



Australis Reports Q1 Financial Year (FY) 2021 Results

2,652% Year-over-Year and 266% Sequential Revenue Growth in Q1

62% Gross Margin, Driven by Consulting and Management Fee Income

Adjusted EBITDA loss improved by 15% from prior quarter

Company Continues to Execute at Rapid Pace with Multiple Transactions, Partnerships and New Market Entries

Conference Call on Monday August 30, 2021 at 11:00 AM ET

LAS VEGAS, Aug. 30, 2021 /CNW/ - Australis Capital Inc. (CSE: AUSA) (OTC: AUSA) ("AUSA" or the "Company"), doing business as AUDACIOUS, today announced that the Company has filed its unaudited financial statements and management discussion and analysis for the first quarter of fiscal year 2022, the period ending June 30, 2021.

Terry Booth, CEO, commented, "Continuing the strong performance recorded in Q4 of fiscal 2021, AUSA has transformed itself into a rapidly growing MSO in the U.S. cannabis space. With revenues soaring by over 2,600% over last year, improving gross margin and adjusted EBITDA, we are showing the power of our execution on a unique strategy. This is just the beginning. We are exceptionally well positioned with operations in new jurisdictions coming online, new brands launched, and a number of very interesting transactions and partnerships progressing well towards signing. Going forward, shareholders can expect AUDACIOUS to continue transforming the business and execute towards becoming a unique and uniquely successful MSO."

Financial Highlights

Driven by a full quarter of ALPS revenues and Green Therapeutics ("GT")-related management fee income, AUSA revenues reached \$1.7 million, its best quarter ever and far surpassing revenues in any complete fiscal year since inception. Revenues soared by 2,652% over the prior year Q1, and by 266% sequentially compares to the prior quarter, Q4 2021. ALPS, acquired on March 9, 2021 saw revenues grow by 90% sequentially, on a pro forma basis comparing Q1 2022 to Q4 2021.

Gross margin came in at a strong 62% and climbed to \$1.1 million, a 1,814% increase over Q1 last year, led by strong consulting revenues from ALPS along with management fee income related to GT. Margins from the cannabis business will kick in once the pending license transfer from GT is approved in Nevada to complete the balance of the GT acquisition.

The Company recorded a net loss of \$(9.5) million or \$(0.04) per share, driven primarily by a decrease during Q1 in the price of Body and Mind ("BaM") shares held. To date in Q2 FY 2022, BaM has rebounded back to the per share price as of March 31, 2021. Without the revaluation of the BaM shares, Adjusted EBITDA was comparable to a year ago. Adjusted EBITDA remained at a slight loss of \$(0.01) per share or \$(1.6 million), a sequential 15% improvement from \$(1.8 million) in Q4 FY 2021. There were very little other impairment costs, as AUSA's new management has completed most of the restructuring of various deals or disputes as of FY 2021.

The table below provides financial highlights for the quarter.

CAD \$	Q1 FY 2022	Q1 FY 2021	Change
Revenue	\$1.73M	\$0.06M	2652%
Gross Profit	\$1.06M	\$0.06M	1814%
Operating Loss	(\$3.42M)	(\$2.52M)	(35%)
Adjusted EBITDA ¹	(\$1.58M)	(\$1.43M)	(11%)
	Q1 FY 2022	Q4 FY 2021	Change
Cash, and Securities	\$8.7M	\$16.3M	(47%)

Total Assets	\$74.5M	\$82.4M	(10%)
Owners Equity	\$62.4M	\$66.9M	(6%)

¹ Non-GAAP unaudited measure which the Company feels better reflects operating results

Management commentary and Operational Highlights

Please refer to the recent August 26, 2021, Q4 FY 2021 press release.

