AUSTRALIS CAPITAL INC.

Management's Discussion and Analysis

For the three and six months ended September 30, 2020 and 2019
(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 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 three and six months ended September 30, 2020 and is prepared as of November 25, 2020. The MD&A should be read in conjunction with the Company's unaudited, condensed interim consolidated financial statements for the three and six months ended September 30, 2020 and 2019 and with the Company's audited consolidated financial statements and accompanying notes for the year ended March 31, 2020 (and related MD&A).

The interim 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 periods ended September 30, 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 the 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. Generally, 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. 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, without limitation, information regarding:

- The future financial and operating performance of the Company;
- Statements related to operational and investment objectives;
- Adequacy of financial resources;
- Expectations of market size and growth for the Company's current and proposed products, as well as the Company's ability to capture market share;

- Expectations of the business and regulatory environment in which the Company operates, and for the cannabis industry in general; and,
- Management's belief regarding the anticipated impact of COVID-19 on financial and operating results.

BUSINESS OVERVIEW

Australis Capital Inc. operates in the cannabis space, with a current focus on branding and technology. The Company is committed to becoming a leading US cannabis company with a strategic plan expected to deliver sustainable and growing value to shareholders. At the Company's annual and special meeting of shareholders held on November 17, 2020 the nominees proposed by a group of concerned shareholders were elected to the board of directors. The following discussion of the business of the Company reflects the business as at the date of this MD&A but as the new board reviews the Company's current operations it is anticipated that certain strategic changes will be made to the business of the Company.

The Company recently launched the operations of Cocoon Technology, a cloud-based, self-service fulfillment platform for dispensaries, with a potential launch of Cocoon Rewards, a mobile loyalty application that networks dispensaries into a single customer platform, to come in the next three to six months (collectively, the "Cocoon Platform" or the "Platform").

The purpose-built platform features data analytics, privacy, security and regulatory compliance to drive enhanced consumer experience and generate incremental revenue for dispensary owners. The Platform includes hardware, hosted software, maintenance services and an integrated mobile application. The hardware is comprised of the CocoonPod, a self-service kiosk that provides dispensaries with the means to facilitate contactless transactions. The CocoonPod securely accepts and manages cash transactions and facilitates ID verification by analyzing customer identification. Combined with the functionality of the hosted software solution, the Platform is expected to assist dispensaries with enhancing operational efficiency through streamlining customer order fulfillment and increasing customer throughput. The hosted software provides dispensaries with real-time sales data and analytical insights into customer interests and purchasing behavior to predict and prepare for sales patterns, promotions, and future inventory needs.

The mobile application is anticipated to be a complementary element of the Platform that provides advertising and brand/MSO loyalty features to dispensaries and their customer base, reaching beyond the in-store kiosks to users' mobile devices. The mobile application is expected to include features that educate users on various product offerings at dispensary locations and that provide intelligent product recommendations. Dispensaries can also offer exclusive, tailored discounts to match customers' needs, through the mobile application. CocoonRewards, when launched, is expected to integrate with existing dispensary loyalty and rewards programs so that customers can earn, collect, and redeem rewards, all through one, centralized mobile application. The platform is expected to improve customer satisfaction and loyalty through the rewards program, and through convenient, user-friendly kiosk and mobile application interfaces.

The Company has established sourcing relationships for the kiosks through its vendor agreement with RAPIDCASH ATM, Ltd., entered into on December 14, 2019. Additionally, the Company has a strong software development team through its acquisition of Rthm Technologies and supplemented by the addition of new developers with backgrounds in the highly regulated gaming industry. The Company has integrated the Platform with Flowhub, a leading cannabis retail management platform.

In connection with the four-year Kiosk Purchase and Service agreement entered into between the Company and THRIVE Cannabis Marketplace on December 9, 2019, the Company has completed installation of CocoonPod kiosks at two of eight THRIVE locations as of the date of this MD&A, with rollout of the remaining six locations expected to occur in the upcoming two quarters.

The Platform provides recurring Platform-as-a-Service revenues, recurring maintenance revenues and one-time revenues associated with the sale and installation of the kiosk hardware at dispensaries.

