Australis Reports Q3 2021 Results

Results Impacted by Non-Cash Impairments and Reserve Adjustments Related to Legacy Business

Company positioned for rapid growth upon completion of ALPS and Green Therapeutics transactions

Conference Call on Tuesday March 2, 2021 at 10AM ET

LAS VEGAS, March 1, 2021 /CNW/ - Australis Capital Inc. (CSE: AUSA) (OTC: AUSAF) ("AUSA" or the "Company"), today announced that the Company has filed its financials and management discussion and analysis for the third quarter of fiscal 2021, the period ending December 31, 2020.

On November 17, 2020, an overwhelming majority of attending shareholders voted to support the new leadership team that was proposed by a group of concerned shareholders. Consequently, Dr. Duke Fu, Dr. Jason Dyck, Mr. Avi Geller, Mr. Hanoz Kapadia and Mr. John Esteireiro were elected as Directors of the Company. Dr. Duke Fu also was appointed as Interim CEO of the Company.

The period under review, Fiscal Q3 2021, relates to the period ended December 31, 2020. Results reported therefore relate predominantly to the legacy business and do not include any financials related to the proposed ALPS and Green Therapeutics LLC ("GT" or "Green Therapeutics") acquisitions (see press releases dated January 5, 2021, February 9, 2021 and February 24, 2021).

Events subsequent to the quarter

The new leadership team immediately commenced executing on the strategy put forward by the concerned shareholder group. In short order, predominantly subsequent to quarter's end, a number of important changes and major achievements were reported:

Leadership changes

- The Company appointed Jon Paul as its new CFO. Mr. Paul brings with him considerable public company experience in the cannabis industry, as well as a strong track record in driving profitability in very fast paced, emerging, regulated consumer industries.
- In relation to the transaction whereby AUSA is proposing to acquire a majority interest in ALPS (see below), the Company announced that Mr. Terry Booth is to be appointed as CEO upon completion of the transaction. Mr. Booth is one of the visionaries and pioneers in the cannabis sector and has a strong track record in executing and driving shareholder value.
- Upon the appointment of Mr. Booth as CEO, Dr. Duke Fu, currently Interim CEO, will take on the position of COO, with a special focus on driving organic growth and innovation. Dr. Fu, former President at MedMen Enterprises (2014-2015), also acts as the CEO of Green Therapeutics, an award-winning MSO headquartered in Nevada and has extensive experience in technology-driven GMP level manufacturing and science-based medical innovation.
- The Company anticipates making further appointments to its leadership team as the Company progresses in its development.

ALPS

- The Company announced it would be acquiring a 51% interest, with an option for the remaining 49%, in ALPS, the world's premier cultivation facility design, construction management, and (post) commissioning and compliance service provider for the cannabis and horticultural industries (see January 5, 2021 press release).
- The Company and ALPS signed a definitive agreement (see February 24, 2021 press release) and expects to close the acquisition in early March.
- As a global innovation leader in the horticultural and cannabis sectors, ALPS has signed multiple facility and service contracts in the past 6 weeks for total revenues in excess of $5 million, with the majority of the work to be completed in fiscal 2022. With a rapidly expanding business pipeline, the Company anticipates continued growth over the coming months.
- With a number of existing customer relationships and significant contracts, ALPS brings significant revenues to the Company and is also anticipated to be immediately accretive to AUSA results following the closing of the acquisition.
- 64% of the acquisition price is tied to significant revenue and EBITDA targets, reflecting the confidence of the ALPS management to profitably expand the business. Revenue targets range from $26.1 to $46.6 million over three annual periods. Corresponding EBITDA targets are $11.7 to $21.0 million.
- ALPS is expected to enable the Company to fuel the scale-up of its brands across the U.S. and beyond without having to invest in CapEx heavy infrastructure, while retaining substantial margin. AUSA plans to leverage ALPS's customer relationships, whereby customers, in return for ALPS developed IP, will grow AUSA's portfolio of award-winning genetics, selling these back to AUSA at a reduced mark-up.

