1,408,450 CAD) in shares of the Company upon achievement of certain performance milestones based on Paytron's net income.
- In the previous fiscal year, the Company acquired certain intangible assets from Mr. Natural Productions, Inc. and Robert Luciano (collectively, the "Natural Parties"). The assets included the rights to the Mr. Natural brand, the life story right of Robert Luciano and all related intellectual property (collectively, "the acquired assets") in exchange for cash consideration, common shares of the Issuer and royalty payments based on future performance. On April 25, 2020 the Company entered into a Modification, Settlement, Assignment and Consent Agreement with the Natural Parties and a third party (the "Assignee"), to assign and transfer 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. Additionally, the Natural Parties returned to the Company 533,981 common shares of the Company, or all common shares issued to the Natural Parties in connection with the Company's initial acquisition of the acquired assets. The shares were returned on April 30, 2020.
- On June 25, 2020, the Company entered into an agreement to acquire Passport Technology, Inc (the "Passport Acquisition"), a developer of technology-based products and services for highly regulated payments, gaming and financial institutions. The Company had previously acquired from Passport Technology Canada, Ltd, a wholly-owned subsidiary of Passport Technology, Inc., (collectively "Passport Technology"), a ten-year license to Passport Technology's proprietary platform and technology. The Passport Acquisition will result in immediate revenues to the Company from Passport Technology's existing operations, and enhanced

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

synergies with the Company's Cocoon Technology Platform. Closing consideration for the Passport Acquisition includes 58,651,552 common shares of the Company valued at \$12,200,000 based on a 15-day volume-weighted average trading price of the Company's shares, \$9,600,000 in cash, \$3,000,000 shares of Body and Mind, Inc. ("BaM") common stock, and \$6,600,000 in real property (or cash if the real property is sold prior to closing). Further, if the Company achieves revenues in excess of \$7,000,000 in 2021, Passport shareholders will be entitled to \$2,000,000 payable in common shares of the Company and BaM, and if the Company achieves revenues in excess of \$8,000,000, Passport shareholders will be entitled to an additional \$2,000,000 payable in common shares of the Company and BaM. Lastly, if EBITDA in 2021 is above \$3,000,000, Passport shareholders will receive 25% of revenues generated by the Company in excess of \$7,000,000 earned during 2021.

The Company's Chief Executive Officer ("CEO") and Director is the majority shareholder of Passport Technology making the Passport Acquisition a related party transaction as such term is defined in the Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions. As such, the Passport Acquisition will require the Company's minority shareholder approval and as a related party, the Company's CEO and any other interested parties in Passport Technology will not be eligible to vote on approval of the acquisition.

In connection with, and contingent upon approval of the Passport Acquisition, the Company announced a non-brokered private placement of units of the Company (the "Units") at \$0.28 per Unit, to raise gross proceeds of a minimum of \$5,000,000 and a maximum of \$8,000,000 (the "Private Placement"). Each Unit consists of one common share in the capital of the Company (the "Shares") and one-half of a common share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to purchase one additional Share at a price of \$0.38 on or before the Warrant expiry date which will be 2 years following the closing of the Private Placement. All securities to be issued in connection with the Private Placement will be subject to a statutory hold period of four months plus a day in accordance with applicable securities legislation. The net proceeds from the Private Placement will be used by the Company to close the Passport Acquisition, fund on-going operations, and for investments that adhere to the Company's Investment Policy.

Closing of the Private Placement is expressly contingent on the Company obtaining shareholder approval of the Passport Acquisition at the Company's next annual general meeting of shareholders ("AGM"). If the Company does not consummate the Passport Acquisition, Passport Technology will be entitled to a break fee of \$2,500,000.

- On June 29, 2020, the Company was served with a lawsuit naming the Company that has been filed, under seal, in Clark County, Nevada by Meridian Companies, LLC and Green Therapeutics, LLC. The lawsuit alleges, among other things, breach of contract by the Company with respect to certain obligations outlined in the Company's asset purchase agreement with Green Therapeutics entered into on May 21, 2019. The Company believes the lawsuit to be without merit and intends to vigorously defend the case.
- The novel coronavirus, also referred to as "COVID-19", was identified in December 2019 in Wuhan, China and has since spread world-wide. On March 11, 2020, the World Health Organization ("WHO") declared the spread of the virus a global pandemic and on March 13, 2020, President Donald Trump declared the pandemic a national emergency. In an effort to mitigate the spread and severity of the virus, Federal and State authorities have issued guidance and directives restricting travel, closing non-essential business and encouraging or mandating citizens to stay home. The Company has implemented "social distancing" measures as recommended by these authorities and the Centers for Disease Control, by restricting non-essential travel by employees and permitting all staff to work remotely, who have the ability to do so. These measures will remain in effect until such time as otherwise directed by appropriate authorities. The directions of authorities are extremely fluid and rapidly evolving in response to the effects and spread of the virus. The Company

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

monitors guidance issued by state and federal authorities in response to the COVID-19 pandemic on an on-going basis.

