

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

March 24, 2021

3. News Release

The news release was disseminated on March 24, 2021 on Newswire.

4. Summary of Material Change

Australis Capital Inc. (the "Company") announced that, further to the Company's press releases of January 5, 2021, and March 12, 2021, it has completed the first stage of the transaction to acquire Green Therapeutics LLC ("GT").

The transaction is being completed in two parts, the first, which has now closed, being the acquisition of a subsidiary of GT (the "Subsidiary") containing a number of unregulated assets including the GT brands and certain ancillary agreements including brand licensing and management agreements. Subsequently, subject to regulatory approval, the Company will complete the acquisition of GT itself. In conjunction with the completion of the acquisition of the Subsidiary, the parties have settled a previously announced legal dispute.

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:
Terry Booth
Chief Executive Officer
IR@ausa-corp.com

9. Date of Report.

This report is dated this 6th day of April, 2021

Schedule A



AUSTRALIS COMPLETES FIRST STAGE IN GREEN THERAPEUTICS LLC ACQUISITION

Transaction Marks Company's Transition to Being a Cannabis Industry Operator

Accretive Transaction Adds High-Margin Revenues and Award-Winning Brands

Foundational Asset in AUSA's Multi-State Footprint Expansion

LAS VEGAS, NV, March 24, 2021 – Australis Capital Inc. (CSE: AUSA) (OTC: AUSAF) (“AUSA” or the “Company”) today announced that, further to the Company’s press releases of January 5, 2021, and March 12, 2021, it has completed the first stage of the transaction to acquire Green Therapeutics LLC (“GT”).

The transaction is being completed in two parts, the first, which has now closed, being the acquisition of a subsidiary of GT (the “Subsidiary”) containing a number of unregulated assets including the GT brands and certain ancillary agreements including brand licensing and management agreements. Subsequently, subject to regulatory approval, the Company will complete the acquisition of GT itself (the “Subsequent Closing”). In conjunction with the completion of the acquisition of the Subsidiary (the “Initial Closing”), the parties have settled a previously announced legal dispute.

Completion of the transaction marks the Company’s entry into the U.S. cannabis space as an operator, transitioning away from its previously identity as an investor. Management believes that by being an active industry participant, executing on its novel expansion strategy, AUSA will be able to significantly accelerate growth, become a highly competitive leader in the sector and deliver outsized shareholder value, in line with the promise made to shareholders by the new leadership team.

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. The team’s extensive cannabis cultivation skill and operational medical experience ensures high quality products, safety and a consistent user experience. GT currently operates three brands:

- Tsunami:

- For the aficionado with discerning tastes looking to experience the best, Tsunami's team of world-class extraction artists combines exotic strains with high-quality processes to deliver products unmatched in potency, quality, and flavor.
- Provisions
 - The Provisions line of products is distilled from high-quality extracts, free from undesirable contaminants, packed with long lasting flavors, and finished with a potent THC profile. Whether a first-time consumer or a long-time veteran, Provisions line of edibles, tinctures, vapes, and hardware offer a reliable experience that is both safe and consumer friendly.
- GT Flowers
 - High-end flower products for those looking for a connoisseur experience. Expressing exceptional potency and terpene profiles, GT Flowers products address the needs and wishes of discerning medical and adult use consumers.

Access to high-quality, low-cost biomass plays a key role in the execution of AUSA's growth strategy. The Company looks to achieve this through its deep industry connections and its majority ownership of ALPS. Executing on a novel low-cost, capital-light model, AUSA intends to scale-up the GT brands across the U.S. and beyond.

Looking Ahead

Going forward, AUSA plans to execute on a number of initiatives set in motion by the highly accomplished GT team, including:

- Completing the process of effecting market entry into new jurisdictions.
- Leveraging the Company's deep understanding of the market, consumer segments and GMP manufacturing practices, the GT team is in the process of developing new products for the high-end consumer market
- The GT team is rapidly progressing negotiations on initiatives aimed at accelerating growth. Discussions are held with potential partners to provide the Company with access to additional biomass, white label manufacturing capacity and retail distribution.

