

**AUSTRALIS SHAREHOLDERS HAVE SUFFERED LONG ENOUGH.
THE CONCERNED SHAREHOLDERS OF AUSTRALIS FILE AND MAIL PROXY CIRCULAR AND
URGE SHAREHOLDERS TO VOTE FOR POSITIVE CHANGE USING THE YELLOW PROXY.**

- *It's beyond time for new leadership. If we continue with the incumbent board and their handpicked management team, shareholders can only expect the same costly mistakes, incompetence, and governance failures.*
- *The Concerned Shareholders propose a fresh, independent and experienced board and present a clear plan to restore shareholder value.*
- *Australis shareholders who are supportive of meaningful Board change are encouraged to vote using only the **Yellow** proxy.*
- *For voting assistance, contact Laurel Hill Advisory Group at 1-877-452-7184, or assistance@laurelhill.com.*
- *Learn more and register for updates at www.fixaustralis.com and follow us on Twitter [@fixaustralis](https://twitter.com/fixaustralis)*

TORONTO, October 16, 2020 /CNW/ - Roger Sykes, 1703469 Alberta Ltd., Duke Fu, Green Therapeutics LLC, Jason Dyck, Terry Booth, and Lola Ventures Inc. (the "**Concerned Shareholders**"), each of whom is a shareholder of Australis Capital Inc. ("**Australis**" or the "**Company**") (CSE: AUSA), today announced that they have filed and commenced the mailing of the Concerned Shareholders' proxy circular in advance of the Company's Annual and Special Meeting of Shareholders scheduled for Tuesday November 17, 2020.

The Concerned Shareholders' proxy circular includes a letter outlining the reasons Australis shareholders should vote FOR the Concerned Shareholders' director nominees, among other matters. Australis shareholders are urged to read the Concerned Shareholders' proxy circular thoroughly and vote with the recommendations of the Concerned Shareholders using only the YELLOW proxy. The Circular is filed on SEDAR under Australis' profile and is also available on the Concerned Shareholders' website at www.fixaustralis.com.

A full copy of the letter to shareholders is set out below:

Important Message to Shareholders of Australis

Board Change is Needed to Save Your Investment

Don't be fooled by the Sudden Cosmetic Board and Management Changes. You Deserve Better.



Vote FOR the resolution to fix the number of directors at five (5); and



Vote FOR the election of the Concerned Shareholder Nominees to the board of directors of Australis.

October 16, 2020

Dear Fellow Shareholders,

Australis Capital Inc. ("**Australis**" or the "**Company**") is at a crossroads. As a Shareholder of Australis, your vote represents a meaningful opportunity to implement positive change and to finally put Australis on the path towards building a successful U.S. cannabis enterprise. Under the leadership team of Scott Dowty, Roger Swainson, John Dover, and newly minted CEO Harry DeMott, Australis never missed an opportunity to miss an opportunity. Endowed with the benefits of a hot cannabis market, exceptionally strong capital backing, and wide-open opportunity, the Australis board failed at every turn. Harry DeMott and Roger Swainson accounted for half of the board which failed at every turn.

Despite these lost years and squandered opportunities, Australis once again has the chance to make up for lost time and fulfil its potential to become a market leader in the U.S. cannabis space. But the window

is short and the choice is stark. Australis Shareholders cannot entrust their future to the hands of a team who has time and time again failed to perform. Our slate of directors, on the other hand, is made up of successful business people and entrepreneurs who know how to build companies and create value for shareholders. And they have a plan – a realistic, smart plan to make up for lost ground and make Australis successful. More on our plan later in this letter.

After a steep downturn in the cannabis markets, momentum has shifted toward further acceleration of legalization in new states, and mature markets are ripe with opportunity. With the right management team, Australis can finally be in a position to pursue an aggressive growth strategy and capitalize on these opportunities.

