

INDUS HOLDINGS, INC.

LISTING STATEMENT

CSE FORM 2A

APRIL 23, 2019

The Resulting Issuer (as defined herein) is an entity that derives all of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Resulting Issuer is directly involved in the cannabis industry through the production, cultivation, distribution and sale of medical and adult-use cannabis in the State of California, which has regulated such activity.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substances Act of 1970 (the “Controlled Substances Act”). Under the Controlled Substances Act, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. Even in those states in which the use of marijuana has been legalized, its use, cultivation, sale and distribution remains a violation of federal law. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Any person connected to the marijuana industry in the U.S. may be at risk of federal criminal prosecution and civil liability in the United States. Any investments may be subject to civil or criminal forfeiture and total loss. Since federal law criminalizing the use of marijuana is not pre-empted by state laws that legalize its use, strict enforcement of federal law regarding marijuana would harm the Resulting Issuer’s business, prospects, results of operation, and financial condition. Due to the federal illegality of cannabis and the charged political climate surrounding the cannabis industries of various states, political risks are inherent in the cannabis industry. It remains to be seen whether policy changes at the federal level will have a chilling effect on the cannabis industry.

Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor’s contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

On January 4, 2018, former U.S. Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys which rescinded previous guidance from the U.S. Department of Justice specific to cannabis enforcement in the United States, including the Cole Memorandum (as defined herein). With the Cole Memorandum rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer’s business, results of operations, financial condition and prospects would be materially adversely affected. See Section 17 of this Listing Statement – Risk Factors for additional information on this risk.

Despite the current state of the federal law and the Controlled Substances Act, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Massachusetts and Maine have not yet begun recreational cannabis commercial operations. In early 2018, Vermont became the first state to legalize recreational cannabis by passage in a state legislature, but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC.

The Resulting Issuer's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States and Canada. Accordingly, there are a number of significant risks associated with the business of the Resulting Issuer. Unless and until the United States Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, and the business of the Resulting Issuer or one or more of the resulting Issuer's subsidiaries may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the United States.

For these reasons, the Resulting Issuer's involvement in the United States cannabis market may subject the Resulting Issuer to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of significant risks associated with the business of the Resulting Issuer. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to operate in the U.S. or any other jurisdiction. See sections 17 and 4.1, respectively entitled "Risk Factors" and "General Business of the Resulting Issuer".

On February 8, 2018 the Canadian Securities Administrators published CSA Staff Notice 51-352 (Revised) - Issuers with U.S. Marijuana-Related Activities ("CSA Staff Notice") setting out the Canadian Securities Administrator's disclosure expectations including specific risks facing issuers with cannabis-related activities in the United States.

The following table is intended to assist readers in identifying those parts of this Listing Statement that address the disclosure expectations outlined in the CSA Staff Notice.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the issuer's involvement in the U.S. marijuana industry and include the disclosures indicated for at	Section 3.1 – General Development of the Business and Compliance with Applicable State Law (p. 13)