As the Company is in the process of establishing operations, the most immediate impact of the pandemic on the Company's financial results is through period end assessments of the recoverable amount of the Company's assets, namely its annuity receivable, investments in marketable securities and equity method investees and its capital assets including property, equipment and intangibles. The Company took into consideration, the potential of the COVID-19 pandemic to impact the results of these period-end assessments. The effects of the pandemic are expected to be temporary, however the duration of the effects and related financial impact to the global economy, and more specifically the domestic cannabis industry, cannot be reasonably estimated at this time. Considerable judgement was therefore used in these inputs for period-end assessments and changes in these inputs could result in a significant difference in assessment results.

In connection with Nevada State Directives, beginning March 20, 2020, dispensaries in the state of Nevada were limited to delivery only services, with curbside pick-up available beginning May 1, 2020 and reopening later in May, subject to the dispensaries submitting and receiving approval from the state, a plan to address social distancing guidelines for in-store sales. As mentioned above, the Company is in the process of establishing operations, most significantly through its Cocoon Platform, a self-service kiosk originally anticipated to be deployed in cannabis dispensaries in early calendar quarter two of 2020. As a result of state directives, the Company anticipates a short delay in deploying the initial round of Cocoon kiosks to local dispensaries which will consequently delay the anticipated revenues from these kiosks by a similar period of time. Although delayed, the Company believes the use of kiosks in dispensaries will be a benefit to both consumers and dispensaries as it facilitates dispensary transactions while limiting personal interactions and promoting social distancing. As the state and country work towards recovery from the pandemic, the Company anticipates that intermediaries such as self-service kiosks may be relied upon.

As of the date of this MD&A, there have been no changes to capital investment plans nor corporate objectives of the Company, nor does the Company foresee said changes in the near future, as a result of the pandemic.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

SELECTED FINANCIAL INFORMATION

The following table presents selected financial information for the annual reporting periods indicated and was derived from the Company's audited consolidated financial statements. See "Results of Operations" and "Liquidity and Capital Resources" sections of this MD&A for additional detail:

	March 31, 2020	March 31, 2019	March 31, 2018
Revenue	221,482	129,759	-
Net Loss	(23,342,148)	(4,171,210)	(42,697)
Net Loss per Share	(0.14)	(0.04)	(427)
Total Assets	63,700,339	65,051,386	3,010,501
Non-Current Liabilities	2,058,843	2,743,879	-

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	Net Loss per share
March 31, 2020 ⁽¹⁾	51,135	(10,981,277)	(0.06)
December 31, 2019 ⁽²⁾	49,779	(6,894,066)	(0.04)
September 30, 2019 ⁽³⁾	52,926	(5,207,489)	(0.03)
June 30, 2019 ⁽⁴⁾	67,642	(259,316)	(0.00)
March 31, 2019 ⁽⁵⁾	(2,129)	1,382,525	0.01
December 31, 2018 ⁽⁶⁾	131,888	(1,063,791)	(0.01)
September 30, 2018 ⁽⁷⁾	-	(2,145,768)	(0.03)
June 30, 2018 ⁽⁸⁾	-	(2,344,176)	(0.01)

Summary of Quarter-over-Quarter Changes

(M - amounts in millions; k - amounts in thousands)

⁽¹⁾ Net Loss for the quarter ended March 31, 2020 increased when compared to the prior quarter, primarily due to loss on disposal of marketable securities in Wagner Dimas of \$1.4M, an impairment loss on intangible assets held for sale - Mr. Natural of \$1.3M, and fair value adjustments related to the Company's investments (namely Folium Biosciences - \$1.2M and Quality Green - \$1.3M), partially offset by decreases in share based compensation and professional fees of \$1.5M

⁽²⁾ Net Loss for the quarter ended December 31, 2019 increased when compared to the prior quarter, primarily due to an increase in share based compensation of \$1M due to issuance of new grants and an adjustment to prior period assumptions and recognition to graded vesting, and fair value adjustments related to the Company's investments (namely Body and Mind - \$1M and Folium Biosciences - \$2M), partially offset by a gain on sale of investment in associate of \$1.5M.

⁽³⁾ Net Loss for the quarter ended September 30, 2019 increased when compared to the prior quarter, primarily due to management fees of \$340k, largely related to the Company's Annual General Meeting held in September 2019, professional fees of \$800k largely related to the Company's due diligence activities in relation to the contingent merger agreement signed with Folium Biosciences, an increase in loss on investment in associate of \$1M, and a reduction in deferred gain and interest income related to the Company's investment in and loan to Body and Mind of \$2.6M

⁽⁴⁾ Net Loss for the quarter ended June 30, 2019 is primarily due to share based compensation of \$1.2M due in part to accelerated vesting of a former Director's stock options and RSU's, and an increase in wages and bonuses when compared to the previous quarter of \$200k, due in part to increased headcount, offset by a gain of \$2.6M on deferred fair value adjustments and accelerated interest income and prepayment penalty related to the Company's investments in and loan to Body and Mind.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

⁽⁵⁾ Net Gain for the quarter ended March 31, 2019 is primarily due to fair value adjustments of \$5.1M related to the Company's investments (namely in Body and Mind), offset by Goodwill Impairment of \$1M from the acquisition of RTHM, reversal of the deferred tax recovery estimate of \$1.3M and loss on dilution of the Company's investment in Wagner Dimas of \$865k.