But we also believe that the window may be short. Well-capitalized and well-run MSO's are expanding and Australis cannot afford further failures of leadership. Financing markets, which are tentatively open now, can close at any time. The U.S. election, COVID-19 and a slew of other factors all add to the pressure to act decisively. Urgent action is required in order to protect our investments from further erosion in value. Australis needs a team with a vision and the experience to execute on that vision. The Australis board and management, led by an opportunistic Harry DeMott who seized the reigns despite having a limited investment in the Company despite years of service, cannot be entrusted to protect your interests in what is sure to be the last opportunity Australis will have to meet its potential.

As such, we Australis shareholders - Roger Sykes, 1703469 Alberta Ltd., Duke Fu, Green Therapeutics LLC, Jason Dyck, Terry Booth and Lola Ventures Inc. (the "**Concerned Shareholders**") - are writing to you, our fellow shareholders in Australis ("**Shareholders**") for your support at the upcoming annual and special meeting (the "**Meeting**") of Australis to be held on November 17, 2020.

Under the stewardship of the current board of directors (the "Incumbent Board") and management ("Management"), our investments in Australis are at risk of further erosion in value. We cannot continue to accept the status quo and propose refreshing the Company's board and leadership team in order to bring about real change for the better. To do this, vote **FOR** the new slate of director nominees (the "**Concerned Shareholder Nominees**") that the Concerned Shareholders have put forward in conjunction with the Concerned Shareholders' detailed plan to return Australis to its cannabis roots. The independent and qualified Concerned Shareholder Nominees will ensure Shareholders' interests are prioritized above all else while properly steering Australis in the right direction. The Concerned Shareholders collectively own, direct or control approximately 8.45% of Australis' outstanding common shares ("**Common Shares**") and have garnered indications of support of other shareholders of over 31% of Australis' outstanding common shares – collectively, these holders of approximately 40% of Australis' issued and outstanding common shares demand leadership change. This is in stark contrast to the members of the current board who collectively hold only 2,193,600 Common Shares or only approximately 1.2% of Australis' outstanding Common Shares.

Harry DeMott and Roger Swainson have an abysmal track record as directors of the Company. Ignoring the concerns of over a third of Australis' shareholder base, they have hastily appointed two new directors, Sameer Kumar and Rick Cutler, to the Incumbent Board and have appointed Mr. DeMott as CEO without conducting proper due diligence or any effort to search out the best candidate. Harry's main qualification for the job seems to be that he was there at the right time, wanted the job, and without any governance and rigour, received the support of his friend Roger Swainson.

Harry is, in fact, already the CEO of a "cannabis" company called Proper - <https://aproperhigh.com>. But for some reason, we can find little information on Proper. Is Proper profitable? What is its revenue? What is its business model? We can't find much and can only assume that's because there isn't much. This hardly instills confidence and far from qualifies Harry to develop and grow a leading cannabis CPG company.

During the tenure of Messrs. DeMott and Swainson, the Incumbent Board directly approved and implemented catastrophic capital allocation decisions which burned through over \$20 million of cash while failing to establish any meaningful revenue-generating operations. Instead, this leadership team pursued

multiple failed transactions riddled with corporate governance issues, highlighted by related-party transactions, negligent due diligence and inadequate disclosure. Along the way, the Incumbent Board showed a complete lack of regard for Shareholders' mounting concerns and has failed to articulate a coherent strategy to create shareholder value going forward. But the Incumbent Board's greatest failure was a lack of vision, and where it articulated a vision, it could not follow through.

Despite the mounting body of evidence suggesting that they are unfit to propose transactions to Shareholders or appoint effective leaders, the Incumbent Board is now asking Shareholders for yet another chance to dither and meander, and are seeking a renewed mandate at the helm of the Company. These individuals have had almost two years to prove themselves as worthy stewards of shareholder capital and the abysmal results speak for themselves. The opportunity for the Incumbent Board to course correct has come and gone. Shareholders deserve meaningful change that can only arise from the Concerned Shareholder Nominees taking the reins and implementing their comprehensive plan to right the ship.