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
	least one of the direct, indirect and ancillary industry involvement types noted in this table.	Section 4 – Narrative Description of the Business – General Business of the Resulting Issuer (p. 22)
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	Cover Page (disclosure in bold typeface) (p. 2)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	<p>Section 3.3 United States Regulatory Environment, Industry Background and Trends (p.15)</p> <p>Section 17 - Risk Factors – Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act (p.58)</p> <p>Section 17 - Risk Factors – Federal and State Forfeiture Laws (p. 59)</p> <p>Section 17 - Risk Factors – Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor's contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment. (p.58)</p> <p>Section 17 - Risk Factors - Approach to the Enforcement of Cannabis Laws may be Subject to Change (p.59)</p> <p>Section 17 – Risk Factors – Risk of Regulatory or Political Change (p. 62)</p>
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's ability to operate in the U.S.	Section 17 - Risk Factors – Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor's contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
		<p>(p.58)</p> <p>Section 17 - Risk Factors – General Regulatory Risks – Risks Related to Licensure (p.63)</p> <p>Section 17 - Risk Factors – California Regulatory Non-Compliance (p.65)</p> <p>Section 17 - Risk Factors – Re-Classification of Cannabis in the United States (p.65)</p> <p>Section 17 - Risk Factors – Service Providers (p.65)</p> <p>Section 17 - Risk Factors – Enforceability of Contracts (p.66)</p> <p>Section 17 - Risk Factors – Lack of Access to U.S. Bankruptcy Protections (p.66)</p> <p>Section 17 - Risk Factors – Anti-Money Laundering Laws and Regulations (i.e., restricted access to banking) (p.60)</p> <p>Section 17 - Risk Factors – Risk of Regulatory or Political Change (p.62)</p> <p>Section 17 - Risk Factors – Federal and State Forfeiture Laws (p.59)</p> <p>Section 17 - Risk Factors – Heightened Scrutiny by Regulatory Authorities (p.60)</p> <p>Section 17 – Risk Factors - Risks Associated with Travelling Across Borders (p.61)</p> <p>Section 17 - Risk Factors – Constraints on Marketing Products (p.74)</p> <p>Section 17 - Risk Factors – Intellectual Property Risks (p.72)</p> <p>Section 17 - Risk Factors – Re-</p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
		<p>classification of Cannabis in the United States (p.65)</p> <p>Section 17 – Risk Factors – Limited Operating History (p.67)</p> <p>Section 4.1 – General – Competitive Conditions (i.e., risks associated with the early stage of the industry in which the Resulting Issuer operates) (p.32)</p>
	<p>Given the illegality of marijuana under U.S. federal law, discuss the issuer's ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.</p>	<p>Section 17 - Risk Factors – Heightened Scrutiny by Regulatory Authorities (p. 60)</p> <p>Section 17 - Risk Factors – Anti-Money Laundering Laws and Regulations (i.e., restricted access to banking) (p. 60)</p> <p>Section 17 - Risk Factors – Additional Financing (p.67)</p> <p>Section 17 – Risk Factors - The Resulting Issuer's Management Team or Other Owners Could Be Disqualified From Ownership in the Resulting Issuer (p.63)</p>
	<p>Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p>Selected Consolidated Financial Information Schedules "A" and "B" to this Listing Statement.</p> <p>Note: at the time of this Listing Statement, all operations of the Resulting Issuer are only in the United States</p>
	<p>Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>	<p>Legal advice has been obtained.</p>
<p>U.S. Marijuana Issuers with direct involvement in cultivation or distribution</p>	<p>Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.</p>	<p>Section 3.1 General Development and Compliance with Applicable State Law (p.13)</p> <p>Section 3.3 United States Regulatory Environment, Industry Background and Trends</p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
		<p>(p.15)</p> <p>Section 4.1 General Business of the Resulting Issuer - Continued Expansion in the U.S. Market (p.25)</p> <p>Section 17 – Risk Factors - General Regulatory Risks; Risks Related to Licensure (p.63)</p>
	<p>Discuss the issuer's program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the issuer's licence, business activities or operations.</p>	<p>Section 3.1 - General Development and Compliance with Applicable State Law (p.13)</p> <p>Section 4.1 General Business of the Resulting Issuer - Manufacturing (p. 28)</p> <p>Section 17- Risk Factors: Risk of Regulatory or Political Change (p.62)</p>
U.S. Marijuana Issuers with Indirect involvement in cultivation or distribution	<p>Outline the regulations for U.S. states in which the issuer's investee(s) operate.</p>	<p>Section 3.1 General Development and Compliance with Applicable State Law (p.13)</p> <p>Section 3.3 United States Regulatory Environment, Industry Background and Trends (p.15)</p> <p>Section 4.1 General Business of the Resulting Issuer - Continued Expansion in the U.S. Market (p.25)</p> <p>Section 17 - Risk Factors – General Regulatory Risks; Risks Related to Licensure (p.63)</p> <p>Section 17 - Risk Factors – California Regulatory Non-Compliance (p. 65)</p>
	<p>Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the</p>	<p>Section 3.1 General Development and Compliance with Applicable State Law (p.13)</p> <p>Section 3.3 United States Regulatory Environment,</p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to Listing Statement
	regulatory framework enacted by the applicable U.S. state. Promptly disclose any noncompliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	<p>Industry Background and Trends (p.15)</p> <p>Section 4.1 General Business of the Resulting Issuer - Continued Expansion in the U.S. Market (p. 25)</p> <p>Section 17 - Risk Factors – California Regulatory Non-Compliance (p. 65)</p> <p>Section 17 – Risk Factors - General Regulatory Risks; Risks Related to Licensure (p.63)</p>
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<p>Section 3.1 General Development and Compliance with Applicable State Law (p.13)</p> <p>Section 3.3 United States Regulatory Environment, Industry Background and Trends (p.15)</p> <p>Section 4.1 General Business of the Resulting Issuer - Continued Expansion in the U.S. Market (p.25)</p> <p>Section 17 - Risk Factors – California Regulatory Non-Compliance (p. 65)</p> <p>Section 17 – Risk Factors - General Regulatory Risks; Risks Related to Licensure (p.63)</p>

Neither the Canadian Securities Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Reverse Takeover Transaction described in this Listing Statement.

