

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

January 5, 2021

3. News Release

The news release was disseminated on January 5, 2021 on SEDAR.

4. Summary of Material Change

Australis Capital Inc. (CSE: AUSA) (OTC: AUSA) ("AUSA" or the "Company") announced that the Company has entered into a non-binding term sheet dated January 4, 2020 with Green Therapeutics LLC ("GT") and the holders of the issued and outstanding membership interests of GT setting forth the terms of a proposed transaction pursuant to which Australis will purchase 100% of the issued and outstanding membership interests in GT. Prior to completing the acquisition, the parties have agreed to settle a previously announced legal dispute regarding the original May 2019 transaction whereby AUSA had acquired certain non-operational GT assets.

5. Full Description of Material Change

5.1 Full Description of Material Change

See Schedule A attached.

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:

Dr. Duke Fu
Interim Chief Executive Officer
IR@ausa-corp.com

9. Date of Report.

This report is dated this 13th day of January, 2021

Schedule A

AUSTRALIS TO ACQUIRE GREEN THERAPEUTICS LLC

Accretive Transaction That Adds High-End Award-Winning Brands

Operationalizes AUSA with Multi-State Footprint

Acquisition Agreement Includes Resolution of Litigation by Unwinding Original Transaction

LAS VEGAS, NV, January 5, 2021 — Australis Capital Inc. (CSE: AUSA) (OTC: AUSA) ("AUSA" or the "Company") today announced that the Company has entered into a non-binding term sheet dated January 4, 2020 with Green Therapeutics LLC ("GT") and the holders of the issued and outstanding membership interests of GT setting forth the terms of a proposed transaction pursuant to which Australis will purchase 100% of the issued and outstanding membership interests in GT. Prior to completing the acquisition, the parties have agreed to settle a previously announced legal dispute regarding the original May 2019 transaction whereby AUSA had acquired certain non-operational GT assets.

Green Therapeutics

GT is an award-winning, Nevada-based cannabis company with a strong brand portfolio of high-end dried flower and designer/luxury derivative products. GT was co-founded by former MedMen President Dr. Duke Fu and is led by a strong team of medical professionals and pharmaceutical manufacturing experts. GT's team has a strong execution track record with several company exits and an acquisition by a Fortune 500 corporation.

GT operates an 8,000 square foot facility in Nevada and its brands are carried by 52% of Nevada-based dispensaries, with further market penetration expected as production capacity is expanded. GT also has a manufacturing license in Oklahoma and a 25% interest in an extraction and processing license in Missouri.

Strategic Rationale

- **Accretive:** The transaction, if completed, will be immediately accretive to AUSA results as current Nevada assets (which are the subject of the settled legal dispute) are non-operational.
- **Foundational MSO assets:** It is anticipated that GT's brands will be scaled up across multiple U.S. jurisdictions.
 - GT currently operates an 8,000 sqft cultivation and manufacturing operation in Las Vegas, which will now be acquired by AUSA. GT's operations team with a deep background in the production of pharmaceutical-grade products, is delivering an award-winning portfolio of high-end branded products from this facility.

- Drop-ship cultivation, extraction and manufacturing capabilities allow for capital-light expansion in Oklahoma and Missouri where GT has a presence, as well as in other markets AUSA intends to expand into.
- **Award winning brands & genetics:**
 - The GT product portfolio has won multiple highly coveted industry awards, including the High Times Cup, Patient Choice and the Jack Herer Cup.
 - Award winning genetics: multiple +30% THC, High THC-V, and CBG cultivars.
 - Achieving premium pricing.
 - All that is produced is sold; revenue growth is capacity limited, not demand constrained. By expanding the GT supply chain in Nevada as well as multiple other jurisdictions, AUSA anticipates further accelerating profitable growth.
- **Broad market reach:** The quality and popularity of GT products has resulted in strong market penetration with GT brands currently being carried by 52% of Nevada dispensaries. GT currently produces three brands:
 - GT Flowers™: high-end flowers
 - Tsunami™: a collection of hydrocarbon extraction-based luxury products, such as live resins
 - Provisions': a line of distillate-based designer products, such as accurate dosing oral spray
- **Attractive home market:** GT has an established footprint in Nevada, a market with a regulatory framework that is highly favorable for operators in the cannabis industry.
 - Capped licensing regime reduces competitive pressure.
 - Nevada boasts some of the highest wholesale prices for cannabis in North America (USD \$5.33 - \$7.91 / gram').
 - Nevada attracts over 45 million visitors annually (pre-covid).
 - Public company/international ownership permitted.
- **Innovation:** Laboratory, pharmaceutical and manufacturing expertise focused on innovative R&D with short-time-to-market commercial applications, such as novel extraction methods, accurate dosing forms and custom compounding. Products and technologies can be drop-shipped across multiple jurisdictions, accessing new markets and generating new revenue streams.

