



Australis Completes Definitive Agreement to Acquire 51% Stake in ALPS

Accretive Transaction Delivers Revenues and Positive Contribution to AUSA EBITDA

ALPS Business Accelerating - Contracts Signed in Past 5 Weeks for Total North of \$5 Million

ALPS Core Element in AUSA's Unique Capital-Light Expansion Strategy

Terry Booth to Take the Helm as CEO upon Closing

LAS VEGAS, Feb. 24, 2021 /CNW/ - Australis Capital Inc. (CSE: AUSA) (OTC: AUSA) ("AUSA" or the "Company") announced today that, further to its press release dated January 5, 2021, the Company has entered into a definitive agreement (the "Definitive Agreement") with the principals of ALPS for the acquisition of 51% of the issued and outstanding shares in ALPS (the "ALPS Transaction"). The Definitive Agreement has an option permitting the Company to acquire the remaining 49%. Furthermore, the ALPS Transaction also includes the appointment of Terry Booth as AUSA's CEO upon completion.

Accretive Transaction to Deliver Rapid Growth

Since its management buyout from Aurora Cannabis in May 2020, ALPS has rapidly built a blue-chip roster of global customers and a growing pipeline of potential new deals. ALPS currently is executing on a number of contracts, including four that were signed and announced in the past month:

- Aurora Cannabis - Annual ongoing services contract, multiple locations globally
- Cann Group - Cannabis facility contract + APIS extended services contract in Australia
- Multiple undisclosed cannabis related contracts in the U.S.
- Bluehouse Greenhouse – 62 acre vegetable facility contract in California, U.S.
- Vertical Harvest – 200,000 sqft multi-level urban facility contract in Wyoming, U.S.
- Aldershot Greenhouses – 200,000 sqft facility expansion contract in Ontario, Canada
- 200,000 sqft small plant production facility in Finland
- 20,000 sqft crop research facility in northern U.S.
- Tropica – facility for the cultivation of aquarium plants in Germany
- McMaster University, life Science Centre, Ontario, Canada
- Queen, Denmark – ornamental plants
- Middle East – large fruit & vegetable facility

The ALPS Transaction, upon closing, will be immediately accretive to AUSA results, with further material growth anticipated in the coming months.

Enabling Capital-Light Strategy Execution

In addition to delivering profitable revenue growth to AUSA, the ALPS Transaction is a key enabler of the Company's strategy to secure access to low-cost, hi-quality biomass to fuel the scale up of its brands. The ALPS Transaction, and the pending acquisition of Green Therapeutics LLC ("GT") by the Company (the "GT Transaction"), which is progressing well towards completion, signals a pivot for AUSA from investment company to becoming a formidable, highly recognizable MSO.

The U.S. cannabis space continues to grow at a high rate and is anticipated to reach in excess of \$40 billion by 2025¹. Executing on this opportunity requires strong brands, agility, and a tight Capex and OpEx operating model that the AUSA strategy accounts for. With the change in the Senate and the White House, regulatory changes in the U.S. cannabis industry are considered by many to be inevitable. This will bode well for all participants in the industry.

While other companies use third-party cultivated inputs for the manufacturing of their products, the AUSA model, through leveraging ALPS IP with its partners, is expected to result in a strongly reduced cost of goods sold. Furthermore, ALPS' three decades of experience in optimized facility design results in high-quality, high yield products at low operating expenses, further strengthening the AUSA brand proposition. Consequently, through its ownership of ALPS, AUSA with its strong network will look to set the standard of cannabis cultivation, processing and manufacturing globally.

With the ALPS Transaction comes the iconic, award winning west coast brand Mr. Natural, while the GT Transaction will bring further high-end award-winning brands: GT Flowers, Tsunami and Provisions. These transactions set up AUSA to expand its footprint across the U.S. and make these brands available to all consumers and patients.

Rapid Growth – More to Come

ALPS has built a rapidly expanding business development pipeline and is in advanced negotiations on potential projects with a total CapEx in excess of \$2.5 billion. The Company anticipates that ALPS will convert on multiple opportunities in the coming months, and management anticipates delivering accelerated, profitable growth through the ALPS Transaction.