YOUR VOTE IS EXTREMELY IMPORTANT – VOTE YOUR YELLOW PROXY ONLINE OR BY TELEPHONE TODAY FOR THE CONCERNED SHAREHOLDER NOMINEES

AUSTRALIS HAS LOST ITS WAY: LET'S GET BACK TO OUR ROOTS

Prior to voting, Shareholders are asked to consider the following:

1. The Incumbent Board's Abysmal Track Record Over the Last 2 Years.

Dismal Shareholder Return and Operating Results. Australis was launched in 2018 as a U.S. based spin-off of Aurora Cannabis Inc. ("**Aurora**"). At the time, the Company was endowed with over \$30 million of cash, the support of cannabis industry heavyweight Aurora, and a groundswell of investor optimism surrounding the prospects for U.S. cannabis operators. Since then, the Incumbent Board's inaction and inability to execute has resulted in a massive destruction in shareholder value and missed opportunities to capitalize on an enviable position in the industry. Under the oversight of the Incumbent Board, Australis Shareholders have suffered a -94.8%¹ total shareholder return since Australis' initial public offering. Over the past 12 months, Australis' share price has declined 75.8%, which has resulted in underperformance against the Horizons US Marijuana Index ETF by 50.1%¹. The 1-year indexed chart has been provided below. The Company recently reported pathetic Q2 2020 financial results, highlighted by meager revenues of \$62,802 and negative cash flow from operations of \$2.9 million. Clearly, these results do not inspire confidence in the Incumbent Board's ability to operate a cannabis business. This is the legacy of Harry DeMott and Roger Swainson.

¹ As at close of business on October 5, 2020.



Source: Thomson Reuters Eikon

2. The Lack of Leadership and Direction Demonstrated by the Incumbent Board.

Lack of Proper Focus and Direction. During their tenure, the Incumbent Board unilaterally changed the Company's strategy and attempted to transition Australis from cannabis, to CBD, and finally into a cash access and payment processing company. This led to a series of misguided endeavours culminating in the failed attempt by the Company to acquire Passport Technologies Inc. ("**Passport**") in a deeply flawed, related-party transaction (the "**Passport Transaction**"). The Passport Transaction was reviewed and approved by the Incumbent Board who categorically failed in their duties to insulate the Company from former Executive Chairman and former CEO Scott Dowty's brazen attempt to personally enrich himself at the expense of Shareholders. *Who was on the Special Committee that approved the Passport Transaction?* DeMott and Swainson. The Incumbent Board's poor judgment ultimately led Australis down the path of not just another failed acquisition, but a transaction that would have bankrupted the Company with almost the entire treasury paid to Dowty and his friends and family. DeMott and Swainson let Passport proceed and scrambled in panic and anger when Dowty belatedly did the right thing and terminated the ill begotten Passport Transaction. We cannot trust DeMott and Swainson with yet another kick at the can.

In the months since the termination of the Passport Transaction, the Incumbent Board has shown an unwillingness to take responsibility for its failures, to listen to Shareholders' concerns, or to present its own path forward for Australis. Australis, has even explicitly admitted in its circular that "**...the company has jumped from strategy to strategy and the share price has suffered.**" The only changes the Company has undergone are the recent additions and resignations at the executive and Board level intended to obfuscate the fact that the same dysfunctional leadership team is attempting to retain control. These thinly-veiled attempts to appear open to change only took place in response to the pressure applied by the Concerned Shareholders who are deeply unsatisfied with the status quo.

Meet the New Boss, Same as the Old Boss—Harry DeMott. After sitting quietly on the board and letting Dowty have his way, it appears that DeMott saw an opportunity to seize control of the Company for his own selfish self-interest due to the continued pressure from the Concerned Shareholders. He has now appointed his friends to the board, Kumar and Cutler, and he wants to go shopping with your money, without a plan, and without actually having successful experience in rolling up acquisitions and managing a company. This is further evidenced by not having the

Incumbent Board conduct a proper search for a CEO. It's more like a coup d'état than a democratic, governance-driven transition of power. DeMott likely sees the Company as a shell with cash for him to have fun with. He has nothing to lose if he doesn't win this fight, and is just trying to feather his own nest.