⁽⁶⁾ Net Loss for the quarter ended December 31, 2018 is largely driven by an increase in wages and benefits and share-based compensation of \$1.1M due to the hiring of additional members of the executive management team as well as a loss on investment in associates of \$600k, offset by a deferred tax recovery of \$1.2M

⁽⁷⁾ Net Loss for the quarter ended September 30, 2018 is largely driven by a loss on acquisition of AHL - namely the remeasurement of land acquired - of \$1.6M

⁽⁸⁾ Net Loss for the quarter ended June 30, 2018 is largely driven by a loss on debt settlement of \$1.4M with former parent ACB in connection with two loans issued for purchase of Washington Land and a loss on acquisition of SubTerra receivable of \$650k in exchange for a promissory note issued by the Company that was subsequently settled through issuance of units of the Company

RESULTS OF OPERATIONS

The financial results for fiscal year-ended March 31, 2018 pre-date the spin-out of the Company from former parent Aurora Cannabis, Inc. ("ACB"), and therefore are not discussed below as the comparison with 2019 and 2020 financial results would not be meaningful. Further, five of the twelve months of fiscal year-ended March 31, 2019 pre-date the Company's spinout from ACB and therefore, the financial results for the year then ended represent only seven months of general, administrative and other expenses incurred by the Company, a factor to be considered with respect to the below comparisons.

Comparison of the Years Ended March 31, 2020 and 2019

The Company reported net loss of \$23,342,148 during the year ended March 31, 2020 compared to a net loss of \$4,171,210 for the year-ended March 31, 2019. The increase in loss was mainly due to the Company's efforts to refine its portfolio of operating and investment assets and to define and deploy the Company's Cocoon Technology Platform.

All operating expenses increased during the year ended March 31, 2020 when compared to the year ended March 31, 2019, largely due to the fact that the prior fiscal year included only seven months of operating expenses. Additional factors for the increases in expense, follow. During the year ended March 31, 2020, the Company recorded an increase of \$4,661,731 in non-cash, share-based compensation primarily due to the share-based costs associated with the issuance of 15,186,638 share options and 5,054,632 restricted stock units in compliance with the Company's Board approved Share Option and Restricted Share Unit Plans, and a correction to prior period, share-based compensation recognition to graded vesting, resulting in an acceleration of the compensation expense in earlier periods of the grant. An increase of \$3,178,561 in wages and benefits is the result of expansion of the Company's management and operational teams.

An increase in Consulting and Professional Fees, excluding one-time fees associated with the proposed merger with Folium Biosciences as referenced below, amounted to \$999,258 largely due to increased legal and accounting fees related to current period acquisitions and period end asset valuations, and consulting fees related to investor relations communications and market research.

Depreciation and Amortization expense increased \$591,220 primarily due to the Company's acquisition of cannabis production and cultivation assets and brand names from Green Therapeutics, LLC ("GT") in May 2019. Additionally, adoption of IFRS 16, *Leases*, as of April 1, 2019 resulted in \$178,272 in depreciation expense related to the Company's lease of office space, for the year ended March 31, 2020.

The Company recorded net non-operating loss of \$8,944,362 during the year ended March 31, 2020, resulting in an overall change of \$9,067,545 when compared to the same period in the prior year. The change was primarily due to a) a loss on disposal of investment in the current year as the Company works to refine its operating asset and investment portfolio, b) annual impairment evaluations of the Company's assets, and c) fair value adjustments related to the

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

Company's investments. The following amounts were recorded in the year-ended March 31, 2020; loss on disposal of marketable securities – Wagner Dimas of \$1,389,172, loss on investment in associate of \$2,414,953, loss on impairment of intangible assets – Mr. Natural of \$1,266,385, and fair value adjustments in the current period related to the Company's passive investments of \$5,977,580 (namely Body and Mind - convertible debentures for \$1,375,583, Quality Green for \$1,281,140 and Folium Biosciences for \$3,184,648). Further, one-time expenses for consulting, legal and other fees related to the proposed merger with Folium Biosciences amounted to \$1,363,261 during the current period. The Company also recorded a gain on sale of investment in associates in the current period of \$1,463,031 and recognized \$2,282,141 in deferred gains related to the Company's investment in Body and Mind.

In comparison, prior year remeasurements of investments and assets, including remeasurement of land held for sale, loss on dilution of investment, goodwill and annuity receivable impairment, and fair value adjustments on the Company's equity method investee and investments held at fair value through profit and loss inclusive of deferred gain recognition, resulted in a net gain of \$1,845,872.

LIQUIDITY AND CAPITAL RESOURCES

The Company has incurred operating losses over the past fiscal years and currently has limited sources of operating cash flow. To date, the Company has financed its operations and met its capital requirements through equity financings. The Company believes that it has sufficient cash and resources to fund its business objectives for, in excess of, the next twelve months. The Company is not exposed to any externally imposed capital requirements.