GT

- On January 5, 2021, the Company announced it has entered into a term sheet regarding the acquisition of Green Therapeutics LLC.
- GT is an award-winning, Nevada-based cannabis company with a strong brand portfolio, comprised of GT Flowers, Tsunami and Provisions.
- Led by former MedMen President Dr. Duke Fu, GT has assembled a strong team of medical professionals and pharmaceutical manufacturing experts. Based on the team's experience and science-based approach, GT has created a portfolio of high-end dried flower and designer/luxury derivative products that are in high demand. GT products are carried by 52% of Nevada dispensaries.
- With the proposed acquisition comes an 8,000 sqft cultivation and manufacturing facility, as well as Management and Brand Licensing Agreements with entities in Oklahoma and Missouri licensed for extraction and processing, and rights to acquire an interest in the Oklahoma entity and a 25% interest in the Missouri entity, both subject to regulatory approval.
- The Company intends to leverage its ALPS driven expansion model, described above, to scale up the GT brands, providing consumers throughout the U.S. and beyond with access to GT's in demand products.
- The acquisition of GT is contingent on approval by the State of Nevada's Cannabis Control Board and subsequent local approval by Clark County Department of Business License. The timing of Nevada Cannabis Compliance Board review and approval is beyond the control of the Company.

Q4 Outlook

The Company anticipates closing the ALPS transaction in early March and the GT transaction by the end of March. With less than a full month of integration, it is anticipated that ALPS will still bring a significant boost to revenues in Q4, with the full impact materializing in Q1. As the Company will not own 100% of GT until such time as the transfer of licenses is completed. The Company will not be able to consolidate plant touching revenues and will only consolidate revenues from non-plant touching ancillary services resulting in receipt by AUSA of management fees, equipment leasing, and IP licensing fees. Of further note:

- The new leadership team has reduced personnel costs to conserve cash during Q4 as well as dramatically lowered legal and investor relation fees after the proxy fight.
- The sale of the North Las Vegas land is expected to bring $1.9 million cash for the Company's share when the closing is completed (anticipated to occur by the end of March).
- The value of the Company's investment in Body and Mind Inc. ("BAMM") has increased by $5.5 million since year-end and is anticipated to make a positive contribution in Q4. Shares of BAMM as at March 1, 2021 closed at $0.79, as compared to $0.49 as at December 31, 2020.
- Quality Green Inc., an Ontario based private cannabis company in which the Company holds an investment, is in the middle of completing a private placement of securities. Based on the valuation expected by Quality Green's top management, the value of the Company's stake will increase by $1.5 million.

Management Commentary

Dr. Duke Fu, Interim CEO, commented, "We are delivering on the promises made to our shareholders when the new leadership team took over. We are executing at a very high pace, with two proposed acquisitions announced and moving towards completion, a completely new leadership team installed, ALPS firing on all cylinders with over $5 million in contracts signed in the past six weeks, and the team is progressing on further potential partnerships, transactions and strategic revenue enhancing initiatives. Consequently, we are exceptionally well positioned to leverage our assets and execute on our unique expansion strategy to transform AUSA into a meaningful, national MSO."

Jon Paul, CFO, added, "The Company's third quarter results were impacted by a number of non-cash impairment charges against legacy assets and operations, as well as one off charges related to the recent proxy battle and the resulting reorganization of the Company's board and management. Without these extraordinary expenses, net loss would have been limited to $2.3 million. The cash burn from operations during the quarter of $2.7 million was consistent with the first half of fiscal 2021. As we wrap up the restructuring of the legacy operations, we have a cleaner slate for focusing on the ALPS, GT and other potential acquisitions and partnerships as we scale our business."

Mr. Paul added, "Going forward into fiscal Q4, we anticipate a number of material events to boost our results. We expect to close on the ALPS transaction in early March, which is anticipated to bring a significant boost to revenues, even with less than one month left in the quarter. The full revenue impact from ALPS will be felt the following quarter, Q1 of fiscal 2022. Our investments in BAMM and Quality Green, as of today, are up by approximately $7.0 million. The sale of land held in North Las Vegas is expected to bring approximately $1.9 million cash when the land sale closes at the end of March."

Q3 2021 Overview

The financial results for Q3 2021 concern the period ended December 31, 2020. These results therefore reflect the legacy business only, with minimal technology and consulting revenue, and do not properly reflect the operations of the Company going forward.

The results for the period under review were impacted by a number of one-off, mostly non-cash extraordinary items. A net loss of $19.4 million was recorded, versus $5.8 million for the prior year's comparable quarter. The increased loss was due predominantly to extraordinary items, which totaled $17.6 million. Adjusted for these items, the Company would have recorded a $1.8 million operating loss, a $4.0 million improvement over the prior year's quarter.

The list below provides an overview of the aforementioned extraordinary items:

1. The Company, has decided to record a number of non-cash impairments of intangibles related to the legacy business the new leadership team inherited upon taking charge at AUSA:

- $5.3 million impairment of the Passport license.
- $2.4 million impairments of the Rthm goodwill and software.