Source: <https://potguide.corniblogilarticle/why-are-nevada-cannabis-prices-so-high/> and <https://mjblzdally.com/wholesale-marijuana-prices-for-flower-dip-in-nevada/>

- Growth catalysts:
 - Nevada:
 - Currently holding a provisional dispensary license in South Lake Tahoe (Douglas County) the location of world class ski resorts and multiple casinos with a large and captive audience. GT will have the option to locate in the immediate vicinity of the resort's high-density entertainment outlets.
 - Nevada dispensary count projected to double in the coming two years. GT is planning to scale up with the market.
 - Negotiating the acquisition of a 23-acre plot of land in Clark County for development into one of the largest cannabis developments in Las Vegas.
 - Missouri:
 - The Company plans to operationalize GT's 25% equity stake in a recently awarded medical cannabis processing and extraction license in Missouri. An 8,727 sq ft manufacturing facility is largely complete with minimal additional investment required to launch the Company's brands.
 - GT is also in advanced discussions with a number of high-end, commercially successful out-of-state brands to serve as their white label producer for entry into the Missouri market.
 - Oklahoma:
 - Manufacturing license expected to be operationalized in late 2021.
- **Attractive valuation:** The proposed transaction has been structured such that the selling principals are very closely aligned with the future success of AUSA, with an attractive initial valuation that leaves considerable upside based on current assets, operations and future initiatives.

Commentary

"This is a transformational and immediately accretive transaction, operationalizing AUSA in multiple states with award-winning brands," stated AUSA director Hanoz Kapadia. "With the GT litigation behind us, we can put more muscle behind their designer brands, scale up across the U.S. and transform AUSA into a high-quality multi state operator. We anticipate that other transactions we are negotiating will generate strong strategic synergies with our GT assets, create hard to emulate competitive advantages, and help propel AUSA to the next level."

Mr. Kapadia continued, "Through our close collaboration with Dr. Fu over the past months, we have been able to build a relationship based on trust. This has resulted in today's announcement

of our transaction at an attractive valuation that is closely aligned with shareholders' interests. To ensure full adherence to our strict governance policies, Dr. Fu recused himself from the entire

AUSA negotiations and decision-making process. We look forward to working with Duke and his team as we execute on our strategy."

Duke Fu, co-founder of GT and Interim CEO of AUSA, added, "Folding the entire GT portfolio into AUSA will provide us with the firepower and networks to take our brands across the nation. With numerous initiatives on the go, shareholders can expect to receive frequent updates as we expand our business. I have been impressed with the capabilities and vision of the renewed AUSA board, with governance front and centre, as well as its ability to execute rapidly and diligently, and look forward to continue working closely with what I consider to be one of the premier teams in the industry."

Transaction terms

AUSA will pay to the holders of the GT membership interests between C\$9.5 million and C\$10 million for 100% of the outstanding GT membership interests. The consideration will be paid as set out below.

- (i) C\$7,500,000 will be paid through either the issuance of shares of AUSA ("AUSA Shares") valued at a deemed price of \$0.20 per AUSA Share, or in cash, or a mixture of both at the election of AUSA;
- (ii) C\$500,000 (the "Indemnity Holdback") will be payable on the day that is 18 months after closing and such amount shall be reduced dollar-for-dollar by the amount of any indemnity claim made by AUSA pursuant to the terms of the definitive purchase agreement; and
- (iii) C\$2,000,000 will be payable in two equal installments (on the first and second anniversary of the closing) (each an "Earn-out Payment").

The Earn-out Payments and Indemnity Holdback shall be paid in AUSA Shares or in cash, or a mixture of both at the election of AUSA. The number of AUSA Shares to be issued for such amounts will be calculated by dividing the applicable portion of the Earn-out Payments or Indemnity Holdback (as applicable) by the greater of (a) the volume-weighted average trading price of the AUSA Shares on the Canadian Securities Exchange (the "CSE") for the ten (10) trading days immediately prior to the applicable payment date, and (b) the maximum allowable discount permitted by the CSE to the closing price of the AUSA Shares on the trading day prior to the date of this announcement.

Completion of the transaction is subject to customary closing conditions, including completion of due diligence, negotiation of definitive agreements and receipt of all necessary approvals. If such conditions are not satisfied it is possible that the proposed transaction will not be completed on the terms set forth herein or at all. The parties anticipate completing the definitive agreements within the next 30 days, and anticipate that the transaction will be completed in the first quarter of 2021.