The Company has not yet launched operations for its branding strategy. The Company previously purchased from Green Therapeutics, LLC ("GT"), a licensed cultivator and producer of high-end medicinal and recreational marijuana in the state of Nevada, the high profile brand names Tsunami™, Provisions™, and GT Flowers. Additionally, the Company procured from GT, certain cultivation and production assets and cultivation and production licenses.

The Company also holds investments in the cannabis space, most significantly in Body and Mind, Inc. ("Body and Mind"), a multi-state operator with dispensary, cultivation and manufacturing/production operations in California, Nevada, Ohio and Arkansas. The Company holds smaller investments in Folium Equity Holding, LLC (Folium Biosciences) and Quality Green, Inc.

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;

- 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;

- Australis Prosper LLC ("Prosper"), a limited liability company organized under the laws of Nevada, in which ACI holds 100% ownership interest; and

- Cocoon Technology LLC ("Cocoon Technology"), a limited liability company organized under the laws of Nevada, in which ACI holds 100% ownership interest.

KEY DEVELOPMENTS DURING THE SECOND FISCAL QUARTER 2021

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

- On July 7, 2020, the Company entered into a non-binding letter of intent ("LOI") for the sale of its 8.9-acre parcel of land in North Las Vegas, Nevada. The terms of the LOI are such that completion of the sale is subject to, among other customary closing conditions, execution of a formal purchase and sale agreement, completion of the Company's current contract for civil work land improvements on the North Las Vegas land, and a final investigation and review of the property. Proceeds from the sale of the land will be used to provide additional cash flows for operations.

- On June 25, 2020, the Company entered into an agreement to acquire (the "Passport Acquisition") Passport Technology, Inc ("Passport Technology"), a developer of technology-based products and services for highly regulated payments, gaming and financial institutions. The Company had previously acquired from Passport Technology Canada, Ltd, a wholly-owned subsidiary of Passport Technology, a ten-year license to Passport Technology's proprietary platform and technology.

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

  In addition, the following resulted:

  (i) The Company transferred all operations, rights, previously acquired assets and related liabilities of Paytron, LLC ("Paytron"), to Passport Technology, and eliminated the earnout provisions payable to Paytron upon achievement of certain earnout thresholds, resulting in a loss of $164,315. This disposal was consistent with the Company's renewed focus on the United States Cannabis industry and commitment to focus efforts and resources on developing its United States cannabis operations.
  (ii) The Company amended the license, development and services agreement with Passport Technology Canada, Ltd. such that the maintenance revenues generated from the Cocoon Platform self-service kiosks, previously to be shared between Passport Technology and the Company, would be retained solely by the Company. In exchange, the Company agreed to transfer and assign to Passport Technology, all rights, title and interest to fifteen of the Company's self-service kiosks valued at $266,162.
  (iii) The Company entered into an agreement with the Company's former CEO and Director, Scott Dowty, pursuant to which Mr. Dowty resigned from his then current position as Executive Chairman of the Board of Directors, and agreed to forgo all cash severance and surrender all previously granted stock options of the Company. Mr. Dowty retained all previously granted restricted share units, which fully vested upon resignation, and was issued 4,250,000 common shares of the Company with a fair value of $595,000 based on the quoted market price of the shares at close of market on the day prior to settlement.

  The foregoing transactions with Passport Technology and Mr. Dowty will be reviewed by the incoming board of directors as part of its overall review of the Company, its operations and strategic direction.

- On September 9, 2020, the Company, through its subsidiary Cocoon Technology, completed the installation of the first of its CocoonPod self-service kiosks at THRIVE Cannabis Marketplace in North Las Vegas, Nevada. Installation at a second THRIVE location occurred on October 23, 2020, with installation at the remaining six, THRIVE locations to be completed in the coming months.

