

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

September 3, 2020

3. News Release

The news release was disseminated on September 3, 2020 and filed on SEDAR.

4. Summary of Material Change

Australis entered into a termination and settlement agreement (the “**Settlement Agreement**”) with Passport Technology Inc. (“**Passport**”), Wyvern Capital Inc., Kurt Sullivan and Dean Kajioka (collectively, the “**Vendors**”) in respect of the share purchase agreement (the “**Share Purchase Agreement**”) dated June 25, 2020, among Australis, Passport and the Vendors, as amended to date, pursuant to which Australis would have acquired Passport. Australis has also announced the departure of Executive Chairman Scott Dowty.

5. Full Description of Material Change

5.1 Full Description of Material Change

Under the terms of the Settlement Agreement all obligations and entitlements of the parties including all claims of any kind relating to the Share Purchase Agreement or its termination are fully and finally settled. The license agreement between Australis and Passport remains in place as amended by the Second Amendment (as defined below). Pursuant to which Australis will retain all maintenance fees generated from its customers in use of the self-service kiosks within cannabis dispensaries, which were partially shared with Passport and these fees will remain solely within its subsidiary Cocoon Technology LLC (“**Cocoon**”). Pursuant to the Asset Purchase Agreement (as defined below) (entered into pursuant to the terms of the Settlement Agreement) Passport will acquire the Company’s full interest in Paytron LLC.. No cash payments, including any break fees, will be payable as a result of the termination of the proposed acquisition.

Mr. Dowty has resigned from the Board of Directors and has departed from his position as Executive Chairman. Pursuant to a Severance Agreement between Australis and Mr. Dowty (the “**Severance Agreement**”), Mr. Dowty has agreed to among other things, forgo all cash severance and to surrender his unvested stock options.

Mr. Dowty will retain his 1,554,896 previously awarded restricted share units which will be deemed fully vested and settled through the issuance of 1,554,896 common shares of the Issuer (“**Common Shares**”) and Australis will also issue to Mr. Dowty 4,250,000 Common Shares. Australis also agreed to provide medical insurance coverage for Mr. Dowty and his family until the first anniversary of the date of the Severance Agreement (if this is not permitted the Company will make a one-time payment to Mr. Dowty in the amount of U.S.\$25,000).

The Company also announced that it is in the process of reviewing its strategic focus, the composition of its Board of Directors and executive management and expects to announce further changes prior to the the Company's annual general meeting of shareholders. The Company is making a clean break with its recent past and getting back to its roots in U.S. Cannabis.

The following supplementary information is provided in accordance with Section 5.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

Wyvern Capital, Inc., a company owned and controlled by Scott Dowty, owns approximately 50.2% of the shares of Passport. At the time of entering into the Settlement Agreement and Severance Agreement (collectively, the “**Transactions**”), Scott Dowty was the Executive Chairman, former Chief Executive Officer (CEO) and a director of Australis making each of the Transactions a “related party transaction” as such term is defined in MI 61-101. In addition, Jax Financial Group, Inc., a company controlled by John Dover, a director of Australis, owns approximately 0.4% of the shares of Passport and Max Aceituno, Senior Vice-President of Marketing of Australis, owns approximately 0.3% of the shares of Passport.

Prior to giving effect to the Transactions, Scott Dowty had beneficial ownership, direction or control of an aggregate of an aggregate of 1,479,167 Common Shares (354,167 of which are held directly and 1,125,000 of which are held indirectly in the name of Wyvern Capital Inc., a company owned and controlled by Mr. Dowty). In addition, Mr. Dowty had direction or control of 1,829,219 Common Shares held by Passport, along with 23,988 Common Shares held by Mr. Dowty's spouse. Mr. Dowty also held an aggregate of 6,225,313 stock options to purchase Common Shares (“**Options**”) and 1,554,896 restricted share units (“**RSUs**”) of the Company. Pursuant to the Severance Agreement, Mr. Dowty will receive 5,804,896 Common Shares, inclusive of 1,554,896 Common Shares issued upon settlement of previously issued restricted stock units. Additionally, pursuant to the Severance Agreement, 6,225,313 unvested Options will be cancelled. After giving effect to the Transactions, Mr. Dowty will have beneficial ownership, direction or control of 9,137,270 Common Shares, representing approximately 5% of the issued and outstanding Common Shares on an undiluted basis, and no Options or RSUs.

Mr. Dover and Mr. Dowty did not participate in the Board of Director's approval process for the Transactions and abstained on voting on the Transactions. The Settlement Agreement and Severance Agreement were negotiated on behalf of the Company by an independent Special Committee of the Board of Directors consisting of Harry Demott and Roger Swainson.

The Company is exempt from the requirement to obtain a formal valuation of the Transactions as (i) pursuant to Section 5.5(a) of MI 61-101, at the time of the Transaction was entered into, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Transactions, insofar as it involved related parties, exceeded 25% of the Company's market capitalization; and (ii) pursuant to Section 5.5(b) of MI 61-101, no securities of the Company are listed or quoted on a “Specified Market”.

The Company is exempt from the requirement to obtain minority shareholder approval for the Transactions as pursuant to Section 5.7(a) of MI 61-101 at the time of the Transactions were entered into, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Transactions, insofar as it involved related parties, exceeded 25% of the Company's market capitalization.

No “prior valuation” (as such term is defined in MI 61-101) relating to subject of the Transactions or otherwise relevant to the Transactions has been made in the 24 months preceding the date of this Material Change Report, the existence of which is known after reasonable inquiry, to the Company or to any director or senior officer of the Company.

Other than the Settlement Agreement and the Severance Agreement, except as provided below, the Company did not enter into any agreement with an “interested party” (as defined in MI 61-101) or a “joint actor” with an interested party (as defined in MI 61-101) in connection with the Transactions:

- Australis entered into an Asset Purchase Agreement (the “**Asset Purchase Agreement**”) with Passport. Pursuant to the Asset Purchase Agreement, Passport will acquire the assets, properties, business and operations relating to Paytron LLC that Australis previously purchased pursuant to an asset purchase agreement dated April 1, 2020.
- Australis entered into a second amendment (the “**Second Amendment**”) to a License, Development and Services Agreement dated March 23, 2020 with Passport. Pursuant to the Second Amendment, Australis agreed to transfer and assign all rights, title and interest to fifteen self-service kiosks to Passport.
- Australis and Scott Dowty entered into a Voting Support Agreement pursuant to which Mr. Dowty agreed to vote his Common Shares at the Company’s annual general meeting of shareholders in accordance with management’s recommendations as set forth in the information circular in respect of each item of business as set forth therein.

The Company did not file a material change report in respect of the Transactions at least 21 days before the closing of the Transactions, which the Company deems reasonable in the circumstances given the necessity of seeking a resolution of these matters in an expeditious manner.

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:
 Brent Reuter
 Senior Vice President, Investor Relations & Strategy
 Telephone: 702-538-8400

9. **Date of Report.**

September 8, 2020

Forward-Looking Statements

This material change report contains forward-looking statements relating to statements in respect of the completion of the Transactions and the Company's future development plans, 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 include the failure to satisfy the conditions to completion of the Transactions set forth above and other risks detailed from time to time in the filings made by Australis 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. As a result, Australis cannot guarantee that the Transactions 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 will update or revise publicly any of the included forward-looking statements as expressly required by Canadian securities law.