Having Harry DeMott in the role of CEO is like having another version of Scott Dowty at the helm. Harry, like Scott, can't be trusted by Shareholders to develop a vision for the Company, let alone execute on a plan. Any plan put forward by this leadership team is worthless because they cannot be trusted to execute the plan. DeMott had almost two years on the board to execute on a plan and failed. *Why should Shareholders believe that anything is different now?*

When the Concerned Shareholder Nominees are successfully elected at the Meeting, DeMott will be released as CEO, one of the elected directors will act as *interim* CEO, and a fulsome search will be launched immediately for a permanent CEO. Suitable permanent CEO candidates will have demonstrated experience and success running a cannabis company that is involved in production, derivatives, medical and retail sales.

3. **Exceedingly Poor Corporate Governance.**

Questionable Corporate Governance. During their tenure, the Incumbent Board has exhibited irresponsible decision-making and poor governance practices. Some of the most egregious lapses in judgment include:

- The glaring lack of oversight concerning Dowty's relationship with Passport including questionable payments to Passport, Dowty's failed attempt to acquire Passport at an unjustifiably high valuation, Dowty's diversion of his time and attention away from advancing the business of Australis and towards Passport;
- Irresponsible and wasteful spending on unnecessary goods and services, excessive compensation to executives whose performance did not merit reward, and payments to third-party vendors with ties to Management, including Dowty;
- The Incumbent Board's attempt to buy Dowty's support by giving him an excessive and unearned golden parachute, including the 4,250,000 Common Shares which the Company was not required to issue him, further diluting shareholder value; and

The Incumbent Board members have demonstrated a consistent track record of poor corporate governance which indicates a systemic failure to put Shareholder interests above their own. These decisions were approved at every level and orchestrated by DeMott and Swainson, who are only concerned with continuing to control the Company and with protecting their own jobs.

Unsupportable Resolutions at this Meeting. Furthermore, at this Meeting, the Incumbent Board has proposed THREE resolutions which do not meet good governance standards of the Canadian Coalition for Good Governance ("**CCGG**"), and the proxy advisors ISS ("**ISS**") and Glass Lewis and Co. ("**Glass Lewis**"). The Concerned Shareholders expect that those resolutions described below will receive negative recommendations from each of ISS and Glass Lewis and negative votes from institutional investors:

- The proposed Stock Option Plan and RSU Plan resolutions each have included a shared rolling cap of 15%. To put it in perspective for Shareholders, this is much more than the typical 10% cap to which venture-stage companies usually restrict themselves. This represents MASSIVE potential dilution to Shareholders and ENORMOUS value transfer to plan participants (i.e. the directors and executives of Australis) at the expense of Shareholders. ISS and Glass Lewis are explicit in their voting policies and are expected to automatically recommend against any

equity compensation plan for which dilution among all plans is in excess of 10%. This is another example of the actions of this self-serving and self-enriching Incumbent Board.

- The continuance to British Columbia resolution is bundled with a new set of articles. While the articles conform to the British Columbia law, the articles fall well short of the current governance standards of the CCGG, ISS and Glass Lewis. The proposed articles bear resemblance to the structure of articles from decades ago. It is as though, the Incumbent Board dusted off an old, outdated template from a defunct junior mining company and just went with it—current governance practices and shareholder rights be damned. Swainson is supposedly an experienced lawyer. Such a lack of rigour does not reflect well on him.

4. The Incumbent Board Has Very Little Skin in the Game.

Poor Shareholder Alignment at Australis Has Led to Reckless Decision-Making by the Incumbent Board. Regardless of what DeMott and Swainson have to say regarding their commitment to act in the best interest of Shareholders, the fact remains that Swainson owns 1,001,100 Common Shares and DeMott, who the Incumbent Board has selected to hold the most impactful role within the Company, owns a meager 100,000 Common Shares. DeMott never cared enough or believed enough in Australis to actually invest any significant amount. Is this the leader the Shareholders deserve? Clearly, the Incumbent Board and Management have very little investment in the Company and thus have no issue in continuing to deplete the Company's treasury. This lack of concern for placing Shareholders' interest first is evidenced by the Incumbent Board's refusal to negotiate a settlement with the Concerned Shareholders and allow a new leadership team to focus on creating value for all Shareholders.