RECENT DEVELOPMENTS (SUBSEQUENT TO SEPTEMBER 30, 2020)

As disclosed above, on November 17, 2020, Australis held its annual and special meeting of shareholders at which the nominees of certain concerned shareholders were elected to the board of directors. Following their election to the board of directors, Harry DeMott, Chief Executive Officer, Alex Han, Chief Financial Officer, Cleve Tzung, Chief Operating Officer and Daniel Norr, Executive Vice President and Chief Legal Officer tendered their resignations as officers of the Company each individual chose their respective resignations to be effective as of December 18, 2020. The newly elected directors of the Company appointed Dr. Duke Fu as Interim Chief Executive Officer of the Company and have commenced an expedient executive search for a permanent experienced Chief Executive Officer and a permanent experienced Chief Financial Officer. The newly elected directors have commenced a review of the Company's operations and strategic direction.

UPDATE ON COVID-19 PANDEMIC

The Company continues to monitor guidance issued by state and federal authorities in response to the novel coronavirus, "COVID-19" pandemic. The Company implemented "social distancing" measures in the first calendar quarter of 2020, as recommended by these authorities and the Centers for Disease Control, by restricting non-essential travel by employees and permitting staff to work remotely, who have the ability to do so. These measures will remain in effect until such time as otherwise directed by appropriate authorities.

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

As of the date of issuance of the financial statements to which this MD&A relates, there have been no changes to capital investment plans nor corporate objectives of the Company as a result of the pandemic.

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
September 30, 2020	(1)	104,800	(5,815,181)	(0.03)
June 30, 2020	(2)	62,802	(3,312,725)	(0.02)
March 31, 2020	(3)	52,348	(10,557,488)	(0.06)
December 31, 2019	(4)	49,779	(5,829,397)	(0.03)
September 30, 2019	(5)	52,926	(5,663,527)	(0.04)
June 30, 2019	(6)	66,429	(1,291,736)	(0.01)
March 31, 2019	(7)	(2,129)	1,382,525	0.01
December 31, 2018	(8)	131,888	(1,063,791)	(0.01)

Summary of Quarter-over-Quarter Changes

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

(1) Net Loss for the quarter ended September 30, 2020 increased when compared to the prior quarter, primarily due to a loss on settlement with Passport Technology, Inc. and the Company's former CEO and Director of $1.0M, an increase in professional fees of $530k largely due to expenses incurred in relation to the Company's Annual and General Meeting and proxy solicitation, a loss on true-up provision of $1.6M related to the Company's brand optimization and marketing contract with ASTOUND, and partially offset by a decrease in share based compensation and wages and benefits in the amount of $410k.

(2) Net Loss for the quarter ended June 30, 2020 decreased when compared to the prior quarter, primarily due to a decrease in share based compensation and wages and benefits in the amount of $640k, a decrease of $2.6M in fair value adjustments related to the Company's investments, and non-recurring losses recognized in the quarter ended March 31, 2020 relating to the disposal of marketable securities in Wagner Dimas of $1.4M, impairment on intangible assets held for sale - Mr. Natural of $1.3M, and a loss on true-up provisions of $855k related to the Company's license acquisition from Passport Technology, Inc.

(3) 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 a decrease in professional fees of $500k.

(4) Net Loss for the quarter ended December 31, 2019 increased when compared to the prior quarter, primarily due to 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 and a reduction in loss on investment in associate of $1M.

(5) 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 $2.5M

(6) Net Loss for the quarter ended June 30, 2019 is primarily due to share based compensation of $1.8M due in part to accelerated vesting of a former Director's stock options and RSU's, and wages and benefits of $1.1M, 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.

(7) 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.

(8) 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

RESULTS OF OPERATIONS

Comparison of the three and six months ended September 30, 2020 and 2019

The Company reported a net loss of $5,815,181 and $9,127,906 during the three and six months ended September 30, 2020, respectively, compared to a net loss of $5,663,527 and $6,955,263 during the same periods in the prior year.

The Company launched operations of its subsidiary, Cocoon Technology, in September 2020 and recorded revenues of $37,467 during the first month of operations, comprised largely of revenue derived from the sale of the CocoonPod self-service kiosks. Total revenues for the three and six months ended September 30, 2020 are $104,800 and $167,602 respectively and include revenues from the operations of Cocoon Technology, consulting revenues from the Company's contract with Body and Mind, and merchant service fee revenues from the Company's formerly, wholly owned subsidiary, Paytron, LLC (Paytron revenues were discontinued upon disposition of Paytron on September 3, 2020 and accounted for $13,092 and $29,973 of total revenues during the three and six months ended September 30, 2020 respectively). Total revenues for the three and six months ended September 30, 2019 amounted to $52,926 and $119,355 and were comprised largely of consulting fees from the Company's contract with Body and Mind.