FORWARD LOOKING STATEMENTS

This Listing Statement contains certain “forward-looking information” and “forward-looking statements”, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). Such forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Resulting Issuer’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Resulting Issuer’s control. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements contained herein may include, but are not limited to, information with respect to the Resulting Issuer’s expectations regarding: the legislative framework regarding the licensing of cannabis and related activities; proposed and anticipated changes to applicable laws and regulations regarding the cannabis market, associated fees and taxes and the business impact on the Resulting Issuer; estimated working capital of Indus prior to the completion of the RTO; the potential size of the adult-use cannabis market; the availability and renewal of requisite licences and permits on terms acceptable to the Resulting Issuer; the timing of the implementation of the Resulting Issuer’s construction plans; production capacity; sales; estimated operating costs; business prospects and strategy; anticipated trends and challenges in the Resulting Issuer’s business and the markets in which it operates; future growth plans; prospective financial performance; anticipated cash needs; the Resulting Issuer’s ability to raise funds in the capital markets; and the Resulting Issuer’s financial position. These statements relate to future events or the Resulting Issuer’s future performance. All statements other than statements of historical fact are forward-looking statements. By identifying such statements in this manner, the Resulting Issuer is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance, or achievements of the Resulting Issuer to be materially different from those expressed or implied by such information and statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this Listing Statement are as of the date of this Listing Statement. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Resulting Issuer’s ability to predict or control. Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Resulting Issuer to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: the Resulting Issuer’s failure to receive or maintain the requisite licences and other approvals to cultivate, store and sell cannabis in all acceptable forms to all eligible individuals; management’s expectations that requisite licences and permits will be available on terms acceptable to the Resulting Issuer; regulatory risks and risks related to changes in laws, regulations and guidelines; revisions to the estimated working capital of Indus following the preparation of financial statements for applicable periods or otherwise; the Resulting Issuer’s limited operating history; the Resulting Issuer’s reliance on limited production capacity; the Resulting Issuer’s goal of creating shareholder value by successfully executing its growth strategy, as permitted by the evolving market for its products; access, supply and pricing risks; reliance on, and attraction and retention of, key personnel; the Resulting Issuer’s ability to achieve or maintain profitability; the Resulting Issuer’s ability to secure additional financing on acceptable terms; risks related to increased competition in the cannabis industry generally; the Resulting Issuer’s ability to manage growth; risks inherent to an agricultural business; the Resulting Issuer’s reliance on key inputs; the Resulting Issuer’s vulnerability to rising energy costs; consumer perception of the cannabis industry; risk of exposure to product liability claims; risks related to product recalls; the Resulting Issuer’s dependence on suppliers and skilled labour; operating risk and adequacy of insurance coverage; management’s outlook regarding future trends, outlook and activities; risks related to global

financial conditions; uncertain political and economic environments; potential conflicts of interest; litigation risks; fluctuations in the Resulting Issuer's stock price; environmental hazards and industrial accidents; environmental liability; future plans for the property interests held by the Resulting Issuer or which may be acquired on a going forward basis, if at all; restrictions imposed by the CSE in connection with the Resulting Issuer's business; as well as the risks discussed under the heading "Risk Factors" in this Listing Statement.

Although management of the Resulting Issuer 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. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All forward-looking statements herein are qualified by this cautionary statement. The Resulting Issuer does not undertake to update any forward-looking information, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking information. If the Resulting Issuer does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

See also "Risk Factors - Past Performance Not Indicative of Future Results" and "- Financial Projections May Prove Materially Inaccurate or Incorrect".

CURRENCY

All references to currency or "\$" in this Listing Statement are to Canadian dollars unless otherwise specified.