2. Other non-cash adjustments recorded

- $2.3 million in reductions in the carrying value of land held for sale in Washington state and North Las Vegas.
- $1.2 million in reductions in the value of marketable securities in Folium Equity Holding, LLC and BAMM (the latter driven by a change in accounting method away from an investment valuation)

3. Reorganization

- $3.4 million in costs related to the proxy battle and board/management changes, consisting primarily of additional legal fees and investor relations costs and to a lesser extent, estimated net costs of settling compensation and equity matters with the prior board and management.
- $3.0 million in a settlement and restructuring provision to address legal, restructuring, and other settlement obligations and costs which arose from events during the quarter, in particular, costs incurred with the GT legal settlement and revised term sheet.

Q3 Financial overview

1. **Revenues and Gross Margins**

- Revenues were minimal at $90K, consisting of consulting fees from BAMM and technology revenue from Cocoon. Gross margins were negative $(166K) due to the costs of supporting the Company's Cocoon line in its early stages.

2. **Operating Expenses**

- Operating expenses came in at $4.9 million, as compared to $3.2 million for the same period in the prior year but included $3.4 million in one-time costs mentioned above related to the proxy battle. Otherwise, costs would have been under half of the costs in Q3 FY 2020.

3. **Loss from Operations**

- A $5.1 million operational loss was recorded, an increase of $2.0 million, driven primarily by one-off costs related to the aforementioned restructuring and proxy activities. Adjusted for these extraordinary costs, the net quarterly loss would have been $1.7 million, an improvement over the prior quarter by $0.8 million.

4. **Net Loss**

- A $19.4 million net loss was recorded vs. a loss of $5.8 million in Q3 of the prior year. Without $17.6 million in one-off costs and impairments, the loss would have been $1.8 million.

Working Capital & Liquidity

As at December 31, 2021, the Company held $7.6 million in cash, as well as $9.9 million in marketable securities. Working capital stood at $7.0 million, a decrease by $12.8 million over the prior year, due primarily to a decrease in cash of $8.7 million, with no cash raised during the first nine months of FY 2021, along with $1.2 million spent on construction in progress on the North Las Vegas land, which has now been reclassified for sale and $3.0 million in accrued provision liabilities for reorganization costs mentioned above.

Cash flow during the quarter was comprised of the following:

1. **Cash used in Operations** during Q3 2021 was $2.7 million, in line with the prior quarter.
2. **Cash used for investments** during the quarter was $0.4 million in construction in progress on the land held for sale, which the company anticipates closing in Q4.
3. **Financing costs** of $0.2 million were recorded, related to leases and share-based compensation.
4. **A Foreign Exchange** gain of $0.5 million was recorded.

The Company's financial statements and management discussion & analysis were filed on SEDAR and can be found on www.sedar.com.

Conference call details

Management will host a conference call discussing the results and the go forward business on March 2, 2021 at10AM EST. The call can be accessed via telephone or via webcast per the details provided below.

Canada:	1.416.764.8659
North American Toll Free:	1.888.664.6392
Webcast URL:	https://bit.ly/37Rhatx
Confirmation #:	36589903

A replay of the call will be available until March 9, 2021. The replay can be accessed as follows:

Encore Replay Canada:	1.416.764.8677
Encore Replay North American Toll Free:	1.888.390.0541
Encore Replay Entry Code:	589903#

About AUSA

AUSA is implementing a growth strategy towards establishing a highly competitive and profitable MSO in the U.S. and global cannabis markets. AUSA is in the process of closing a transaction to acquire 51% ownership of ALPS, the world's premier design, construction management, commissioning and post commissioning consultancy for horticultural crops, such as cannabis, fruits, vegetables, mushrooms and algae. The Company will also hold an option for the acquisition of the remaining 49% of ALPS. AUSA is currently working towards the closing of a transaction whereby it will acquire 100% of the membership interest in Green Therapeutics LLC, an award-winning MSO with operations in Nevada, Missouri and Oklahoma. Through GT and ALPS, the Company believes it will be able to secure low-cost access to cannabis biomass to fuel the scale up of its award-winning brands across the U.S. and global cannabis markets. AUSA's other business and assets include investments in Cocoon, Body and Mind Inc., Quality Green, Folium Biosciences, and land assets in Washington and Michigan.

The Company's common shares trade on the CSE under the symbol "AUSA" and on the OTCQB under the symbol "AUSAF".

