

AUSTRALIS CAPITAL FILES PROXY MATERIALS AND SENDS LETTER TO SHAREHOLDERS

- *Materials Highlight Management’s Strategic Value Creation Plan and Compelling Upside for the Company if Australis’ Director Slate is Elected*
- *Warns Shareholders that Dissidents Seek Control of the Company, Have a Concerning Growth Plan and History of Self-Enrichment*
- *Shareholders Urged to Vote for Australis’ Director Nominees Using Only the **BLUE** Proxy Card well in advance of the November 13, 2020 11:30 a.m. Mountain Time deadline*
- *Contact the Company’s proxy solicitor, Gryphon Advisors Inc. at 1-833-490-0586 or by email at inquiries@gryphonadvisors.ca for more information or assistance voting the **BLUE** proxy*

LAS VEGAS, NV, October 13, 2020 – Australis Capital Inc. (CSE: AUSA) (OTC: AUSA) (“**AUSA**” or the “**Company**”) announces the filing of its Proxy Circular and an accompanying letter to shareholders related to the Annual General & Special Meeting scheduled on November 17, 2020.

AUSA is at a crossroads and the outcome of the proxy contest will greatly affect the future of shareholders’ investment in the Company. The Board of Directors unanimously recommend that shareholders vote **FOR** the Company’s slate of qualified and experienced director nominees, including two new independent directors, using only the **BLUE** proxy. The letter to shareholders follows in its entirety:

Dear Fellow Australis Shareholders,

You face a very important decision regarding your investment in Australis Capital Inc. Your Company has committed to becoming a leading US cannabis company with a strategic plan that will deliver sustainable and growing value to all shareholders through a targeted “Land and Expand” approach to leveraging its existing flagship brands and emerging technology.

In laying the groundwork for the execution of that plan, we have taken decisive action to provide a clean break from our past and to reorient the Company for success. That includes refreshing leadership at the management and board levels and adopting a posture aligned with realistic shareholder expectations. Over the coming months, AUSA will take further positive steps to prudently cut costs, return discipline to its investment philosophy and steward corporate resources to the betterment of all stakeholders.

There is much to be excited about as a shareholder of AUSA, with a revitalized board and management team, a laser focus on the US cannabis market and an executable strategy for achieving commercial success. But all of this is threatened by a dissident shareholder group led by Terry Booth (“**Terry**”), Roger Sykes, Jason Dyck and others with deep connections to Aurora Cannabis Inc. (“**Aurora**”) and its spectacular destruction of shareholder value (collectively, the “**Dissidents**”).

Interestingly, the Dissidents share our view that AUSA should be focused solely on the US cannabis market. They also share our view that AUSA should leverage its current brands in expanding further into that US cannabis market. We also both agree that perhaps the most interesting part of that market is a focus on cannabis brands that can be marketed in multiple states. With so many points of agreement, it's unfortunate that the Dissidents weren't prepared to work with AUSA in good faith to ensure the best interests of stakeholders were advanced and AUSA's limited capital resources were preserved for the advancement of our strategic plan. Instead, the Dissidents chose to instigate this costly and time-consuming proxy contest with the objective of using AUSA as a platform both to resurrect Terry's reputation from the ash heap of his disastrous mismanagement of Aurora and – most-likely – to roll in some of his private portfolio vehicles, supported by a cadre of hand-picked “yes” men Dissident directors.

You have a clear and obvious choice to make. Shareholders can (and should) vote **FOR** the Company's slate of qualified and experienced director nominees, including two new independent directors, using only the **BLUE** proxy. The alternative is to provide a Dissident slate of director nominees beholden to Terry the opportunity to impair and destroy shareholder value, as they have before. The choice is obvious – vote **FOR** the Company's slate of director nominees today to protect the value of your investment in AUSA.

A REFRESHED BOARD ACTING IN THE INTERESTS OF THE COMPANY AND ALL SHAREHOLDERS

Since the recent formation of a special committee of the board of AUSA, consisting of Harry DeMott and Roger Swainson, AUSA has put its house in order:

- Responding to shareholder concerns, the proposed acquisition of Passport Technology Inc. (“Passport”) was terminated;
- Scott Dowty, our former Chief Executive Officer, agreed to resign from management and the board;
- Affirmed AUSA's renewed focus on US cannabis;
- Harry DeMott, the Company director with the greatest knowledge of US cannabis and the public markets, was appointed CEO;
- John Dover, a Canadian director, agreed to step aside in favor of new US directors with more direct US Cannabis experience;
- Along with Harry DeMott, additional US directors have been appointed with firsthand knowledge and experience in the US cannabis environment, none of whom have any association with Terry or Aurora; and
- The board has driven cost reductions with a renewed focus on capital preservation that will fund future opportunities in the US cannabis market.