Q1 2022 Overview

Revenue grew by over 2,650% in Q1 FY 2022 vs. Q1 FY 2021, due mainly to a full quarter of ALPS revenue, along with revenues earned from management fees related to the GT transaction. Gross profit grew by over 1,800% in the same period, with strong gross profit from the ALPS business and fees earned from GT. Operating expenses increased due to the addition of ALPS, along with additional personnel at the corporate level as the Company prepares to expand as an operating company. The net loss increased to \$9.5 million, due to a decrease in the investment valuation on the BaM shares of \$5.9 million. Adjusted EBITDA, however, increased only slightly in Q1 FY 2022 vs. Q1 FY 2021, as much of the higher operating expenses pertained to share based compensation for new personnel and amortization of intangibles such as customer relationships from the ALPS acquisition.

	Quarter Ending				
	Q1 FY 22	Q4 FY 21	Q3 FY 21	Q2 FY 21	Q1 FY 21
	June 30,	March 31,	December 31,	September 30,	June 30,
	2021	2021	2020	2020	2020
	\$	\$	\$	\$	\$
Revenue	1,728,363	459,171	90,378	104,800	62,802
Cost of goods sold	(663,824)	(435,508)	(256,426)	(220,920)	(7,188)
Gross profit (loss)	1,064,539	23,663	(166,048)	(116,120)	55,614
Operating expenses					
Wage and benefits	948,029	801,390	3,451,617	708,731	936,770
Share-based payments	1,370,845	998,651	(1,263,126)	732,982	921,651
Selling general and administrative	1,700,089	1,810,246	2,557,961	1,032,553	547,223
Depreciation and amortization	460,974	99,531	152,341	171,250	172,764
	4,479,937	3,709,818	4,898,793	2,645,516	2,578,408
Loss from operations	(3,415,398)	(3,686,155)	(5,064,841)	(2,761,636)	(2,522,794)
Gain (loss) on investments	(5,864,934)	3,235,433	(1,223,902)	(303,662)	(747,605)
Gain (loss) on impairments, settlements, provisions	(226,200)	3,676,862	(12,935,065)	(2,641,312)	-
Other expense	(164,338)	(213,611)	(198,280)	(108,571)	(42,326)
	(6,255,472)	6,698,684	(14,357,247)	(3,053,545)	(789,931)
Net income (loss) before tax	(9,670,870)	3,012,529	(19,422,088)	(5,815,181)	(3,312,725)

Revenue

Total revenues for the three months ended June 30, 2021 and 2020 were \$1.7 million and \$0.06 million, respectively. Q1 FY 2022 includes revenues from ALPS (acquired in March 2021), and management fees from GT.

Cost of Sales

Cost of sales for the three months ended June 30, 2021 and 2020, were \$0.7 million and \$0.01 million, respectively. The Q1 FY 2022 cost is largely ALPS labor costs for professionals advising greenhouse clients.

Gross Profit

Gross profit for the three months ended June 30, 2021 and 2020, were \$1.1 million and \$0.06 million, respectively. The Q1 FY 2022 amounts are predominantly from high margin ALPS business plus management fees with GT.

Wages and Benefits

Wages and benefits for the three months ended June 30, 2021 and 2020 were unchanged at \$0.9 million. The addition of ALPS was partially offset by lower personnel levels and wages from changes in senior management after the dissident battle. Wages and benefits did increase by \$0.1 million over Q4 FY 2021, with new management hires during Q4 FY 2021 that were now in place for a full quarter in Q1 FY 2022.

Share-based Payments

Share-based payments for the three months ended June 30, 2021, and 2020 were \$1.4 million and \$0.9 million, respectively. The increase is due primarily to the additional options granted with the March 2021 acquisitions of ALPS and GT as well as to the new management team at corporate.

Selling General and Administrative

SG&A expenses for the three months ended June 30, 2021, and 2020 were \$1.7 million and \$0.5 million, respectively. The increase from prior year is due to the addition of ALPS personnel as well as higher legal, professional and board of director fees.