Forward-Looking Statement

This press release contains "forward-looking information" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, included herein are *forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, this press release contains forward-looking information in relation to: the timing and ability to close the proposed transactions with GT and ALPS; the anticipated development of the GT and ALPS businesses and their impact on the Company; the ability of the Company to execute on its strategy to establish a low capex model MSO; the proposed management changes; the outlook for the fourth quarter; the impact of the changes to U.S. federal and state developments with respect to the cannabis industry and the opportunities this may present for the Company. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These assumptions include, but are not limited to: the ability of the Company to successfully satisfy the conditions to closing the ALPS and GT transactions; the ability of management of ALPS, GT and the Company to successfully execute on their respective business plans; legal changes relating to the cannabis industry proceeding as anticipated; and the Company's continued response and ability to navigate the COVID-19 pandemic being consistent with, or better than, its ability and response to date.*

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals; risks related to the COVID-19 pandemic.

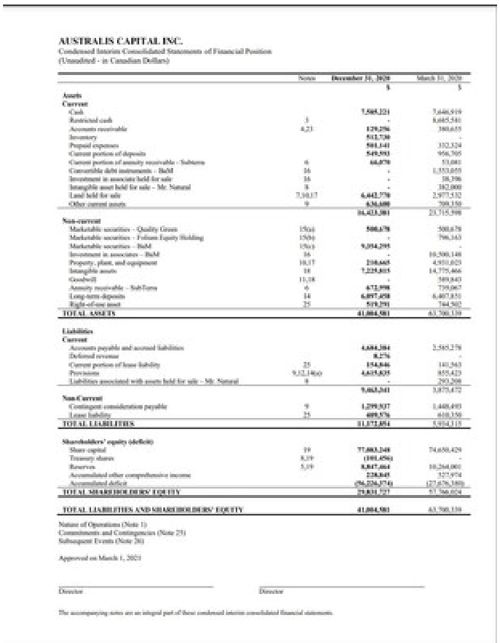
EBITDA is a Non-IFRS measure. Earnings before interest, taxes, depreciation and amortization ("EBITDA") should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company believes that EBITDA is a meaningful financial metric as it measures cash generated from operations, which the Company can use to fund working capital requirements and fund future growth initiatives.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents on the SEDAR website at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

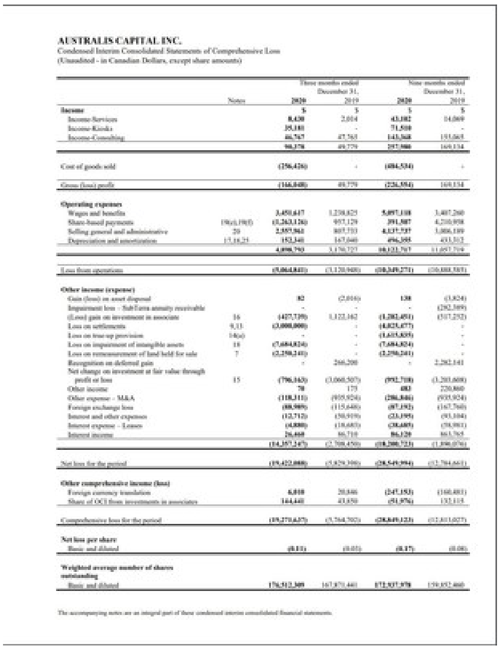
Forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release represents the expectations of the Company as of the date of this press release and, accordingly, are subject to change after such date. However, the Company expressly disclaims any intention or obligation *to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.*

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Regulation Services Provider (as that term is defined in the policies of the CSE) accept responsibility for the adequacy or accuracy of this release.

Notes to the financial statements can be found in the financial statements filed on SEDAR under the Company's profile (www.sedar.com)


AUSTRALIS CAPITAL INC.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - in Canadian Dollars)

Condensed Interim Consolidated Statements of Financial Position (CNW Group/Australis Capital Inc.)


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

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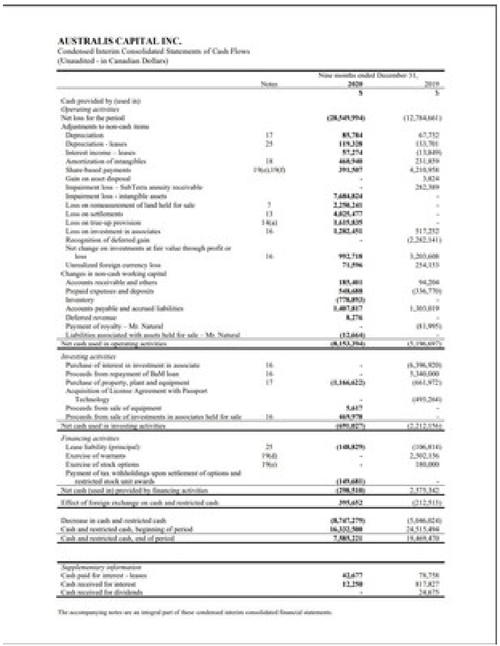
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