Cost of sales for the three and six months ended September 30, 2020 was $220,920 and $228,108 respectively, and was comprised largely of labor costs related to the ongoing development and maintenance of the Cocoon Platform, and costs of inventory, specifically the self-service kiosks. As operations commenced in September 2020, no costs of sales were recorded in the prior fiscal year.

The Company recorded a loss from operations of $2,761,636 during the three months ended September 30, 2020, resulting in an overall decrease of $1,550,999 when compared to the same period in the prior year. The decrease was primarily driven by a $654,791 decrease in share-based compensation expense, a $622,596 decrease in consulting and professional fees, due in part to expenses incurred in the prior year related to the Company's 2019 Annual and General Meeting and to cost savings in the current year on routine accounting and audit fees, and a $355,849 decrease in wages and benefits.

The Company recorded a loss from operations of $5,284,430 during the six months ended September 30, 2020, resulting in an overall decrease of $2,483,207 when compared to the same period in the prior year. Similarly, the decrease was primarily driven by a $1,599,196 decrease in share-based compensation expense, a $573,435 decrease in consulting and professional fees, and a $522,934 decrease in wages and benefits.

The Company recorded a net non-operating loss of $3,053,545 during the three months ended September 30, 2020, resulting in an overall change of $1,702,653 when compared to the same period in the prior year. The change was primarily due to a non-recurring loss on settlement of $1,025,477 relating to the settlement agreements with Passport Technology and the Company's former CEO and Director recognized during the current period, a loss of $1,615,835 related to certain true-up provisions of the Company's brand optimization and marketing contract with ASTOUND GROUP also recognized during the current period, and partially offset by a decrease in loss on investment in associate in the current year of $1,031,073.

The Company recorded a net non-operating loss of $3,843,476 during the six months ended September 30, 2020, resulting in an overall change of $4,655,850 when compared to the same period in the prior year. The change was primarily due to a non-recurring loss on settlement of $1,025,477 relating to the settlement agreements with Passport Technology and the Company's former CEO and Director recognized during the current period, a loss of $1,615,835 related to certain true-up provisions of the Company's brand optimization and marketing contract with ASTOUND GROUP also recognized during the current period, a gain of $2,015,941 on deferred fair value adjustments related to the Company's investment in Body and Mind recognized in the prior year, $664,208 in interest and prepayment penalty income received from Body and Mind in the prior year related to an early settlement of the Company's loan to Body and Mind, and partially offset by a decrease in loss on investment in associate in the current year of $784,702.

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 the next twelve months. The Company is not exposed to any externally imposed capital requirements.

Working capital as of September 30, 2020 was $18,848,668 as compared to $19,840,126 at March 31, 2020 resulting in a decrease to working capital of $991,458. The decrease was primarily attributable to a decrease in cash of $5,986,913, a decrease of $1,553,055 related to the conversion of the Company's short term convertible debentures in Body and Mind to long-term investment in associates, and an increase in provisions payable of $760,412 related to certain true-up provisions of the Company's brand optimization and marketing contract with ASTOUND GROUP. This is partially offset by the reclassification of the Company's North Las Vegas land, and related land improvements previously classified as construction in progress, to held for sale in the amount of $5,848,295 (net of foreign currency translation adjustment) and a decrease in accounts payable and accrued liabilities of $880,234.

Operating Activities

During the six months ended September 30, 2020, cash flows used in operating activities were $5,397,349 as compared to cash used in operating activities of $3,300,935 for the six months ended September 30, 2019. Cash used in operations for the period ending September 30, 2020 resulted primarily from a net loss of $9,127,906, adjusted for net non-cash expenses of $5,715,643 largely attributable to share-based compensation of $1,663,374, a non-cash loss on settlement of $1,025,609, a non-cash loss on true-up provisions of $1,615,835 and a non-cash loss on investment in associate of $854,712. This is partially offset by net cash used due to changes in working capital of $1,985,086, primarily due to decreases in accounts payable and accrued liabilities of $1,497,097 and increases in inventory and prepaid expenses of $500,395. Cash used in operating activities includes $3,311,941 in wages and benefits due in part to an increase in headcount to support the development of the Company's Cocoon Technology Platform and related operations, and $1,793,800 in annual insurance and professional fees.