1. Table of Contents

1.	Table of Contents	11
2.	Corporate Structure	12
3.	General Development of the Business	13
4.	Narrative Description of the Business	22
	Entry Into International Markets	26
	Distribution Services	26
	E-Commerce Platform	27
	Inventory Management	27
	Product Offerings	29
5.	Selected Consolidated Financial Information	34
6.	Management's Discussion and Analysis	35
7.	Market for Securities	35
8.	Consolidated Capitalization	35
9.	Options to Purchase Securities	35
9.2	Resulting Issuer Equity Incentive Plan	36
10.	Description of the Securities	40
11.	Escrowed Securities	42
12.	Principal Shareholders	42
13.	Directors and Officers	44
14.	Capitalization	50
	Not applicable	54
15.	Executive Compensation	54
16.	Indebtedness of Directors and Executive Officers	57
17.	Risk Factors	57
18.	Promoters	79
19.	Legal Proceedings and Regulatory Actions	79
20.	Interest of Management and Others in Material Transactions	80
21.	Auditors, Transfer Agents and Registrars	81
22.	Material Contracts	81
23.	Interest of Experts	83
24.	Other Material Facts	83
25.	Financial Statements	83
	SCHEDULE "A" CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016	A-1
	SCHEDULE "B" UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018	B-1
	SCHEDULE "C" MD&A FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016	C-1
	SCHEDULE "D" MD&A FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018	D-1

2. Corporate Structure

Note: Mezzotin Minerals Inc. (“**Mezzotin**”) has entered into a definitive agreement with Indus Holding Company (“**Indus**” or the “**Company**”) and certain other parties pursuant to which Mezzotin and Indus will effect a business combination that will result in a reverse take-over of Mezzotin by the securityholders of Indus (the “**Business Combination**” or the “**RTO**”). Unless otherwise stated, this application is being prepared on a pro forma basis, assuming completion of the RTO, to apply for the listing of the subordinate voting shares (“**Subordinate Voting Shares**”) of the parent company resulting from such RTO which was renamed “Indus Holdings, Inc.” in (the “**Resulting Issuer**” or “**Pubco**”) on the Canadian Securities Exchange (the “**CSE**”).

2.1 Offices

Mezzotin Minerals Inc. (to be renamed “Indus Holdings, Inc.” after giving effect to the RTO (the “**Name Change**”))

Head Office: 19 Quail Run Circle - Suite B
Salinas, California
93907
USA

Registered Office: c/o Cassels Brock & Blackwell LLP
Suite 2200, HSBC Building
885 West Georgia Street
Vancouver, BC
V6C 3E8
Canada

2.2 Incorporation

Mezzotin was incorporated under the Business Corporations Act (Ontario) on October 27, 2005 under the name Zoolander Corporation. The articles of Mezzotin were amended on April 21, 2011 to consolidate the common shares of Mezzotin (“**Common Shares**”) on a 0.5:1 basis, and were subsequently amended again on September 10, 2013 to change the name of Mezzotin from “Zoolander Corporation” to “Mezzotin Minerals Inc.”

In connection with the RTO, Mezzotin filed articles of amendment to effect the Name Change, the Share Terms Amendment (as defined below) and a continuance from the Province of Ontario to the Province of British Columbia.

Indus was formed as a corporation under the laws of the State of Delaware on January 2, 2015 and is governed by amended and restated articles of incorporation dated October 25, 2018.

In connection with the RTO: (i) a new class of equity shares designated as subordinate voting shares of Mezzotin (“**Subordinate Voting Shares**”) were created, with all outstanding common shares of Mezzotin being reclassified as Subordinate Voting Shares and the common shares being removed as an authorized class of shares of Mezzotin; (ii) a new class of non-participating, super voting shares of Mezzotin (“**Super Voting Shares**”) were created; and (iii) a new class of voting common shares and a new class of non-voting redeemable common shares (“**Convertible Shares**”) of Indus were created, with the outstanding shares of Indus (“**Indus Shares**”) being reclassified, as Convertible Shares at a rate of one (1) Convertible Share for every one (1) Indus Share held. At the closing of the RTO, there were 202,590