The Company has identified a number of significant growth catalysts for the ALPS business:

- Growing demand in the legal cannabis sector, including lifecycle-related demand for facility upgrades.
- Longer term, the potential legalization of cannabis at the U.S. federal level is likely to create demand for massive-scale, centralized cultivation facilities, in which ALPS is the global leader.
- Growing demand for high-tech facilities for more traditional crops such as soft berries and vegetables, as well as facilities for newly popular crops (e.g. algae, in which ALPS has unique expertise), creates further growth momentum and de-risks the value proposition.
- Additional momentum is created by the drive for operations to become more sustainable, which includes increased demand for self-sufficiency by cities, regions and countries ('grown by locals for locals.' The Company is working on three such projects).
- ALPS' new compliance and data-driven service offering, APIS, is designed to create a high-margin, recurring revenue stream. Developed using over three decades of design and operational experience, APIS has been resonating strongly with operators, and interest in this new solution is strong with demand coming both from the regulated cannabis sector and more traditional horticulture market segments. The Company recently signed its first APIS contract with Cann Group in Australia, and management anticipates consistent conversion on opportunities currently in its business development pipeline.

Management Changes

As announced on January 5, 2021, upon completion of the ALPS Transaction, Terry Booth, former CEO of Aurora Cannabis, will become CEO of the Company. Dr. Duke Fu, currently Interim CEO, will take on the role of COO of the Company.

Management Commentary

"With the completion of the Definitive Agreement, we continue to execute at a rapid pace," stated Dr. Duke Fu, Interim CEO of AUSA. "We are focused on building significant shareholder value, which is reflected in the transaction terms that are EBITDA weighted and back-end loaded through the earn-out provisions."

Terry Booth, who will become CEO of AUSA upon completion of the ALPS Transaction, added, "The ALPS Transaction and the GT acquisition are the first steps in combining forces to build a strong and very hard to imitate MSO in the U.S. cannabis space. The opportunity for the cannabis industry has never been greater. Political changes towards acceptance of cannabis in the U.S. will, we believe, drive major regulatory changes in short order. We anticipate that this will result in an exponentially greater opportunity for all cannabis companies in the U.S., and especially for those that are well differentiated, such as AUSA. We strongly believe that with our assets, team, experience and vision, we have what it takes to build the next generation of MSO, delivering substantial growth with a strong focus on high-quality, resulting in superior brands and an enhanced bottom line. The ALPS standard in cultivation and compliance will continue to set the industry benchmark globally, and will be reflected across all of AUSA's operations."

Board member Avi Geller and Chairperson of AUSA's Compensation and Nominating committee, stated, "We are very pleased with the rapid progress made at AUSA with the new leadership team taking over. The Company is in the late-stage completion of two significant and accretive transactions that will set the stage for success in the U.S. cannabis market. Our Compensation and Nominating committee is focused on attracting the very best talent in every vertical that we intend entering into, be it cannabis or traditional crops, and we have made significant appointments. We are engaged in multiple negotiations that are progressing well, and have significantly stepped up our efforts to engage with shareholders and other stakeholders. We are proud of the progress made and look forward to reporting on our rapid development as management continues to execute."

Completion timeline

Management anticipates completion of the ALPS Transaction within the next 7 days, subject to satisfaction of customary closing conditions, with the ALPS results to be consolidated in the AUSA accounts from the closing date going forward.

ALPS Transaction details

Under the terms of the Definitive Agreement, AUSA will pay to the ALPS principals between \$13.7 million to a maximum of \$25.94 million in total consideration for a 51% interest in ALPS and the option, exercisable by the Company at any time for three years after closing of the ALPS Transaction ("Closing"), to acquire the additional 49% interest in ALPS for additional consideration. The consideration will be paid based on various milestones and adjustments as set out below.

Initial Consideration

- (i) \$10,000,000 paid through either the issuance of common 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 on Closing;
- (ii) \$2,000,000 paid in cash on Closing; and
- (iii) a \$1,700,000 indemnity holdback (the "Indemnity Holdback"), payable eighteen 18 months after Closing, adjusted for any

indemnity claim made by AUSA pursuant to the terms of the Definitive Agreement. The Indemnity Holdback payment, if any, may be paid, at the election of AUSA in cash or AUSA Shares at a deemed price per AUSA Share equal to the greater of (i) the 10-day volume weighted average price calculated from the payment date and (ii) \$0.14625.