Cash used in operating activities for the six months ended September 30, 2019 resulted primarily from a net loss of $6,955,263, adjusted for net non-cash expenses of $3,687,374, largely attributable to share-based compensation of $3,253,829. Cash used in operating activities includes $1,869,000 in wages and benefits and $1,485,000 in annual insurance and professional fees.

Investing Activities

During the six months ended September 30, 2020, cash flows used in investing activities were $290,989 compared to cash used in investing activities of $1,439,414 for the six months ended September 30, 2019. Cash used in investing activities during the six months ended September 30, 2020 resulted from proceeds from the sale of a portion of the Company's investment in common shares of Body and Mind, in the amount of $469,977, partially offset by $766,583 in expenditures related to the purchase of property, plant and equipment, largely related to the Company's North Las Vegas land.

Cash used in investing activities for the six months ended September 30, 2019 resulted predominantly from the exercise of 12,793,840 warrants, to acquire the same in shares of the Company's investment in associate, Body and Mind, in the amount of $6,396,920, expenditures related to the purchase of property, plant and equipment, largely related to the Company's North Las Vegas facility in the amount of $382,494, partially offset by proceeds from repayment of the Company's loan to Body and Mind of $5,340,000.

Financing Activities

During the six months ended September 30, 2020, cash flows used in financing activities were $148,953 compared to cash flows provided by financing activities of $2,608,398 for the six months ended September 30, 2019. Cash used in financing activities during the six months ended September 30, 2020 resulted from $71,698 in principal payments made for the Company's lease obligations and $77,255 in payments made for withholding tax upon settlement of the Company's options and restricted stock unit awards.

Cash provided by financing activities for the six months ended September 30, 2019 resulted from net proceeds of $2,501,905 from the exercise of warrants and $180,000 from the exercise of stock options, offset by $73,507 in principal payments for the Company's lease obligations.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions

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

	For the three months ended		For the six months ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Settlements [1]	1,025,477	-	1,025,477	-
Wages and benefits [2]	245,287	504,418	564,863	1,111,596
Directors' fees [3]	605,183	381,969	879,471	1,063,942
Share-based compensation to related parties [4]	172,864	795,893	653,182	1,519,372

[1] The Company entered into a series of connected transactions with Passport Technology, Inc. and the Company's former CEO and Director to formalize the termination, and fully and finally settle all obligations and entitlements of the Company and Passport Technology, with resect to the proposed acquisition of Passport Technology, Inc. Additionally, the Company's former CEO and Director resigned from his then current position as Executive Chairman of the Board of Directors.

[2] The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and consist of the Company's executive management team. The Company recorded an additional $166k in bonus expense in the period ended September 30, 2019, related to services performed through March 31, 2019, of which $137k pertains to bonuses for the Company's key management personnel.

[3] The Company's directors' fees include one-time compensation paid to the Special Committee members in August 2020, compensation paid to the Executive Chairman of the Board, and share-based compensation for the directors, during the periods presented.

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

Related party balances

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

	September 30, 2020	March 31, 2020
	$	$
Due to a former shareholder (1)	590,428	617,275
Other receivable (2)	30,300	76,460
Due from officers	-	28,374
Provisions (3)	-	855,423

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

(2) The amount is unsecured and includes advances of the employee portion of payroll taxes on RSU's exercised. The payroll taxes on RSU's exercised have no fixed repayment terms.

(3) The amount represents certain true-up obligations payable in connection with the Company's License, Development and Services Agreement with Passport Technology Canada, Ltd., an entity over which the Company's former CEO and Director has control. The amounts were fully and finally settled on June 25, 2020.

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 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.