In line with the above, GT's track record in developing and launching high-end designer products has attracted the attention of various operators who are looking to GT to establish operations out of their existing facilities. Similar to the AUSA/ALPS strategy outlined in earlier press releases, this would provide GT with access to high-quality biomass at advantageous rates and would create new revenue streams.

The Company is in the process of acquiring a 23-acre plot of land in Nevada, which the Company plans to develop into a high-tech nexus for the cannabis industry servicing the Las Vegas area and beyond.

In addition, the Company will integrate the GT team with its other operations, including the ALPS sales and marketing team, to capitalize on synergies and execute on its unique capital-light expansion strategy.

Commentary

“We continue to execute at a high pace and will be accelerating our growth now that the first stage of the GT transaction is closed,” said Terry Booth, CEO. “This transaction marks our official entry as a participant in the U.S. cannabis sector as an operator, a commitment we made to our shareholders that resulted in overwhelming support at the Annual and Special Meeting held in November. The GT team brings productive and valuable cannabis operations and assets, very deep connections in the Nevada cannabis industry and elsewhere, and access to a host of potential partnerships and transactions. The credibility that GT has built in the Nevada market and beyond is of great value as we continue to build a new type of MSO. Leveraging our majority ownership of ALPS creates other unique opportunities to scale the GT brands, and positions us exceptionally well to capitalize on the enormous opportunity in the US cannabis space.”

Duke Fu, co-founder of GT and AUSA COO, added, “Since taking over in late November, the new leadership team at AUSA has accomplished a lot and has made incredible progress. However, this is just the beginning of our journey, and I look forward to working with Terry, Thomas and the entire AUSA team to execute on our expansion strategy and provide consumers across the U.S. and beyond with access to our award-winning products.”

Transaction Highlights

- **Accretive:** This transaction is immediately accretive to AUSA results. While Nevada state regulations require prior approval of any transfer of an interest in a cannabis establishment or license, the timing of which the Company has no control over, AUSA anticipates recognizing high-margin revenue through aforementioned brand licensing and management agreements. Further revenue acceleration is expected upon the full transfer of the interest in the Nevada licenses.
- **Foundation for MSO expansion:** GT, through its products, brands and multi state operations will be a foundational element in AUSA’s expansion strategy aimed at scaling up its footprint across multiple U.S. jurisdictions.
 - **Cultivation & manufacturing:** With the proposed acquisition comes an 8,000 sqft cultivation and manufacturing facility, as well as a management and brand licensing agreement with an entity in Oklahoma owned by Dr. Duke Fu and licensed for extraction and processing, and a brand licensing agreement with an entity in Missouri owned in part by Dr. Duke Fu, which is completing a process to obtain a license for extraction and processing. The Company will also have the right to acquire an interest in the Oklahoma entity when permitted at law. Once the license is granted for the Missouri entity, the Company will work with Duke to secure an equity interest subject to regulatory approval.
 - **Award winning brands & genetics:**
 - The GT brand/product portfolio has won multiple highly coveted industry awards, including the High Times Cup, Patient Choice and the Jack Herer Cup.
 - High-end genetics with multiple +30% THC, High THC-V, and CBG cultivars, achieving premium pricing.
 - **ALPS Synergies:** With the support of ALPS, GT will be, management believes, in a position to scale up its brands across multiple jurisdictions by virtue of novel streaming agreements with ALPS customers.

- **Multi-State assets:** It is anticipated that drop-ship cultivation, extraction, and manufacturing capabilities will allow for capital-light expansion in Oklahoma and Missouri as well as in other markets into which AUSA intends to expand.
- **High-velocity sell-through:**
 - The quality and popularity of GT products has resulted in strong market penetration with GT brands currently being carried by 52% of Nevada dispensaries.
 - 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.
- **Pharma-grade operations:** GT's operations team with a deep background in the production of GMP certified, pharmaceutical-grade products, has successfully launched innovative product offerings with appeal across a broad range of consumer segments.
- **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 / gram¹).
 - Nevada attracts over 45 million visitors annually (pre-COVID-19).
 - Public company/international ownership permitted.
 - No restrictions on number of verticals.
- **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.
- **Accelerating growth:**
 - Nevada:
 - GT currently holds 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.
 - Missouri:
 - Missouri has capped the number of cannabis licenses, making these very valuable in a state with approximately 6.2 million people. The Company is assisting Duke in an effort to operationalize a medical cannabis processing and extraction facility in the state, where the license grant is subject to final inspection. The 8,727 sq ft manufacturing facility is largely complete with minimal additional investment required. The Company is pursuing an agreement to launch the Company's brands in Missouri.
 - 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.
 - GT is negotiating the acquisition of a 23-acre plot of land in Clark County, Nevada, for development into a multi-company cannabis campus in Las Vegas.