Working capital as of March 31, 2020 was \$19,840,126 as compared to \$29,251,960 at March 31, 2019. The decrease in working capital of \$9,411,834 was primarily attributable to (a) an \$8,182,994 decrease in cash from use of cash in operations; and b) a \$995,561 increase in accounts payable and accrued liabilities. These changes are a result of additional spend for operating expenses to support developing operations and due diligence efforts related to the Company's acquisitions; expenditures related to the construction of the Company's North Las Vegas facility; and, cash outflow related to the acquisition of the license right from Passport Technology Canada, Ltd, to support the development of the Company's Cocoon Technology™ solution.

Operating Activities

During the twelve months ended March 31, 2020, cash flows used in operating activities were \$8,323,275 as compared to cash used in operating activities of \$2,805,979 for the twelve months ended March 31, 2019. Cash used in operations for the period ending March 31, 2020 resulted primarily from an increase in spending to build the foundation for the deployment of Company operations, consisting predominantly of the following; \$3,505,000 in wages and benefits; \$683,000 in annual insurance fees; \$344,000 in fees incurred for the Company's Annual General Meeting held in September 2019; and \$2,879,000 in professional fees for legal and accounting services related to one-time expenses for the Contingent Merger Agreement signed with Folium Biosciences, due diligence efforts in connection with the Company's acquisitions, and the Company's routine operations.

Cash used in operating activities for the twelve months ended March 31, 2019 resulted primarily from \$993,000 in wages and benefits, \$367,800 prepayment for Directors' and Officers' business insurance, \$270,900 in rent expense and security deposit for the Company's office space and \$425,400 in regulatory, legal and professional fees largely related to the Company's spinout from ACB.

Investing Activities

During the twelve months ended March 31, 2020, cash flows used in investing activities were \$2,101,543 compared to cash used in investing activities of \$25,358,434 for the twelve months ended March 31, 2019. Cash used in investing activities during the twelve months ended March 31, 2020 resulted mainly from a) the purchase of additional interest

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

in the Company's investment in Body and Mind, Inc. of \$6,396,920, b) an increase of \$573,935 in expenditures related to the purchase of property, plant and equipment, largely related to the Company's North Las Vegas facility, and c) additional spend in the amount of \$493,264 for the acquisition of the License Agreement with Passport Technology, partially offset by the repayment of a loan to Body and Mind, Inc. of \$5,340,000.

Cash spend for investing activities for the twelve months-ended March 31, 2019 resulted predominantly from \$25,227,793 in spend related to the acquisition of, or investment in, Rthm Technology, Body and Mind, Inc., Mr. Natural, and AHL.

Financing Activities

During the twelve months ended March 31, 2020, cash flows provided by financing activities were \$2,271,686 compared to cash flows of \$52,386,684 for the twelve months ended March 31, 2019. The cash provided by financing activities during the twelve months ended March 31, 2020 resulted mainly from net proceeds of \$2,502,156 from the exercise of warrants, and \$186,600 from the exercise of stock options, offset by \$287,280 payment of tax withholdings upon settlement of options and RSUs and \$129,790 in principal payments for the Company's lease obligations.

Cash provided by financing activities for the twelve months ended March 31, 2019 is mainly attributable to the Company's two private placements in July and August 2018 and October 2018 for net proceeds of \$48,626,435 coupled with proceeds from the exercise of warrants totalling \$3,260,249.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

The Company incurred the following transactions with related parties during the twelve months ended March 31, 2020 and 2019:

	For the twelve months ended	
	March 31, 2020	March 31, 2019 ⁽¹⁾
	\$	\$
Wages and benefits ⁽²⁾	2,155,049	1,128,337
Directors' fees ⁽³⁾	2,002,058	337,617
Share-based compensation to related parties ⁽⁴⁾	2,304,597	620,760
Conference fees	-	2,624

⁽¹⁾ Amounts listed for the year ended March 31, 2019 are reflective of seven months of operations, or the period of time following the Company's spin-out from former parent, ACB, on September 18, 2018 through March 31, 2019.

⁽²⁾ The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consists of the Company's executive management team.

⁽³⁾ The Company's directors' fees include meeting fees, shared-based compensation for the Board of Directors (as adjusted - Note 16) and an annual bonus paid to directors in the amount of \$121,712. The Board of Directors is responsible for independent governance and oversight of the Company's strategy, direction and operations.