5. The Concerned Shareholders Tried to Settle with Australis Several Times.

In an effort to avoid a costly proxy battle, and with a desire to begin executing on the vision of the Concerned Shareholders while capital markets are responsive and before the U.S. election the Concerned Shareholders reached out to DeMott and Swainson on several occasions, submitted settlement proposals, floated ideas for compromise, but never once received a substantive reply from the Incumbent Board.

Regardless of what DeMott and Swainson would like you to think, the Concerned Shareholders represent a broad cross section of interests and ideas - and DeMott and Swainson know this. They worked tirelessly over the past months to try and divide and conquer between the Concerned Shareholders - and they would have succeeded had they been able to articulate a vision and engender confidence in their ability to perform. Instead, the Incumbent Board rejected all proposed compromises, failed to put forward any counterproposals, and "went for broke" in an effort for DeMott and Swainson to control what is, to them, a shell with cash.

VOTE FOR AN INDEPENDENT BOARD WITH A PLAN THAT WILL WORK

The Concerned Shareholders believe passionately that a bright future for Australis can be achieved under the qualified, independent and motivated leadership of the Concerned Shareholder Nominees who are better aligned with the interests of all Shareholders. *Detailed backgrounds of each director nominee can be found under the section titled "Election of Directors of Australis" of the Concerned Shareholders' Proxy Circular.*

The Concerned Shareholders' Plan

The time for real change is now. In contrast to the Incumbent Board, the Concerned Shareholders have a plan ready to be implemented that will get Australis back on track to finally becoming a U.S. cannabis

powerhouse. The Concerned Shareholders understand the U.S. cannabis market, including the opportunities available to Australis and its Shareholders. Below is a summary of our approach to the growth opportunities in this market:

- **Build the right team** to make Australis a North American cannabis juggernaut. This includes:
 - **Refreshing our board of directors** with internationally respected individuals with cannabis and capital markets experience and an extensive professional network.
 - **Replacing the C-suite** with a cannabis-focused executive team who can execute and has the vision, experience, and network to grow Australis into a leader in the cannabis space through aggressive deal-making and intelligent capital allocation decisions.
- **Capitalize on Australis' existing cannabis assets**, including Green Therapeutics' market-leading position in Nevada, to build a national cannabis company focused on the following strategic pillars:
 - **Capital-light approach** that utilizes the existing operational footprint of industry partners.
 - **Use technology and know-how** to create a “trojan horse” opportunity to secure consistent and cost-effective supplies of biomass without massive infrastructure investment.
 - **Disciplined M&A** focused on profitable and synergistic assets along the cannabis value chain which are easily within reach.
 - **Focus on scaling brands** and utilizing technology to create value in concert with industry partners.
 - **Build a robust investor relations strategy** in order to broaden Australis' profile within the public markets.

It is important to note that the Concerned Shareholders have been developing similar synergistic plans individually, based on their divergent experiences in cannabis. Having come together, the Concerned Shareholders have melded their ideas to form a unique vision with very real and present opportunities for Australis. The full version of the Concerned Shareholders' plan can be found in the section entitled *"The Concerned Shareholders' Path Forward – Returning to our Roots" of the Concerned Shareholders' Proxy Circular.*

We are confident in our people and their ability to execute our well-developed strategy. We stand prepared to breathe new life into the Company and are looking forward to rolling up our sleeves. We know there are many of you who feel the same way that we do. The large support that we continue to receive daily only reinforces the crucial need for all Shareholders to take a stand now and vote. Vote using only your **YELLOW** Proxy as set out in the Concerned Shareholders' Proxy Circular, including:

- ✓ **FOR** fixing the number of directors at five (5).
- ✗ **AGAINST** fixing the number of directors at four (4).
- ✓ **FOR** the election of the Concerned Shareholder Nominees.
- ✓ **FOR** the appointment of Baker Tilly LLP, formerly known as Squar Milner LLP, as auditors of Australis for the ensuing year and to authorize the board of directors to set their remuneration.
- ✗ **AGAINST** the approval of the Company's Stock Option Plan.
- ✗ **AGAINST** the approval of the Company's Restricted Share Unit Plan.
- ✓ **FOR** the special resolution approving a name change of the Company to "AUSA Corporation".
- ✗ **AGAINST** the special resolution approving the continuance of the Company out of the jurisdiction of Alberta and into the jurisdiction of British Columbia.
- ✓ **FOR** the ordinary resolution authorizing the Company to amend By-Law No. 1 of the Company pursuant to subsection 102(2) of the *Business Corporations Act* (Alberta) to provide that meetings of shareholders may be held entirely virtually.

If you have already voted using Management's proxy but support our efforts for necessary change, you may vote again by using the **YELLOW** Proxy enclosed. Only the later dated proxy will count. Voting is easy. Non-registered Shareholders may cast votes online at www.proxyvote.com or by calling the number provided on the **YELLOW** voting instruction form ("**YELLOW VIF**"). Registered shareholders can vote by email at assistance@laurelhill.com or by fax at +1-416-646-2415. Full instructions can be found on the **YELLOW** Proxy.

We would like to thank Shareholders who have voiced their support for us. Notwithstanding the tremendous support the Concerned Shareholders have received, we encourage and invite all Shareholders to vote as we recommend above to ensure real and positive change is implemented.

Yours sincerely,

/s/ "Duke Fu" and "Roger Sykes"

Duke Fu and Roger Sykes,

On Behalf of the Concerned Shareholders of Australis Capital Inc.

For further information: Please contact the Concerned Shareholders' shareholder communications advisor and proxy solicitation agent: Laurel Hill Advisory Group, Toll Free: 1-877-452-7184, International: +1 416-304-0211 outside Canada and the US, By Email: assistance@laurelhill.com. Please also visit www.fixaustralis.com and follow us on Twitter [@fixaustralis](https://twitter.com/fixaustralis).

Forward Looking Statement

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws, including, without limitation, the Concerned Shareholders' and Australis' respective priorities, plans and strategies. All statements and information, other than statements of historical fact, included herein are forward-looking statements, including, without limitation, statements regarding

activities, events or developments that the Concerned Shareholders expects or anticipate may occur in the future. These forward-looking statements can be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe" or "continue" or similar words and expressions or the negative thereof. Such statements reflect the Concerned Shareholders' or the Concerned Shareholder Nominees' current views and intentions with respect to future events and are subject to certain risks, uncertainties and assumptions. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur or, even if they do occur, will result in the performance, events or results expected. We caution readers not to place undue reliance on forward-looking statements contained herein, which are not a guarantee of performance, events or results and are subject to a number of risks, uncertainties and other factors that could cause actual performance, events or results to differ materially from those expressed or implied by such forward-looking statements. These factors include: changes in Australis' and the Concerned Shareholders' strategies, plans or prospects; general economic, industry, business, regulatory and market conditions; actions of Australis and its competitors; conditions in the cannabis industry; risks relating to government regulation and changes thereto; the state of the economy including general economic conditions globally and economic conditions in the jurisdictions in which Australis operates; the unpredictability and volatility of Australis' share price. These factors should not be construed as exhaustive. Readers are cautioned that all forward-looking statements involve known and unknown risks and uncertainties, including those risks and uncertainties detailed in the continuous disclosure and other filings of Australis, copies of which are available on the System for Electronic Document Analysis ("SEDAR") at www.sedar.com. We urge you to carefully consider those risks and uncertainties. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Unless expressly stated otherwise, the forward-looking statements included herein are made as of the date of this news release and the Concerned Shareholders disclaim any obligation to publicly update such forward-looking statements, except as required by applicable law.