Unwinding original transaction

In May 2019, AUSA announced it had entered into an asset purchase agreement with GT and certain affiliated companies, to acquire certain assets. The agreement included the undertaking to develop these assets, which was not executed upon by AUSA. Consequently, GT and its affiliates commenced litigation with AUSA. As the Company announced on December 7, 2020, a special committee of the Board was formed to deal with this issue. In conjunction with the transaction announced today, the companies are pleased to announce that a resolution has been agreed upon, consisting of the following:

- GT principals will return for cancellation all AUSA stock issued in the original transaction being 11,417,376 AUSA shares.
- AUSA shall return all of the purchased cannabis assets (licenses and brands) to GT. The brands will be part of the new transaction whereby AUSA is acquiring 100% of the membership interests of GT; the non-operational grow and processing licenses are expected to be sold by GT to third parties.
- Land in North Las Vegas purchased from an affiliate company of GT ("Meridian") will be sold and the proceeds will be divided between Meridian and AUSA whereby USD \$2.93 million will be paid to Meridian, USD \$1.02 million will be paid to AUSA, and any remaining proceeds will be split 55% for AUSA and 45% for Meridian.

Going forward

GT continues to execute. As announced previously, negotiations with a number of potential transaction partners have been progressing. AUSA is laser focused on profitable growth, and future transactions are focused on:

- Creating capital-light access to high-quality, low-cost biomass inputs to scale the Company's brands and introduce its award-winning genetics and products in new markets.
- Creating additional competitive advantages through disruptive technologies with immediate commercial applications.
- Capital light vertical integration.
- Brand awareness, Brand building and Brand quality.
- Expansion into new markets.

Dr. Fu concluded, "AUSA is well positioned to capitalize on the enormous opportunity in the U.S. cannabis market. We continue to move fast and believe that with the initiatives currently underway, the Company will be able to deliver on its potential."

About Australis Capital Inc.

AUSA is implementing a capital light growth strategy towards establishing a highly competitive and profitable MSO in the U.S. and global cannabis markets. AUSA's business lines and assets include investments in Cocoon, Body and Mind Inc., Quality Green, Folium Biosciences, and land assets in Washington. AUSA is currently working towards the closing of a transaction whereby it will acquire 100% of the membership interest in Green Therapeutics LLC, an award-winning MSO with operations in Nevada, Missouri and Oklahoma.

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, contact the Company by e-mail at ir@ausa-corp.com.

"Dr. Duke Fu"

Dr. Duke Fu
Interim Chief Executive Officer

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Forward-Looking Statement

This press release contains "forward-looking information" within the meaning of applicable securities legislation. All statements, other than statements of historical fact, included herein is forward-looking information. Generally, forward-looking information may be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "proposed", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases, or by the use of words or phrases which state that certain actions, events or results may, could, would, or might occur or be achieved. In particular, this press release contains forward-looking information in relation to: the timing and ability to close the proposed transaction; the anticipated development of the GT business and its ability to grow revenues; the proposed transaction being immediately accretive to the Company's financial position; the ability of the Company to scale up the GT assets across multiple jurisdictions; the ability for the Company to be able to execute on its plans for expansion in Oklahoma, Missouri and other markets; the impact of the changes to U.S. federal and state developments with respect to the cannabis industry and the opportunities this may present for the Company; and the Company's current liquidity. This forward-looking information reflects the Company's current beliefs and is based on information currently available to the Company and on assumptions the Company believes are reasonable. These

assumptions include, but are not limited to: the ability of the Company to successfully satisfy the conditions to closing the proposed transaction; the ability of the Company to successfully execute on its plans for the Company and GT; legal changes relating to the cannabis industry proceeding as anticipated; and the Company's continued response and ability to navigate the COVID-19 pandemic being consistent with, or better than, its ability and response to date.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; the actual results of the Company's future operations; competition; changes in legislation affecting the Company; the timing and availability of external financing on acceptable terms; lack of qualified, skilled labour or loss of key individuals; risks related to the COVID-19 pandemic including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, service disruptions, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and a deterioration of financial markets that could limit the Company's ability to obtain external financing.

A description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in the Company's disclosure documents on the SEDAR website at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking information. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ from those anticipated.

Forward-looking information contained in this press release is expressly qualified by this cautionary statement. The forward-looking information contained in this press release represents the expectations of the Company as of the date of this press release and, accordingly, are subject to change after such date. However, the Company expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law.

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Regulation Services Provider (as that term is defined in the policies of the CSE) accept responsibility for the adequacy or accuracy of this release.