⁽⁴⁾ The Company's related parties included for share-based compensation (as adjusted - Note 16) are the executive management team during the periods presented.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

Related party balances

The following related party amounts were included in advances payable, provisions and receivables as at March 31, 2020 and March 31, 2019:

	March 31, 2020	March 31, 2019
	\$	\$
Due to a former shareholder ⁽¹⁾	617,275	591,187
Other receivable ⁽²⁾	76,460	-
Due from officers	28,374	-
Provisions	855,423	-
Payable to AJR	-	22,650
Loan receivable from Body and Mind	-	5,330,754

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

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

Further, the Company entered into a License, Development and Services Agreement with Passport Technology Canada Ltd, an entity over which a member of the Company's key management personnel has control. The Company acquired an exclusive license to Passport's proprietary platform and technology for a term of 10 years in exchange for USD \$4,175,000 (\$5,454,544 CAD) comprised of USD \$375,000 (\$493,264 CAD), 5,000,000 shares of Body and Mind, Inc. common stock, and 1,829,219 shares of the Company's common stock. Additionally, under the terms of the agreement, the Company will reimburse Passport if as of June 13, 2020 (the "True Up Date"), the 30 day volume-weighted average share price of the Body and Mind common shares on the CSE for the 30 trading days preceding the True Up Date (the "True Up Share Price") is less than 95% of the undiscounted share price at execution of the agreement. The Company will make a one-time payment to Passport (the primary consideration of which is additional shares) in the amount up to the difference between the discounted share price at execution of the agreement and the True Up Share Price for 3,000,000 shares of Body and Mind Common stock. As of March 31, 2020, the Company recorded a provision in the amount of \$855,423, based on the above outlined true-up obligations of the agreement.

As discussed in the Recent Developments section above, on June 25, 2020, the Company entered into an agreement to acquire Passport Technology, Inc, parent company to Passport Technology Canada Ltd.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

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

Estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements include the fair value measurements for financial instruments and assumptions used in the Company's period end impairment assessments. The most significant judgments applied to the Company's consolidated financial

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

statements as a whole 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, 2019.

(i) Amendments to IFRS 3 Business Combinations

IASB has issued on October 22, 2018 amendments to IFRS 3, which relate to the definition of a business.

The amendments are as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Early adoption of this amendment is permitted. The Company has adopted the amendment as of April 1, 2018.

(ii) IFRS 16, Leases

IFRS 16 replaces the following standards and interpretations: IAS 17 *Leases*, IFRIC 4 *Determination of whether an Arrangement contains a Lease*, SIC-15 *Operating Leases - Incentives*, SIC-27 *Evaluation of the substance of transactions that involve the legal form of a leasing contract*.

This new standard requires the lessee to recognize all leases in a similar way to how financial leases are currently recorded under IAS 17 Leases. The standard includes two exceptions for this recognition: (1) leases of low-value assets (e.g. personal computers) and (2) short-term contracts (term of less than 12 months). The lessee recognizes at lease inception, the asset that represents the right of use and the liability for the periodic payments that must be made. Interest expense is recorded separately from depreciation. The lease asset is periodically assessed and adjusted for certain remeasurements of the lease liability and impairment losses, if any. The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. The recognition requirements for the lessor are not significantly different from IAS 17.

Some of the impacts that could arise would be indicators of EBIT, debt covenants, debt and financing indicators, as well as the presentation of cash flows, which would be presented as financing and not operating activities.

Substantially all of the Company's operating leases are real estate leases for office premises. As a lessee, the Company will recognize right-of-use assets and lease liabilities primarily for its operating leases of real estate properties. The

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

depreciation expense on right-of-use assets and interest expense on lease liabilities will replace rent expense, previously recognized on a straight-line basis. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15 Revenue from Contracts with Customers, at or before the date of initial adoption of IFRS 16.

The Company adopted the standard on April 1, 2019 using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at April 1, 2019, and no restatement of the comparative period.

On transition to IFRS 16, the Company recognized a right-of-use asset of \$880,306, a corresponding lease liability of \$838,649 and derecognized \$17,787 of deferred rent. The lease liability was measured at the present value of outstanding lease payments, discounted using its incremental borrowing rate of 12.0%.

Management has recognized the present value of the operating lease commitments as right-of-use assets and corresponding lease liabilities.

(iii) IFRIC 23, Uncertainty of Income Tax Treatment

In June 2017, the International Accounting Standards Board (IASB) issued an International Financial Reporting Interpretations Committee (IFRIC) interpretation incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) to clarify the accounting for uncertainties in income taxes. IAS 12 Income Taxes provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019.

There is no material impact to the Company on adoption of IFRIC 23.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Company's financial instruments consist of cash, restricted cash, accounts receivable, annuity receivable, marketable securities, convertible instruments, accounts payable and accrued liabilities, contingent consideration payable, provisions and advances payable. Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at March 31, 2020 due to the relatively short-term maturity. The Company's annuity receivable carrying value at the effective interest rate approximates fair value. The Company's investments in marketable securities are in private companies where relevant observable inputs are not available and are classified as Level 3. The fair value of the Company's investment in convertible debentures includes Level 1 inputs applied to the Black-Scholes valuation model, and a Level 2 input of market interest rate as applied to similar convertible debentures. Fair value of contingent consideration payable is classified as Level 3 and is based upon management's best estimate

AUSTRALIS CAPITAL INC.
Management's Discussion & Analysis
For the years ended March 31, 2020 and 2019

of the probability and timing of achieving the milestones to which the obligation is tied. The Company's provision payable is calculated based on the quoted price of Body and Mind shares in the market, a Level 1 input. There have been no transfers between fair value levels during the period.