Operating Loss

The operating loss was \$3.4 million for the three months ended June 30, 2021, compared to \$2.5 million for the three months ended June 30, 2020. Higher SG&A costs more than offset the increase in gross profit. However, the operating loss in Q1 FY 2022 was \$0.3 million less than Q4 FY 2021 and \$1.6 million less than Q3 FY 2021.

Other Expenses

Total other expenses for the three months ended June 30, 2021, and 2020 were \$6.3 million and \$0.8 million, respectively. The current period total includes a \$5.9 million decrease in the value of the BaM holdings and a \$0.2 million adjustment for the Rapid Cash settlement. The small amount of activity in impairments, settlements and provisions compared to FY 2021 reflects that new management had these matters mostly resolved by March 31, 2021. The prior year total includes a \$0.7 million reduction in the value of the BaM investment.

Net Loss

The net loss for the three months ended June 30, 2021, and 2020 were \$9.7 million and \$3.3 million, respectively. The decrease in value of the BaM holdings along with higher personnel and professional fees were offset partially by higher gross margins.

Adjusted EBITDA

	For the three months ended	
	June 30, 2021	June 30, 2020
	\$	\$
Loss from operations	(3,415,398)	(2,522,794)
Share-based payments	1,370,845	921,651
Depreciation and amortization	460,974	172,764
Adjusted EBITDA	(1,583,579)	(1,428,379)
Adjusted EBITDA per share	(0.01)	(0.01)

	For the three months ended	
	June 30, 2021	June 30, 2020
	\$	\$
Loss from operations	(3,415,398)	(2,522,794)
Share-based payments	1,370,845	921,651
Depreciation and amortization	460,974	172,764
Adjusted EBITDA	(1,583,579)	(1,428,379)
Adjusted EBITDA per share	(0.01)	(0.01)

The Company believes a non-GAAP measure, adjusted EBITDA, is a better reflection of operating results. Adjusted EBITDA had a slightly higher loss for Q1 2021 with additional personnel costs from the acquisition of ALPS.

Working Capital & Liquidity

Working capital as of June 30, 2021, was \$10.4 million, as compared to \$16.4 million as at March 31, 2021 resulting in a decrease to working capital of \$6.0 million. The decrease was due primarily to a decline in the value of the publicly traded BaM holdings and a sale of land held for sale. Subsequent to June 30, 2021, the unit value of the BaM shares has rebounded to the March 31, 2021 per share value.

Conference call details

Management will host a conference call discussing the results and the go forward business on Monday August 30, 2021 at 11 AM EST. The call can be accessed via telephone or via webcast per the details provided

below.

Canada:	1.647.792.1241
North American Toll Free:	1.800.430.8332
Webcast URL:	https://produceredition.webcasts.com/starthere.jsp?ei=1485895&tp_key=3e12ff453c
Confirmation #:	8208118

A replay of the call will be available until September 5, 2021. The replay can be accessed as follows:

Encore Replay Canada:	1.647.436.0148
Encore Replay North American Toll Free:	1.888.203.1112
Encore Replay Entry Code:	8208118

About AUSA

AUDACIOUS is at its roots a community and culture-based cannabis company. After the completion of a dissident shareholder battle that ended with convincing shareholder approval, Terry Booth, former Aurora CEO, who had to step away from AUSA upon spin off, re-joined AUSA as CEO on March 9, 2021. Since then, the company has reset the direction of AUSA and in just 3 months closed multiple accretive transactions, improved legacy contracts, established a world class Executive Team, and resolved previous executive and board exits.

Also, in the same 3-month time frame, AUSA with its acquisition of ALPS has entered the global Sustainable Controlled Environment Agriculture Industry, a rapidly growing segment of the global horticulture market. ALPS provides customized designs along with multiple services that allow operators to maximize yield and quality while minimizing inputs and resources, including labor. ALPS at present is active in cannabis and traditional horticulture projects across the globe, including the U.S., Canada, Denmark Finland, Iceland, Germany, Netherlands, Bahrein, United Arab Emirates, Southeast Asia, Australia, as well as other jurisdictions.

