

MATERIAL CHANGE REPORT

1. Name and Address of Company

Australis Capital Inc. (“**Australis**” or the “**Company**”)
376 Warm Springs Road, Suite 190
Las Vegas, Nevada 89119

2. Date of Material Change

December 10, 2019

3. News Release

The news release was disseminated on December 11, 2019 and filed on SEDAR.

4. Summary of Material Change

Australis and Folium Equity Holding LLC (“**Folium**”) have entered into an agreement and plan of merger to create a publicly held vertically integrated producer of non-psychoactive cannabinoids.

5. Full Description of Material Change

5.1 Full Description of Material Change

The Company has entered into an agreement and plan of merger (the “**Agreement**”) by and among Australis, Folium, and Folium Merger Sub, LLC, a newly formed and wholly-owned Colorado subsidiary of Australis (“**Merger Sub**”), pursuant to which Australis will acquire all of the outstanding Folium membership units not already owned by Australis (the “**Proposed Transaction**”). The Agreement was signed on December 10, 2019. The Proposed Transaction will be completed by way of a merger between Folium and Merger Sub, and Folium will become a wholly owned subsidiary of Australis. Australis will be rebranded as Folium Biosciences (the “**Resulting Issuer**”) prior to the Proposed Transaction and will carry on the current business of Folium.

The common shares of Australis were halted from trading on the Canadian Securities Exchange (“**CSE**”) effective December 11, 2019, in connection with the Proposed Transaction and are not expected to recommence trading on the CSE until the filing of the management information circular for the associated meeting and the completion of all filings with the CSE.

Upon completion of the Proposed Transaction, the members of Folium will exchange their units for common shares of Australis such that current shareholders of Australis will hold approximately 11% of the Resulting Issuer shares and current members of Folium will hold approximately 89% of the Resulting Issuer shares, resulting in a reverse takeover of Australis. In addition, it is contemplated that prior to completion of the Proposed Transaction, Australis will re-incorporate under the laws of the State of Delaware.

The Proposed Transaction is anticipated to constitute a fundamental change in accordance with the policies of the CSE, and as such, approval of Australis Shareholders and CSE will be required. Australis will seek shareholder approval for the Proposed Transaction, the Delaware re-

incorporation, a reverse stock split, and certain ancillary matters at a special meeting of Australis shareholders at a date to be determined. A copy of the merger agreement and the management information circular prepared in connection with this meeting will be available on Australis's profile on SEDAR at www.sedar.com.

In connection with the Proposed Transaction, and also in order to avoid being classified as an investment company under the U.S. Investment Company Act of 1940 (the "**Investment Act**"), the Company intends to divest of certain investment assets prior to the completion of the Proposed Transaction. Among other measures and subject to certain exceptions, a company is deemed an investment company if it engages in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets. Australis's board has adopted a resolution to take advantage of a safe harbor under the Investment Act that provides the Company a window of time to divest some of its investment securities to satisfy the 40% standard. Australis believes that coming into compliance with the 40% standard will enable the Company to avoid application of the costly and restrictive registration and other provisions of the Investment Act.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

For further information, please contact:
Scott Dowty, Chief Executive Officer
Telephone: 702-538-8400

9. Date of Report.

December 19, 2019

Forward-Looking Statements

This material change report contains forward-looking statements relating to the timing and completion of the Proposed Transaction, the future operations of Australis, Folium, and the Resulting Issuer, the re-incorporation of Australis, the sale of investment securities by Australis, and other statements that are not historical facts. Forward-looking statements are often identified by terms such as "will", "may", "should", "anticipate", "expects" and similar expressions. All statements other than statements of historical fact, included in this release are forward-looking statements that involve risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the expectations of Australis and Folium include the failure to satisfy the

conditions to completion of the Proposed Transaction set forth above and other risks detailed from time to time in the filings made by Australis, Folium and the Resulting Issuer under securities regulations.

The reader is cautioned that assumptions used in the preparation of any forward-looking information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Australis, Folium and the Resulting Issuer. As a result, Australis, Folium and the Resulting Issuer cannot guarantee that the Proposed Transaction will be completed on the terms and within the time disclosed herein or at all. The reader is cautioned not to place undue reliance on any forward-looking information. 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 statements contained in this material change report are expressly qualified by this cautionary statement. The forward-looking statements contained in this material change report are made as of the date of this material change report and Australis, Folium and the Resulting Issuer will update or revise publicly any of the included forward-looking statements as expressly required by Canadian securities law.