¹ Source: <https://potguide.com/blog/article/why-are-nevada-cannabis-prices-so-high/> and <https://mjbizdaily.com/wholesale-marijuana-prices-for-flower-dip-in-nevada/>

- **Attractive valuation:** This 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.
- **Balance sheet strengthening:** the closing of the proposed land sale is anticipated to strengthen the Company's cash position by close to \$2 million.

Transaction Terms

The Company will pay to the holders of the GT membership interests between C\$8 million and C\$10 million for 100% of the outstanding membership interests of both GT and the Subsidiary. The consideration will be paid as set out below.

- C\$7,500,000 has been paid through the issuance of units ("**Buyer Units**") of GT Acquisition LLC ("**Buyer**"), a wholly owned subsidiary of Australis formed for the acquisition, at a deemed price of C\$0.20 per Buyer Unit. Each Buyer Unit will be exchangeable on a one-for-one basis into common shares of the Company at the option of the holder;
- C\$500,000 as an Indemnity Holdback, which will be payable on the day that is the later of the Subsequent Closing or 18 months after the Initial Closing and such amount shall be reduced dollar-for-dollar by the amount of any indemnity claim made by AUSA;
- C\$2,000,000 (the "**Contingent Payment**"), which will be payable in two (2) equal installments payable on the later of the Subsequent Closing or the first and second anniversary of Initial Closing respectively, provided that Dr. Fu continues to be employed by the Company on each such applicable payment date.

The Indemnity Holdback and the Contingent Payments may be paid in either cash, the issuance of Buyer Units, or both, at the election of the Company, with any Buyer Units so issued at a deemed price per Buyer Unit equal to the greater of (i) the VWAP of the common shares of the Company on the CSE for the 10 trading days immediately prior to the payment date of such payment; and (ii) \$0.14625.

GT and its affiliates have also dismissed their legal action against AUSA with prejudice, and has returned for cancellation all AUSA stock issued to them in May 2019, being 11,417,376 AUSA shares. In addition, AUSA has returned all of the assets it purchased from GT in May 2019, and the GT Members will retain certain redundant licenses not required by AUSA including a non-operational grow and processing licenses. Furthermore, 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. AUSA anticipates total proceeds from this land transaction to be approximately \$2.0 million.

The acquisition of GT is contingent on approval by the State of Nevada's Cannabis Control Board and subsequent local approval by Clark County Department of Business License. The timing of Nevada Cannabis Compliance Board review and approval is beyond the control of the Company. If such conditions are not satisfied it is possible that the proposed transactions will not be completed on the terms set forth herein or at all.

This transaction was negotiated by the independent Special Committee formed by the board of the Company to settle outstanding litigation with GT.

As Dr. Fu is the Chief Operating Officer of AUSA as well as a principal of GT the transaction with GT constitutes a "related party transaction" under Multilateral Instrument 61-101 ("MI 61-101"). The Company will rely on exemptions from the formal valuation and minority approval requirements of MI 61-101, in respect of the Proposed Acquisition set forth in Section 5.5(b) (Issuer Not Listed on Specified Markets) and Section 5.7(a) (Fair Market Value Not More Than 25% of Market Capitalization) of MI 61-101, respectively.

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 a 51% ownership interest in ALPS with an option to acquire the remaining 49%, along with investments in Cocoon, Body and Mind Inc., Quality Green, land assets in Washington, and a joint venture partnership with 3 Rivers Biotech. AUSA has also completed the first stage of the transaction to acquire Green Therapeutics LLC, an award-winning MSO with operations in Nevada, and is taking steps to operationalize related assets in Oklahoma and Missouri.

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

"Terry Booth"

Terry Booth
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 Subsequent Closing; 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 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.

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.