A FOCUSED AND DISCIPLINED VALUE CREATION PLAN

After careful thought and analysis, your Company has developed a strategic plan – A Vision For Progress – to drive sustainable value creation. **I urge you to read the full details of our plan in our proxy circular under “A Thoughtful Value Creation Plan” in the “Reasons to Vote FOR the AUSA Director Nominees” section of the proxy circular.** To briefly summarize, we plan to buy or build cannabis brands with good distribution, self-manufacturing and in-house sales,

starting in the Western United States. We feel that the looser recreational rules as well as the wide social acceptance of cannabis in these states will allow AUSA to enter new markets in a cost-effective manner and build out profitable entities state by state.

The growth strategy embodied by our value creation plan will be subject to rigorous and consistent investment criteria to ensure long term value creation while minimizing risk. Those investment criteria include primarily:

- Businesses must have sustainable advantages (either alone or when partnered with AUSA);
- Businesses should be profitable – or very close to breakeven with a clear path to profitability;
- Acquisitions should be of a size and risk profile such that they do not imperil AUSA’s long-term success;
- AUSA must have effective control over the brand;
- Where possible, AUSA will partner with existing brand owners by structuring acquisition and investment consideration with a significant equity component; and
- Ideally management would remain with the business, to be overseen by AUSA.

Upon acquiring or investing in new brands, we will operate them with a level of professionalism heretofore unseen in the cannabis business. This means:

- professional marketing materials;
- sales goals;
- product placement at retail;
- utilization of the most modern technology in the space to make sure that consumers ultimately prefer our brands to the competition;
- investing in manufacturing quality control to ensure that our brands are consistent from batch to batch, and from state to state; and
- reinvesting the cash flow from these brands back into the creation of new brands and technologies to improve the efficiency of distribution and the customer experience.

Stated succinctly, it means disciplined stewardship and operational excellence. These goals are measurable and more importantly attainable – this is focused action over words, and substance instead of hype.

THE DISSIDENTS SEEK CONTROL OF YOUR COMPANY AND HAVE A SELF-ENRICHMENT PLAN

With a refreshed management team and board of directors in place, a renewed focus on US cannabis, a clear value creation strategy and positive momentum, shareholders should ask: why are the Dissidents still contesting the election? Why would they force management to spend shareholder money fighting for control of the Company when the existing board and management is already doing, or has done, the very things the Dissidents purport that they are not doing?

The only logical answer is that the Dissidents’ demands are actually just a smokescreen; a ruse to get the existing board to hand over control to the Dissidents without a takeover premium so they can gain control and execute the Aurora playbook again – imposing insider deals and pump and dump schemes on yet another unsuspecting shareholder base. The Dissidents are clearly under the effective control of Terry Booth, and given Terry’s track record during his tenure at Aurora and

his lasting legacy of write offs, there is significant risk to your investment in AUSA should any of the Dissident nominees be elected to your board of directors resulting in Terry gaining effective control of AUSA.

From what has been disclosed of the Dissident plan, the immediate risk that AUSA shareholders will bear is clear. The Dissident plan sets out how they intend to make four acquisitions. They say little of any potential conflicts these acquisitions may come with, and if history is any judge, there will be numerous conflicts. In addition, they mention nothing about the potential pricing of these acquisitions. Overpaying for assets and diluting shareholders has been a hallmark of Aurora, so why would the architect of Aurora's value destruction do anything different this time around?

According to the Dissidents, these acquisition targets are supposedly in advanced stages of negotiation. However, what the Dissidents have omitted is any conversation around the financial health and stability of these assets, and any potential debt or equity ownership by the Dissident group. The only way the Dissidents could be in advanced negotiations with some of the companies is if they already own them and are negotiating with themselves regarding how much of AUSA's capital they are going to pay themselves.

How glaringly hypocritical for the Dissidents to have repeatedly slandered AUSA over its alleged self-dealing and conflict in respect of the terminated Passport acquisition only to try and camouflage their naked self-interest with a thin veneer of manufactured shareholder concern.

It should be noted that Green Therapeutics LLC ("GT"), which the Dissidents claim will be a cornerstone of their proposal, continues to be in litigation with AUSA, **seeking to rescind its original deal with AUSA. Doing this would cost AUSA over 20% of its asset base.** Clearly, the Dissident's slate is hugely conflicted with regard to GT and shareholders need to think through how a Dissident board will resolve that legal dispute in the best interests of AUSA. The fact of the matter remains that the GT assets referenced in the Dissident's proposal already belong to AUSA.

These conflicts in relation to Duke Fu, GT and the interlocking relationships among the Dissident director nominees go even deeper. Duke Fu has agreed to sell 75% of GT to Nutritional High International Inc. ("**Nutritional High**"), a troubled CSE-listed issuer in the midst of a restructuring process, which purports to develop and manufacture branded products in the cannabis industry. Nutritional High's board of directors includes Jason Dyck (a Dissident nominee director and former Aurora director) and Duke Fu, who sits on its scientific panel. Further, the Chairman of the Board of Nutritional High is attorney Adam Szweras, also a director of Aurora and counsel at Fogler Rubinoff LLP, legal advisors to the Dissidents. It's enough to make a shareholder's head spin. Given all of the interconnectedness, it would not shock us to find that one of the Dissidents proposed transactions would be to clean up Nutritional High with AUSA's balance sheet.