In March 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which resulted in a series of public health and emergency measures being put in place to combat the spread of the virus. These measures have caused material disruption to businesses in United States, Canada and globally resulting in an economic slowdown. The duration and impact of COVID-19 continues to be unknown and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the company in future periods. To date, the Company has not experienced material changes in its business as a result of COVID-19, however, there is no certainty this will continue going forward. Accordingly, there is inherently more uncertainty associated with the estimates, judgements and assumptions made by management in the preparation of the interim consolidated financial statements. It is not possible to forecast with certainty the extent to which the economic impact of COVID-19 will affect the Company's operations and financial results in the near term and long-term.

NEW ACCOUNTING PRONOUNCEMENTS

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

(i) Amendments to IFRS 3, Business Combinations

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

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

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

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

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

In January 2020, the IASB issued, *Classification of Liabilities as Current or Non-current ("Amendments to IAS 1")*, to clarify the requirements for classifying liabilities as current or non-current. The amendments affect only the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

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

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

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, accounts receivable, and accounts payable and accrued liabilities approximate their fair values as at September 30, 2020 due to the relatively short-term maturity. The Company's annuity receivable carrying value at the effective interest rate approximates fair value. The Company's investment in associate held for sale includes marketable securities for which a quoted market price is available, and is carried at the lower of carrying value and fair value less costs to sell, the latter of which is based on the level 1 input of a quoted market price as adjusted for management's best estimate of costs to sell. 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 Company's provision payable is calculated based on the quoted price of Body and Mind shares in the market, a Level 1 input. Fair value of contingent consideration payable is classified as Level 3 and is based upon management's best estimate of the probability and timing of achieving the milestones to which the obligation is tied.
There have been no transfers between fair value levels during the period.

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

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

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 the carrying amounts of the Company's receivables 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.

As at September 30, 2020, the Company has the following contractual obligations:

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

[1] Contingent consideration payable is outlined in Note 9 of the Company's condensed interim consolidated financial statements for the three and six months ended September 30, 2020. The above reflects management's forecasted timing of achievement of the related milestones.

(iii) Market risk

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

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 September 30, 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 $300,419 (six months ended September 30, 2019 - $244,019) to net loss and $687,623 (six months ended September 30, 2019 - $461,222) to comprehensive loss for the six months ended September 30, 2020.

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

b) 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 related assets and from derivatives linked with such. The Company manages this risk by routinely monitoring and assessing the performance and outlook of its investments; however, this still exposes the Company to a moderate amount of price risk. The Company has determined that a 10% increase or decrease in the fair value of these financial assets would result in an increase or decrease of approximately $175,000 to net and comprehensive loss for the six months ended September 30, 2020.

(iv) Concentration risk

Concentration risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from 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 assets 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 (the "Staff Notice"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company currently has ancillary involvement (as defined in the Staff Notice), is currently indirectly involved, or expects to be indirectly or directly involved in the upcoming year, through its operations and 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, 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. The Company has ancillary involvement in the U.S. Cannabis industry through its subsidiary Cocoon Technology, which provides a cloud-based, self-service fulfillment platform to cannabis dispensaries. The cannabis 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 risks 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 $9,637,592 (inclusive of amounts held for sale) and the value of the Company's cannabis related assets as acquired from GT is $8,097,089.

U.S. Federal Overview

In the U.S., thirty-five states have legalized medicinal marijuana and fifteen 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 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 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. 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.

Numerous bills have been introduced in Congress in recent years to decriminalize aspects of state-legal marijuana trades, to provide protections for marijuana-related businesses in states with medical and adult-use marijuana laws, and to provide protections for financial institutions that offer banking services to State-legal marijuana businesses. For example, the MORE Act removes marijuana from the list of scheduled substances under the Controlled Substances Act and eliminates criminal penalties for an individual who manufactures, distributes, or possesses marijuana[1]. The CARERS Act removes restrictions on, and creates new protections for, conduct and activities related to medical marijuana that are authorized by state law[2]. The REFER Act limits restrictions on and penalties for certain cannabis-related activities that are authorized by state or local law[3]. While there are different perspectives on the most effective route to end federal marijuana prohibition, the Company anticipates that the federal government will eventually repeal the federal prohibition on cannabis, leaving the states to decide regulations on cannabis cultivation, production and sale. For the time being, cannabis remains a Schedule I controlled substance, and illegal at the federal level.