Milestone Consideration

Pursuant to the Definitive Agreement, AUSA is also responsible to pay to the ALPS principals the following milestone-based payments:

- i. The maximum milestone payments (the "Milestone Payments") that will be payable, assuming full satisfaction of all milestones and the exercise of the option will be \$24 million, payable in six installments, commencing no earlier than September 30, 2022;
- ii. Each Milestone Payment will be calculated against revenue (3 payments) and EBITDA (3 payments) targets, related to 12 consecutive month periods between July 1, 2021 and as late as December 31, 2025. The actual Milestone Payments are capped at \$8 million per 12-month period (up to \$24 million in total), contingent on actual performance.
- iii. The maximum Milestone Payments of \$24 million are payable upon ALPS achieving cumulative revenues of \$108.7 million with cumulative EBITDA of \$48.9 million. The first calculation period commences on July 1, 2021 and such period will end, at the option of the ALPS principals subject to ALPS achieving certain revenue and EBITDA milestones, on June 30, 2022 or September 30, 2022 and in any event no later than December 31, 2022. The second calculation period commences on the day following the last day of the first calculation period and may end, at the option of the ALPS principals subject to ALPS achieving certain revenue and EBITDA milestones, on the 12 month or 15 month, and in any event no later than the 18 month anniversary, of the commencement of the second calculation period. The third calculation period commences on the day following the last day of the second calculation period and will end, at the option of the ALPS principals subject to ALPS achieving certain revenue and EBITDA milestones, on the 12 month or 15 month, and in any event no later than the 18 month anniversary, of the commencement of the third calculation period.

If a Milestone Payment becomes payable by AUSA prior to AUSA's exercise of the option (the "ALPS Purchase Option") to acquire the remaining 49% interest in ALPS, such payment will be 51% of the applicable Milestone Payment. The number of AUSA Shares to be issued by AUSA in connection with the payment of the Milestone Payment or the payment for the exercise of the ALPS Purchase Option will be calculated by dividing the amount payable by an amount equal to the greater of (a) the volume-weighted average trading price of the AUSA Shares on the Canadian Securities Exchange (the "CSE") for the ten trading days immediately prior to the applicable payment date and (b) \$0.14625.

The Definitive Agreement contains a provision that if an any transaction (or one or more related transactions) pursuant to which any person (other than the ALPS principals or those acting jointly and in concert with them) is or becomes the beneficial owner, directly or indirectly, of securities AUSA representing fifty percent or more of the total voting power represented by AUSA's outstanding voting securities, without the approval of the board of directors of AUSA, then AUSA shall exercise the option to acquire the remaining 49% of the shares of ALPS (if not already exercised) and pay the remaining Milestone Payments for periods not then expired and the Indemnity Holdback (if not already repaid).

Additional details with respect to the ALPS Purchase Option are as set forth in the January 5, 2021 press release. A copy of the Definitive Agreement will be filed under the Company's profile on SEDAR.

About ALPS

ALPS, formerly Aurora Larssen Projects, is a global leader in facility design, construction management and (post) commissioning services to the horticultural sector across a wide variety of commercial crops. Going back over 30 years, ALPS has built a stellar reputation as the leading innovator for greenhouse, indoor and outdoor facility design, with over 100 million square feet of projects under its belt. The Company's approach centers on vendor agnostic designs geared towards optimizing economic returns under all possible market and environmental conditions.

In the past seven years, ALPS has established itself as a leader in the cannabis space, having been involved in over 50 projects globally, including the highly automated, low-cost, high-quality, 800,000+ sq. ft, flagship facility Aurora Sky. 'Designed by ALPS' has become a badge synonymous with quality and a high return on investment.