The following table summarizes the Company's financial instruments as at March 31, 2020:

	Amortized cost	Fair Value through profit and loss	Total
	\$	\$	\$
Cash	7,646,919	-	7,646,919
Restricted cash	8,685,581	-	8,685,581
Accounts receivable	253,206	-	253,206
Annuity receivable - SubTerra	792,148	-	792,148
Convertible debt instruments - BaM	-	1,553,055	1,553,055
Marketable securities - Quality Green	-	500,678	500,678
Marketable securities - Folium Biosciences	-	796,163	796,163
Accounts payable and accrued liabilities	1,968,003	-	1,968,003
Provisions	-	855,423	855,423
Contingent consideration payable	-	1,448,493	1,448,493
Advances payable - related parties	617,275	-	617,275

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

Financial instruments risk

(i) Credit risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its receivables. The risk exposure is limited to their carrying amounts at the statement of financial position date. Credit risk 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.

(ii) Liquidity risk

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

AUSTRALIS CAPITAL INC.
Management's Discussion & Analysis
For the years ended March 31, 2020 and 2019

As at March 31, 2020, the Company has the following contractual obligations:

	Total	<1 year	1 - 3 years	3 - 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,968,003	1,968,003	-	-
Provision	855,423	855,423	-	0
Contingent consideration payable ⁽¹⁾	1,448,493	-	1,448,493	-
Advances payable - related parties	617,275	617,275	-	-
Liabilities Associated with Assets Held for Sale - Mr. Natural	293,208	293,208	-	-
Lease liability	751,913	141,563	396,209	214,141

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

(iii) Market risk

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

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 March 31, 2020, the Company held cash and other financial instruments denominated in Canadian and U.S. dollars. The Company's main risk is therefore associated with fluctuations in the U.S. dollar. Assets and liabilities are translated based on the Company's 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 \$586,211 (March 31, 2019 - \$1,122,696) to net loss and \$987,387 (March 31, 2019 - \$1,872,296) to comprehensive loss for the twelve months ended March 31, 2020.

At March 31, 2020, the Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

b) Interest rate risk

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

c) Price risk

Price risk is the risk of unfavorable changes in the fair values of equity instruments or equity-linked derivatives as the result of changes in the value of individual shares. The equity price risk exposure arises from the Company's investments in Canada and U.S. cannabis and from derivatives linked with such. The Company manages this risk by investing in a variety of companies from a locational standpoint; however, this still exposes the Company to a moderate amount of price risk. The Company has determined that a 10%

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

increase or decrease in the fair value of these financial assets would result in an increase or decrease of approximately \$150,000 to net and comprehensive loss for the year ended March 31, 2020.

(iv) Concentration risk

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to 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 operations and investments in predominately U.S. cannabis expose the Company to a certain amount of concentration risk.

ISSUER'S INVOLVEMENT IN THE U.S. CANNABIS INDUSTRY

In accordance with the Canadian Securities Administrators Staff Notice 51-532, below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently indirectly involved, through its investments, in the cannabis industry. The Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

The Company holds investments in entities, specifically our investment in Body and Mind, Inc., that cultivate and/or distribute marijuana in the states of Nevada, Ohio, Arkansas and California. In addition, the Company owns certain cannabis operating assets in the state of Nevada, including licenses, permits, brand names, and production equipment, for use in cultivating and producing marijuana, but has not itself commenced cultivation or distribution operations, pending approval of the license transfer by the State of Nevada, from Green Therapeutics, LLC ("GT") to the Company. The marijuana industry has been legalized in certain states such as the above-listed four, but remains illegal under U.S. federal law, and enforcement of federal law remains a significant risk to operators in the industry. The Company, through its investments and ownership of certain cannabis assets, is exposed to risk of significant decline in investment and asset value as a result. The Company's current carrying value of its investment in Body and Mind is \$10,538,544 (inclusive of amounts held for sale) and the value of the Company's cannabis related assets as acquired from GT is \$8,362,867.

U.S. Federal Overview

In the U.S., thirty-three states have legalized medicinal marijuana and eleven have legalized recreational, or adult-use, marijuana. At the federal level however, marijuana remains classified as a Schedule I controlled substance under the U.S. Controlled Substances Act (the "CSA"). As a Schedule I drug, the Federal Drug Enforcement Agency ("DEA") considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the U.S.; and a lack of accepted safety for use of the drug under medical supervision.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act (Canada), cannabis is largely regulated at the state level in the United States. State laws regulating cannabis conflict with the CSA, which makes marijuana use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal. The Company has confirmed that our investee is compliant with applicable state and local laws, however strict compliance with state and local laws with respect to cannabis may neither absolve operators of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against them.

In the absence of a uniform federal policy, numerous United States Attorneys with state-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. Unless and until the U.S. Congress amends the CSA with respect to cannabis, there is a risk that federal authorities may enforce current federal law.