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.

Compliance

The Company was made aware of a potential complaint for disciplinary action filed by the Nevada Cannabis Compliance Board ("CCB") against Body and Mind, with respect to Body and Mind's Nevada operating subsidiary, alleging non-compliance with security measures restricting access to Body and Mind's building and certain employees without valid agent cards. The disciplinary action sought includes the potential for fines as well as the potential for license termination. Body and Mind's Nevada operating subsidiary has stated that it will continue to operate without interruption while fully cooperating with the disciplinary investigation and will contest or resolve the complaint through the prescribed legal process mandated by the CCB. Further, the CCB announced in a letter from its Executive Director to the public on October 19, 2020, that in light of the recent transition of authority from the Department of Taxation to the CCB, and the impacts of the COVID-19 pandemic on the timing and speed of transition, the CCB has granted a 90-day grace period on the expiration dates for agent cards, which may resolve certain of the complaints filed against Body and Mind.

With respect to the Company's ancillary involvement in the U.S. Cannabis industry, the Company is not aware of non-compliance of its customers, with applicable license requirements and regulatory framework enacted by the applicable U.S. State.

[1] https://www.congress.gov/bill/116th-congress/senate-bill/2227
[2] https://www.congress.gov/bill/116th-congress/house-bill/127?s=1&r=8
[3] https://www.congress.gov/bill/116th-congress/house-bill/1455?q=%7B%22search%22%3A%5B%22x%22%5D%7D

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 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. 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. The CCB formed in July 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 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 placement equity capital raises to support the development and growth of its 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 condensed, interim consolidated financial statements, this MD&A, and the Company's consolidated annual financial statements and related MD&A. Management takes those actions necessary to mitigate these risks to the extent possible.

Risks Related to the Company's Business

The Company is in the start-up phase of the business life cycle and launched operations, specifically in the technology segment, in the third calendar quarter of 2020. The Company may 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 the Company's 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 the 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.

With respect to the cannabis segment of the Company's business, approvals of new license issuances and license transfers were halted, pending the assembly of the CCB and transfer of regulatory responsibilities for the State of Nevada's cannabis industry from the Department of Taxation to the CCB. The CCB was formed in July 2020. Transfer of the Company's previously acquired cultivation and production licenses from GT to the Company is pending application and approval from the CCB and resolution of the lawsuit filed by GT and Meridian Companies, LLC against the Company and involving in part, the production and cultivation assets and licenses. The Company cannot commence cultivation and production operations until such time as the license transfer is complete.

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, through its holding of certain cannabis related assets, and through the ancillary services provided by Cocoon Technology, 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 Body and Mind operates, certain cannabis assets are held and ancillary services are provided, cannabis continues to be categorized as a controlled substance under the CSA 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 a decline in its investment and asset values, as well as on future revenues and results of operations, if strict enforcement of federal law occurs.

Future Acquisitions or Dispositions And Management of Growth

The Company's success will largely depend on its ability to grow its business in response to the demands of consumers and other providers within the cannabis industry. In some cases, the Company may determine to do so through the acquisition of complementary business rather than through internal development. Material acquisitions, dispositions and other strategic transactions anticipated in the growth and development of the Company's business, involve a number of risks including (i) risks surrounding the allocation and deployment of the Company's liquid assets and (ii) risks that the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected. Additionally, the Company may issue additional common shares which would dilute the current shareholders' holdings in the Company. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

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 twelve months. The Company expects to rely on future revenue streams, 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.

Risk of Public Health Crises

Public health crises, pandemics and epidemics, including the novel coronavirus (COVID-19), could adversely impact the Company and its customers. Accordingly, these events could have a material adverse effect on the Company's business, financial conditions and cash flows. The Company is continuously monitoring the impact of COVID-19 and will continue to transparently communicate with its staff, customers and stakeholders.

OUTSTANDING SHARE DATA

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

Securities	Units Outstanding
Issued and outstanding shares	176,359,362
Options	21,207,467
Warrants	23,540,434
Restricted Stock Units	3,562,007

ADDITIONAL INFORMATION

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