ALPS' leadership in the industry is due to a number of strongly differentiating factors:

1. **Technology choice:** Most of ALPS' competitors are builders providing their own products. ALPS, on the other hand, is vendor agnostic and will always design what is the optimal solution for its clients. This ensures ALPS is able, if needed, to always incorporate the newest innovations into its designs without having the overhang of legacy systems. This approach resonates strongly with growers who fully understand the intrinsic value of technology choice.
2. **Optimized localized solutions:** ALPS pre-project services identify the optimal solutions based on local climate, power availability, utility, costs, labor availability, desired output and quality. These findings support the long-term value of the facility, ensuring costs align with expected margins.
3. **Economic optimization based on real life experience:** Having been involved post commissioning in the operation of many facilities, ALPS understands the challenges growers will face once facilities are up and running, and adapts its solutions accordingly.
4. **Enhanced economic returns through post-commissioning service offering:** ALPS' deep operational experience has

resulted in the development of a unique suite of post commissioning service offerings. These offerings enable growers to reduce operating costs, maintenance and related CapEx, while extending a facility's economic lifespan. This further reduces economic and operational risks, setting ALPS apart from its 'design and construction only' peers.

5. **Intellectual Property:** ALPS is a master of Controlled Environment Agriculture, an ability enhanced by its deep experience in developing high-quality, high throughput facilities, including those that must adhere to GACP/GMP regulations, as well as proprietary product offerings. For instance, ALPS has developed unique IP around climate delivery, which results in cost savings as well as higher product quality and yields with reduced disease risk.
6. **Scale:** the scale of the ALPS organization provides competitive advantages through the accumulation of in-house talent across a wide range of specializations which is difficult to emulate.
7. **Partnerships:** ALPS is the partner of choice for many vendors who are willing to co-develop proprietary solutions available only to ALPS customers. Furthermore, the assurance ALPS provides to vendors as a representative of both client and vendor ensures both parties align from the start of a project, reducing surprises and cost overruns during the life of the project. As a consequence, ALPS can negotiate cost-savings for the client that would otherwise be unavailable if the client went to a vendor directly.
8. **Brand:** The quality of design, project management, commissioning, project handover, and post-commissioning services mean that ALPS' customer satisfaction is exceptionally high, delivering significant brand equity, as well as strengthening vendors' willingness to partner with ALPS. The "ALPS Standard" also provides considerable brand equity towards consumers of the end products, strengthening a client's market position.
9. **Compliance:** APIS, the Company's new compliance and data driven service offering, enables growers to de-risk compliance and regulatory based concerns. APIS is a powerful tool designed to integrate multiple systems into a single source of data and information. It provides secure dashboards, track-and-trace functionality, as well as quick access to retrievable data useful for production personnel, facility owners, auditors, and data analysis. However, APIS is not just for regulated markets like cannabis; it also provides operational insight and controls for traditional vegetable and non-vegetable crops. This is called Industrialized Greenhouse Management.

Quality of design, execution and innovation have enabled ALPS to grow rapidly, and the company currently serves customers across the globe.

About AUSA

AUSA is implementing a growth strategy towards establishing a highly competitive and profitable MSO in the U.S. and global cannabis markets. AUSA is closing a transaction for 51% ownership of ALPS, the world's premier design, construction management, commissioning and post commissioning consultancy for horticultural crops, such as cannabis, fruits, vegetables, mushrooms and algae. The Company also holds an option for the acquisition of the remaining 49% of ALPS. 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. Through GT and ALPS, the Company believes it will be able to secure low-cost access to cannabis biomass to fuel the scale up of its award-winning brands across the U.S. and global cannabis markets. AUSA's other business and assets include investments in ALPS, Cocoon, Body and Mind Inc., Quality Green, Folium Biosciences, and land assets in Washington and Michigan.

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

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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 transactions with GT and ALPS; the anticipated development of the GT and ALPS businesses; the ability of the Company to execute on its strategy to establish a low capex model MSO; 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. 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 ALPS and GT transactions; the ability of management of ALPS, GT and the Company to successfully execute on their respective business plans; 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.

EBITDA is a Non-IFRS measure. Earnings before interest, taxes, depreciation and amortization ("EBITDA") should not be construed as alternatives to net income/loss determined in accordance with IFRS. EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The Company believes that EBITDA is a meaningful financial metric as it measures cash generated from operations, which the Company can use to fund working capital requirements and fund future growth initiatives.

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 materially 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.

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