State Law Overview

Nevada

Nevada's medicinal use cannabis program launched in June 2013 with the passing of Senate Bill 374, authorizing and regulating the registration of medical marijuana dispensaries in the state. In November 2016, adult-use cannabis was legalized when Nevada voters passed the Regulation and Taxation of Marijuana Act (Ballot Question 2), legalizing the purchase, possession and consumption of recreational marijuana for adults 21 years of age and older, subject to limits established by law. The Nevada market is divided into five license classes: dispensaries, cultivators, distribution, product manufacturing, and testing. The Nevada Division of Public and Behavioral Health (the "Division") licensed medical marijuana establishments until July 1, 2017, when the state's medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation ("DoT"). In June 2019, Nevada legislature passed Nevada Assembly Bill 533, which authorized the formation of the Cannabis Compliance Board (the "CCB") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada. Three of the five members of this board have been selected, with formation expected to be complete, and responsibility transferred to the CCB in mid-calendar year 2020.

Ohio

House Bill 523, effective in September 2016, legalized the use of medical marijuana in Ohio for people with certain medical conditions and who receive a recommendation from an Ohio-licensed physician certified by the State Medical Board. The Ohio Department of Commerce is responsible for overseeing cultivation, processing, and testing. The State of Ohio Board of Pharmacy is responsible for overseeing retail dispensaries. The State Medical Board of Ohio is responsible for certifying physicians to recommend medical marijuana. The first dispensaries opened in January 2019.

California

California was the first state to legalize medical marijuana when voters passed the Proposition 215 ballot initiative in 1996, allowing patients with a valid doctor's recommendation to possess and cultivate cannabis for personal medical use. In October 2015, the Medical Cannabis Regulation and Safety Act ("MCRSA") was signed into law, providing a regulatory framework around the medical cannabis industry. In November 2016, voters approved Proposition 64, the Adult Use of Marijuana Act ("AUMA"), which legalized adult-use cannabis in the state. The Medicinal and Recreational Cannabis Regulation and Safety Act, an integration of MCRSA and AUMA passed in June 2017, creates the general framework for the regulation of commercial medicinal and adult-use cannabis in California. Three state agencies are responsible for licensing and regulating each aspect of the industry: the Bureau of Cannabis Control regulates retailers, distributors, testing labs, microbusinesses, and temporary cannabis events; the Manufactured Cannabis Safety Branch, a division of the California Department of Public Health, regulates manufacturers of

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

commercial cannabis for both medical and nonmedical use; and CalCannabis Cultivation Licensing, a division of the California Department of Food and Agriculture, regulates cultivators of medicinal and adult-use cannabis.

Arkansas

Arkansas voters approved the Arkansas Medical Marijuana Amendment (“AMMA”) in November 2016, allowing seriously ill patients to obtain and consume medical marijuana with a doctor’s approval and establishing licenses for state cultivation facilities and dispensaries. The state’s medical marijuana program is regulated by the Arkansas Department of Health (“ADH”), which issues medical marijuana cards for patients and caregivers. The Alcoholic Beverage Control Division (“ABCD”) regulates dispensaries and issues regulations for dispensing and cultivation activities. The Arkansas Medical Marijuana Commission regulates licensing of dispensaries and cultivation facilities and supports the ABCD in implementing regulations.

Ability to Access Capital and Restricted Access to Banking

Although the Company is currently, only indirectly involved in the cannabis industry, the Company is still impacted by certain restrictions placed on capital access and banking in the cannabis industry. Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States cannabis companies. Specifically, as financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with Financial Crimes Enforcement Network (“FinCEN”) guidance and do so at their own risk.

On September 26, 2019, the U.S. House of Representatives passed the Secure and Fair Enforcement Banking Act of 2019 (commonly known as the “SAFE Banking Act”), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act is currently being reviewed by the U.S. Senate Banking Committee.

The Company has established banking relationships for deposits and making payments to its vendors and employees, however, as the FinCEN guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice or other federal regulators, many banks in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, and the Company’s existing relationships may be rescinded as a result. The limitation in the Company’s ability to open or maintain bank accounts may make it difficult for the Company to operate and conduct its business efficiently.

With respect to access to capital, the Company has relied upon private equity capital raise to support the development and growth of our business in the past. The Company does not plan to rely upon traditional bank financing in the near-term, and instead expects to rely on both private and public capital markets as needed, as well as funds from future revenues, to support growth and expansion of company operations going forward.

RISK FACTORS

The following list of risks and uncertainties relate to the business of Australis. The list is not exhaustive and additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also adversely affect the Company’s business. These risks and uncertainties should be carefully considered in conjunction with all of the other information included in the Company’s consolidated annual financial statements and this management’s discussion and analysis. Management takes those actions necessary to mitigate these risks to the extent possible.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

Risks Related to the Company's Business

The Company is in the start-up phase of the business life cycle and anticipates deployment of operations, specifically in the technology segment, in the early third calendar quarter of 2020. The Company expects to continue to develop and refine its technology product offering after deployment, based on the feedback of dispensaries and end-consumers, which will require additional expenditures, potentially in excess of revenues generated by the product in the early periods of deployment.