Alternatively, management's strategy in relation to GT is to negotiate an arm's length win/win solution with GT and use that newly built relationship as a cornerstone for U.S. expansion. The board continues to be open to working closely with Duke Fu in his role as CEO of GT. With nine acres of improvable land in North Las Vegas with the right to assume, complete and expand the construction of a state-of-the-art 55,000 square foot cultivation and production facility and an existing suite of assets, AUSA has the opportunity to use GT as its hub in Nevada.

We are also very concerned with the Dissidents' capital allocation strategies and believe that they will pay more attention to the capital-intensive portion of the market (cannabis cultivation – particularly on the East Coast of the US where costs are highest), while eschewing scalable technology opportunities. The Dissidents' proposed acquisition targets support that concern insofar as they specifically identify cannabis cultivation opportunities and an intention to be “laser-focused” on the eastern US. The recent Dissident press release paid no attention to Cocoon Technologies, which we believe can be turned into a real value creator for AUSA. It is hard to talk about tech opportunities when your skill set lies predominantly in the contracting business.

The Dissident approach appears to be the Aurora playbook all over again. Buy everything you can. Press release everything in glowing terms. Exaggerate if necessary and then unload. The problem is, of course, that capital is never free and AUSA shareholders cannot and will not tolerate such misadventures and value destruction. As I said previously in a letter to the Dissidents, this is a time for serious people to come together to deliver a reasoned solution and clear path to value creation for all shareholders. The Dissidents do not meet that criteria.

VOTE FOR DISCIPLINED VALUE CREATION AND TO PROTECT YOUR COMPANY FROM THOSE WHO HAVE DESTROYED VALUE WHILE ENRICHING THEMSELVES IN THE PAST.

Let's get back to what distinguishes us from the Dissidents.

Our path to success – *A Vision For Progress* – is built on US cannabis market experience, discipline, and a tried and true approach. Land and expand. Invest in profitable businesses with a relentless focus on operations. We are building a team of people with deep knowledge and experience in the US cannabis market. A team that respects shareholder capital and is solely focused on increasing shareholder value for ALL shareholders, not a select few.

In contrast and based on their past actions, the Dissident path to success involves cronyism and self-dealing; attempting to pursue a US cannabis market expansion by narrowly focusing on opportunities that personally benefit Terry Booth more than they further AUSA's strategic ambitions, all under the watchful eyes of a slate of directors chosen to facilitate his aspirations.

This proxy contest is not only a referendum on where the Company will go, but also on Terry Booth – for make no mistake about it – shareholders are not being asked to vote for a slate of Dissident directors, they are being asked to vote on the legacy of Terry Booth. They are being asked to vote for a man who was at the center of nearly unimaginable shareholder wealth destruction at Aurora; a recent write-down of C\$1.6 Billion for the year ended June 30, 2020 and a full year net loss of C\$3.3 Billion. A man who was the architect of many of the early woes at AUSA, and a man who did all of this while yelling and screaming at employees, partners and anyone else who dared get in his way. A man who will enrich himself by using your remaining capital.

It's up to you to protect the value of your investment in your Company by voting **FOR** the AUSA slate of director nominees. In order to ensure your **BLUE** proxy is counted at the Annual & Special

Meeting of Shareholders, please ensure your **BLUE** proxy is received well in advance of the proxy cut-off of Friday, November 13, 2020 at **11:30 a.m. Mountain Time**. For more information or assistance voting your proxy, please contact the Company's proxy solicitor, Gryphon Advisors Inc. at 1-833-490-0586 or by email at inquiries@gryphonadvisors.ca . Additionally, for up to date information and ease of voting shareholders are encouraged to visit www.ausa-corp.com and click on the "Vote Now" button to cast your vote.

The future of your investment in AUSA can be bright, but it's up to you to make it happen. Thank you for your careful consideration and continued support.

Respectfully and on behalf of the Board of Directors,

"Harry DeMott"

Harry DeMott
Chief Executive Officer

About Australis Capital Inc.

AUSA invests in, operates and builds differentiated companies primarily in the cannabis industry. AUSA focuses on significant near and mid-term opportunities with strong return potentials. AUSA's assets include Cocoon Technology, a cloud-based, self-service point of sale kiosk designed for cannabis dispensaries and other highly-regulated industries. The purpose-built platform features data analytics, privacy, security and regulatory compliance to drive enhanced consumer experience and generate incremental revenue for dispensary owners. AUSA's assets also include Body and Mind Inc., Quality Green, and Folium Biosciences.

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

For further information about AUSA, please visit the website at ausa-corp.com or contact the Company by e-mail at ir@ausa-corp.com.

Contact:

Gryphon Advisors Inc.
1-833-490-0586 or inquiries@gryphonadvisors.ca

Brent Reuter
Senior Vice President, Investor Relations & Strategy
IR@ausa-corp.com

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