

**FORM 51-102F3
MATERIAL CHANGE REPORT
UNDER NATIONAL INSTRUMENT 51-102**

Item 1 Name and Address of Company

Australis Capital Inc. (the “**Company**”)
Suite 900, 510 Seymour Street
Vancouver, British Columbia
V6B 1V5

Item 2 Date of Material Change

October 29, 2018.

Item 3 News Release

News Releases were disseminated via CNW and filed on SEDAR on October 30, 2018 and November 5, 2018.

Item 4 Summary of Material Change

The Company entered into an investment agreement (the “**Investment Agreement**”) on October 29, 2018 with Body and Mind Inc. (“**BaM**”) to purchase units and debentures of BaM. BaM is a publicly traded company investing in high quality medical and recreational cannabis cultivation and production and retail. BaM products include dried flower, edibles, topicals, extracts as well as GPEN Gio cartridges. BaM marijuana strains have won numerous awards including the Las Vegas Hempfest Cup 2016, High Times Top Ten, the NorCal Secret Cup and the Emerald Cup.

The transactions contemplated by the Investment Agreement completed on November 2, 2018.

Pursuant to the terms of the Investment Agreement, Australis acquired (i) 16,000,000 units of BaM, each comprised of one common share and one common share purchase warrant (the “**Warrants**”), at a purchase price of \$0.40 per unit for \$6,400,000, and (ii) \$1,600,000 principal amount 8% unsecured convertible debentures of BaM (the “**Debentures**”) maturing two years following the date of issue (collectively, the “**Financing**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

Pursuant to the Investment Agreement, the Company has completed the purchase of 16,000,000 Units at \$0.40 per Unit and Debentures in the principal amount of \$1,600,000 with a maturity of two years after the date of issuance of the debenture (the “**Maturity Date**”), by way of private placement for an aggregate purchase price of \$8,000,000. Each Unit is comprised of one Common Shares and one Warrant.

Each Debenture bears interest at 8% per annum payable semi-annually in arrears and is convertible, at the option of the holder at a conversion price equal to \$0.55 per Common Share at

any time prior to 5:00 p.m. (PST) on the business day immediately preceding the Maturity Date, subject to adjustment and forced conversion in certain circumstances.

Each Warrant will entitle the Company to purchase one Common Share for a period of two years after the issuance of the Warrant at a price equal to \$0.55 per Common Share, subject to acceleration and adjustment in certain circumstances.

Pursuant to the Investment Agreement:

- i. the parties have agreed to negotiate in good faith a license agreement pursuant to which the Company will gain an exclusive and assignable license to use the Body and Mind brand outside of the United States on commercially reasonable terms;
- ii. the Company's wholly-owned subsidiary Australis Capital (Nevada) Inc. ("**Australis Nevada**"), a wholly-owned subsidiary of the Company, will enter into a commercial advisory agreement with Body and Mind pursuant to which Australis Nevada will provide advisory and consulting services to Body and Mind for a term ending on the date that is the earlier of (i) five years following the closing of the Transaction and (ii) the date the Company no longer holds 10% or more of the issued and outstanding common shares of Body and Mind;
- iii. in connection with the closing of any business and/or investment in the State of Ohio, the Company will be entitled to purchase such number of Common Shares that will enable The Company to maintain the same ownership interest in the Common Shares, on a fully-diluted basis, that it holds prior to any such business acquisition and/or investment in the State of Ohio at a purchase price per Common Share equal to the greater of \$0.40 and the maximum permitted discount allowable under the policies of the Canadian Securities Exchange;
- iv. the Company is granted certain information rights, relating to all information of Body and Mind which is necessary for the Company to comply with disclosure obligations under applicable securities law;
- v. for as long as the Company owns at least 10% of the issued and outstanding Common Shares, the Company will be entitled to nominate one director to the board of director of Body and Mind (the "**Board**"). If the Company exercises all Warrants and converts all Debentures, the Company will be entitled to nominate a second (2nd) director to the Board. For as long as The Company maintains at least 25% of the issued and outstanding Common shares of Body and Mind, The Company will be entitled to maintain two (2) directors on the Board, provided that each director nominee must meet the requirements of applicable corporate, securities and other laws and the rules of the CSE; and
- vi. the Company acquired certain participation rights which will allow the Company to maintain a percentage ownership interest of the Common Shares that is equal to its ownership interest prior to any offering of Body and Mind after the closing of the Transaction, provided that such ownership interest does not exceed 40% of the issued and outstanding Common Shares on a fully-diluted basis after giving effect to such an offering.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Scott Dowty
Chief Executive Officer
702 817 2214
scott@ausacap.com

Item 9 Date of Report

November 5, 2018.