The extent to which the impacts of the COVID-19 pandemic will affect Company operations following deployment, is unknown. Although the Company sees the use of self-service kiosks as a possible intermediary for dispensaries and their customers to facilitate transactions while limiting personal interactions and promoting social distancing, potential impacts such as lesser foot traffic in dispensaries due to consumer decisions to remain home, as well as reduced spend in response to economic uncertainties and high unemployment, may result in less than expected growth of Company operations during and following global recovery from the pandemic. This may have a negative impact on the Company's plans for growth and expansion and further effect the Company's ability in the short-term, to cover additional development costs through revenues generated by the product.

Despite these potential risks, the Company believes that the current preference for contactless interactions by consumers, provides an opportunity for more wide-spread adoption of the Cocoon platform as dispensaries look to in-store kiosks and mobile solutions to facilitate contactless sales. Further, prior times of economic uncertainty have shown that products such as alcohol and tobacco are generally, not significantly impacted and demands remain strong. Cannabis, considered a comparable industry, is expected to show similar patterns in times of economic uncertainty.

With respect to the cannabis segment of the Company's business, approvals of new license issuances and license transfers have been halted, pending the assembly of the Cannabis Control Board ("CCB") and transfer of regulatory responsibilities for the State of Nevada's cannabis industry from the Department of Taxation ("DoT") to the CCB. The Company has taken steps to effect the transfer of the cultivation and production licenses from GT to the Company, and approval of the transfer lies within the control of the state. During the period in which the Company awaits approval of the license transfer, the Company cannot commence cultivation and production operations. The current estimated date for transfer of responsibility from the DoT to the CCB, is July 2020 at which point, license application review will recommence. It is unclear whether the COVID-19 pandemic will impact the date on which the transfer of responsibility to the CCB will occur.

U.S. Cannabis Related Assets

The Company is currently engaged indirectly in the medical and adult-use cannabis industry in the United States, through its investment in Body and Mind, Inc. and through its holding of certain cannabis related assets, where only state law permits such activities. As such, the Company has an indirect exposure to the impacts of enforcement of federal law on the cannabis industry. Investors are cautioned that in the United States, cannabis is largely regulated at the state level. Although legal in each state in which the Company's investee operates and certain cannabis assets are held, cannabis continues to be categorized as a controlled substance under the Controlled Substance Act and as such, cultivation, distribution, sale and possession of cannabis violates federal law. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions and criminal charges, including, but not limited to, cessation of business activities or divestiture. Despite current protections under the Rohrabacher-Farr Amendment through September 2020, which prohibits the Department of Justice from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws, there is no guarantee that the federal government will not seek to prosecute cases involving adult-use cannabis businesses, or medical use cannabis businesses following expiration of the current Amendment. The risks associated with operating in the U.S. cannabis industry, may have an indirect, material adverse effect on the Company's financial results through decline in its investment and asset values if strict enforcement of federal law occurs.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

Dependence on Key Personnel

The success of the Company depends on the expertise, abilities, judgment and good faith of its senior management team, as well as the Company's ability to attract and retain highly skilled and qualified personnel. Failure to attract and retain members of senior management, technical personnel, and sales and marketing personnel, could adversely affect the Company's business, results of operations and future growth.

Competition

The cannabis industry is relatively new to the United States, with the technology branch of the cannabis industry newer still, and has experienced significant growth and regulatory change in its years of existence. As the industry expands and more states permit the use of medicinal or adult-use cannabis, the Company will likely face increasing competition from other companies, some of which can be expected to have longer operating histories and more financial resources than the Company. Increased competition may hinder the Company's success in launching its product and service offerings and expanding operations in the future.

Financial Liquidity

The Company currently has limited sources of operating cash flow and has incurred operating losses over the past fiscal years. To date, the Company has financed its operations and met its capital requirements through equity financings and believes that it has sufficient cash and resources to fund its business objectives for the next twenty-four months. The Company expects to rely on future revenue streams upon deployment of operations, as well as additional equity financing if and when needed, to support on-going operations and capital expenditures for growth going forward. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable to management and shareholders.

Intellectual Property Risks

The Company's ability to compete in the future depends in part, on the superiority and value of its intellectual property and technology, including both internally developed technology and technology licensed from third parties in conjunction with its Cocoon Technology Platform. To the extent possible, the Company will rely on trademark, copyright and trade secret laws, and confidentiality agreements with its employees and third parties to protect the Company's intellectual property and technology. Any loss of intellectual property protection may have an adverse effect on the Company's business, results of operations or prospects.

Performance Not Indicative of Future Results

The Company has a limited operating history upon which investors may base an evaluation of potential, future performance. There can be no assurance that the historical investment and operational performance of the Company will be indicative of future performance.

AUSTRALIS CAPITAL INC.

Management's Discussion & Analysis

For the years ended March 31, 2020 and 2019

OUTSTANDING SHARE DATA

As of July 1, 2020, the Company had the following securities issued and outstanding:

<u>Securities</u>	<u>Units Outstanding</u>
Issued and outstanding shares	170,761,297
Options	19,038,763
Warrants	30,929,562
Restricted Stock Units	4,888,440

ADDITIONAL INFORMATION

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