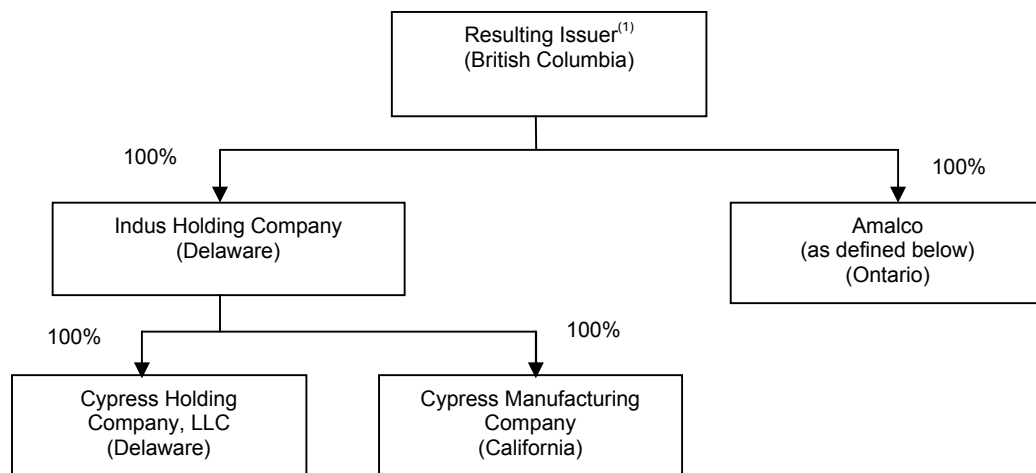
Super Voting Shares, 3,568,285 Subordinate Voting Shares and 28,459,245 Convertible Shares outstanding, prior to the conversion of any of the Convertible Shares. See Item 10 – Description of Securities.

Pursuant to the RTO, a series of transactions was then completed resulting in a reorganization of Indus and Mezzotin, as a result of which the Resulting Issuer became the parent and sole voting shareholder of Indus. Assuming the redemption in full of all redeemable securities of Indus and its affiliates (being the effective economic equivalent of the Subordinate Voting Shares) outstanding immediately following the completion of the RTO (but otherwise assuming that options and warrants exercisable for securities of the Resulting Issuer and its affiliates remain outstanding), securityholders of Indus hold approximately 88.9% of the Subordinate Voting Shares of the Resulting Issuer, while other holders of Subordinate Voting Shares (being the former Mezzotin shareholders and former holders of Subscription Receipts (as defined below) hold approximately 11.1% of the Subordinate Voting Shares of the Resulting Issuer.

The Resulting Issuer and its subsidiaries solely carry on the business formerly carried on by Indus. The material subsidiaries of Indus were not changed in connection with the RTO.

2.3 Organization Chart

Set forth below is the organization chart of the Resulting Issuer. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary.



(1) The name of the Resulting Issuer is Indus Holdings, Inc.

2.4 The Resulting Issuer is not requalifying following a fundamental change or proposing an acquisition, amalgamation, merger, reorganization or arrangement.

2.5 The Resulting Issuer is not a non-corporate issuer or issuer incorporated outside of Canada.

3. General Development of the Business

3.1 General Development and Compliance with Applicable State Law

Following completion of the RTO, the Resulting Issuer will operate the current business of Indus in an effort to enhance overall shareholder value. Indus is a vertically integrated cannabis

company with production capabilities, including cultivation, extraction, manufacturing, brand sales & marketing, and distribution, all as further described below.

Indus was formed to own, operate and develop certain businesses related to the manufacture, extraction, cultivation, package, distribution and sale of cannabis and cannabis products under owned and licensed brands in California, where such activities are authorized under applicable law. Indus and the Resulting Issuer are in compliance with applicable state law in California and the related licensing requirements and regulatory framework. Edible product manufacturing commenced in 2015 with initial sales occurring in July 2015. Extraction activities commenced in 2017 with initial sales occurring in May 2017. Cultivation activities commenced in 2017 with the initial harvest occurring in July 2017. In December 2017, Indus entered into logistics and coordination agreements with an e-commerce software development company and in August 2018 commenced distribution activities on the e-commerce platform for Indus and third-party brands.

For additional information in respect of Indus' strategy for U.S. and international expansion, please see Section 4 below.

On or about March 3, 2015 Indus completed a US\$3.1 million non-brokered private placement (the "**Indus Series A Preferred Stock Offering**") of preferred shares of Indus (the "**Indus Series A Preferred Stock**"). The net proceeds of the Indus Series A Preferred Stock Offering were used by Indus for working capital, including without limitation, to purchase assets.

On or about July 11, 2016 Indus completed a US\$2.4 million non-brokered private placement (the "**Indus Series A2 Preferred Stock Offering**") of preferred shares of Indus (the "**Indus Series A2 Preferred Stock**"). The net proceeds of the Indus Series A2 Preferred Stock Offering were used by Indus for working capital, including without limitation, to purchase assets.