Total Capex committed by ALPS' clients since Aurora divested its interest just 12 short months ago during the Covid crisis, stands at approximately \$1 billion, with a rapidly growing business development pipeline in excess of \$7 billion in total Capex to be spent by potential clients over the next 24 months.

AUSA's business assets include: a 51% ownership interest in ALPS, a milestone weighted deal with an option to acquire the remaining 49% of ALPS — AUSA and Green Therapeutics, an award-winning MSO, have finalized and agreed to all terms with respect to AUSA's 100% acquisition (subject to regulatory state licensing approvals). AUSA also owns land assets in Bellingham, Washington - as well as the iconic West Coast brand Mr. Natural and the ingestibles brand LOOS with a footprint in the California market.

AUSA also has a supply partnership with Belle Fleur, founded by the team behind Rapper Weed and the discoverer or Machine Gun Kelly, who stated: "I just bought \$1,000 worth of Rapper Weed at Cookies in Maywood. These guys have the best flower in the game." AUSA and Belle Fleur are working towards a broader arrangement to include brand partnerships in Massachusetts and other jurisdictions the companies intend entering into.

AUSA furthermore has investments in Body and Mind Inc., a U.S. MSO, Quality Green, a Canadian licensed producer and Cocoon, a company changing the dispensary customer user experience through self-service kiosks The Company also has executed a term sheet for a JV partnership with U.S. and Canada based 3 Rivers Biotech for plant tissue culture, genetics clean-up and micro propagation.

AUSA cannabis assets and ALPS projects are presently located in Massachusetts, Arizona, Nevada, Washington, Michigan, Missouri, Oklahoma, and California with many other deals in other states presently being evaluated and negotiated.

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

The audited consolidated annual financial statements for the year ended March 31, 2021 are available on SEDAR and EDGAR and should be read in connection with this news release.

Adjusted EBITDA is a Non-GAAP metric used by management that does not have any standardized meaning prescribed by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management defines the Adjusted EBITDA as the Income (loss) from operations, as reported, before interest, taxes, and adjusted for removing other non-cash items, including the stock-based compensation expense, depreciation, and further adjustments to remove one-time expenses pertaining to personnel costs and fees

resulting from the dissident battle and subsequent restructuring. Management believes Adjusted EBITDA is a useful financial metric to assess its operating performance on a cash adjusted basis before the impact of non-cash items and acquisition activities. The most comparable financial measure calculated and presented in accordance with U.S. GAAP is net operating income (loss), which was presented above prior to the Adjusted EBITDA figure.

"Terry Booth"

Terry Booth
Chief Executive Officer

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 is 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 ability of ALPS to convert its pipeline into contracts; the impact of the changes to U.S. federal and state statutory developments with respect to the cannabis industry and the opportunities this may present for the Company; and the Company's current liquidity. 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 proposed transaction; the ability of the Company to successfully execute on its plans for the Company and GT; legal changes relating to the cannabis industry proceeding as anticipated.

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.

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.

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Financial Position (Unaudited - Expressed in Canadian Dollars)				
	Notes	June 30, 2021	March 31, 2021	
		\$	\$	
Assets				
Current				
Cash and cash equivalents		2,108,524	3,531,357	
Accounts receivable	4	2,973,819	1,696,656	
Inventory		466,374	473,185	
Prepaid expenses		252,594	470,479	
Current portion of deposits		604,525	649,464	
Current portion of annuity receivable - SubTerra		59,575	66,070	
Marketable securities held for sale	5	6,626,440	12,803,638	
Land held for sale	6	1,859,100	4,151,551	
		14,950,951	23,842,400	
Non-current				
Investment in ALPS technology solution APIS	8	1,620,101	1,130,233	
Property, plant, and equipment	9	1,660,224	298,258	
Right-of-use assets	9	978,180	1,097,361	
Intangible assets	11	13,918,240	14,227,461	
Goodwill	11	15,057,796	15,057,796	
Derivative financial instrument – NCI call option	8	7,320,630	7,320,630	
Annuity receivable – SubTerra		679,492	672,998	
Long-term deposits	10	3,826,589	4,130,168	
Other assets – acquisition deposit	7	14,466,409	14,677,674	
TOTAL ASSETS		74,478,612	82,454,979	
Liabilities				
Current				
Accounts payable and accrued liabilities	16	4,098,844	5,915,674	
Deferred revenue		8,659	17,813	
Current portion of lease liability	12	472,586	459,895	
Provisions	10	-	1,029,014	
		4,580,089	7,422,396	
Non-current				
Contingent consideration payable	8	3,698,980	3,698,980	
Lease liability	12	556,622	686,191	
Loan payable	15	-	747,115	
Deferred tax liability		3,205,244	3,205,244	
TOTAL LIABILITIES		12,040,935	15,759,926	
Shareholders' equity				
Share capital	13	108,889,802	104,617,900	
Treasury shares	7,13	(11,367,770)	(11,367,770)	
Exchangeable shares reserve	13	11,084,381	11,114,175	
Reserves	13	10,967,138	9,640,106	
Accumulated other comprehensive income		78,389	234,035	
Accumulated deficit		(62,397,188)	(52,937,270)	
Equity attributable to owners of the Company		57,254,752	61,301,176	
Non-controlling interest	8	5,182,925	5,393,877	
TOTAL SHAREHOLDERS' EQUITY		62,437,677	66,695,053	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		74,478,612	82,454,979	

AUSTRALIS CAPITAL INC.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited - Expressed in Canadian Dollars, except number of shares)				
	Notes	Three months ended June 30,		
		2021	2020	
		\$	\$	
Revenue				
Revenue-Services		1,403,613	14,465	
Revenue-Kiosks		4,269	-	
Revenue-Consulting		320,481	48,337	
		1,728,363	62,802	
Cost of goods sold		(663,824)	(7,188)	
Gross profit		1,064,539	55,614	
Operating expenses				
Wages and benefits		948,029	936,770	
Share-based payments	13	1,370,845	921,651	
Selling, general and administrative	14	1,700,089	547,223	
Depreciation and amortization	9,11	460,974	172,764	

	4,479,937	2,578,408
Loss from operations	(3,415,398)	(2,522,794)
Other income (expense)		
Loss on sale of marketable securities	(38,748)	-
Loss on investment in associate	-	(551,050)
Loss on settlements	(226,200)	-
Net change on investment at fair value through profit or loss	5 (5,864,934)	(196,555)
Other income	-	69
Other expense – merger and acquisition costs	-	(86,328)
Foreign exchange gain (loss)	(135,276)	16,709
Interest expense	(12,199)	(3,910)
Interest income	21,885	31,134
	(6,255,472)	(789,931)
Net loss	(9,670,870)	(3,312,725)
Other comprehensive income (loss)		
Foreign currency translation	(155,646)	(179,543)
Share of OCI from investments in associates	-	(145,709)
Total comprehensive loss	(9,826,516)	(3,637,977)
Net loss attributable to:		
Shareholders of the Company	(9,459,918)	(3,637,977)
Non-controlling interest	(210,952)	-
Net loss	(9,670,870)	(3,637,977)
Total comprehensive loss attributable to:		
Shareholders of the Company	(9,615,564)	(3,637,977)
Non-controlling interest	(210,952)	-
Total comprehensive loss	(9,826,516)	(3,637,977)
Net loss per share attributable to shareholders of the Company		
Basic and diluted	(0.04)	(0.02)
Weighted average number of shares outstanding		
Basic and diluted	231,993,681	170,656,846

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<https://www.prnewswire.com/news-releases/australis-reports-q1-financial-year-fy-2021-results-301365115.html>

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