On or about January 2, 2017 Indus completed a non-brokered private placement (the "**Indus Senior Note Offering**") of US\$4.5 million principal amount of notes of Indus (the "**Indus Senior Notes**") and accompanying warrants of Indus (each, an "**Indus Warrant**"). Each Indus Senior Note accrued interest at a rate of 12%, compounded annually, and was fully due and payable on October 28, 2018 or the occurrence of certain conversion events. Each Indus Warrant entitled the holder thereof to acquire Indus common stock at an acquisition price of US\$1.1074 per warrant for a period of 10 years. The holders of US\$4.375 million of Indus Senior Notes elected to convert the Indus Senior Notes into Indus Series B Preferred Stock as a result of the Indus Series B Preferred Stock Offering as described below. The remaining US\$125,000 in Indus Senior Notes were paid in cash at maturity. The net proceeds of the Indus Senior Note Offering were used by Indus for working capital, including without limitation, to purchase assets.

In connection with the RTO, the Indus Warrants were amended to become exercisable for the Resulting Issuer's Subordinate Voting Shares on economically equivalent terms.

On or about October 30, 2017 Indus completed a non-brokered private placement (the "**Indus Convertible Note Offering**") of US\$3.7 million principal amount of convertible notes of Indus (the "**Indus Convertible Notes**"). Each Indus Convertible Note accrued interest at a rate of 8% per annum and was fully due and payable on November 2, 2018 or the occurrence of certain conversion events. As provided for in the Indus Convertible Note Offering, the Indus Convertible Notes converted into Indus common stock at a deemed price in U.S. dollars per common share (the "**Indus Convertible Note Conversion Price**") of US\$2.0348 per share on May 3, 2018 as a result of the Indus Series B Preferred Stock Offering as described below. The net proceeds of

the Indus Convertible Note Offering were used by Indus for working capital, including without limitation, to purchase assets.

On or about October 24, 2017 Indus completed a non-brokered private placement (the “**Indus Bridge Note Offering**”) of US\$1.05 million principal amount of notes of Indus (the “**Indus Bridge Notes**”). Each Indus Bridge Note accrued interest at a rate of 16% per annum until February 10, 2018 and at a rate of 18% per annum thereafter. The holders of US\$450,000 of Indus Bridge Notes elected to convert the Indus Bridge Notes into Indus Series B Preferred Stock as a result of the Indus Series B Preferred Stock Offering as described below. The remaining Indus Bridge Notes were repaid in cash in July 2018. The net proceeds of the Indus Bridge Note Offering were used by Indus for working capital, including without limitation, to purchase assets.

On or about February 1, 2018 Indus completed a non-brokered private placement (the “**Indus Promissory Note Offering**”) of US\$3.5 million principal amount of convertible notes of Indus (the “**Indus Promissory Notes**”). Each Indus Promissory Note accrues interest at a rate of 18% per annum. The holders of US\$3.25 million of Indus Promissory Notes elected to convert the Indus Promissory Notes into Indus Series B Preferred Stock as a result of the Indus Series B Preferred Stock Offering as described below. The remaining Indus Promissory Notes are scheduled to be repaid on December 28, 2018. The net proceeds of the Indus Promissory Note Offering were used by Indus for working capital, including without limitation, to purchase assets.

On or about October 25, 2018 Indus completed a US\$46 million partially-brokered private placement (the “**Indus Series B Preferred Stock Offering**”) of preferred shares of Indus (the “**Indus Series B Preferred Stock**”). A total of US\$12 million of the Indus Series B Preferred Stock Offering was brokered, with the broker receiving 6% cash fees and 6% in warrants with an acquisition price of US\$4.5057 for a period of 24 months following a going public transaction or October 25, 2023, whichever is earlier. The Series B Preferred Stock Offering allowed existing debt holders (the “**Indus Debt Holders**”) to convert Indus Senior Notes, Indus Convertible Notes, Indus Bridge Notes and Indus Promissory Notes into Series B Preferred Stock at a conversion price of US\$3.60456 per share of Indus Series B Preferred Stock, representing a 20% discount to the conversion price of the Indus Series B Preferred Stock. Indus Debt Holders holding an aggregate principal amount of US\$8.075 million, which included certain directors of Indus, elected to convert such holdings into Indus Series B Preferred Stock.

On April 2, 2019, in anticipation of the RTO, an aggregate of 3,435,762 subscription receipts (the “**Subscription Receipts**”) of 2670995 Ontario Inc. (“**Finco**”) were issued pursuant to a brokered private placement at a price of C\$15.65 per Subscription Receipt (the “**Offering**”). Each Subscription Receipt was convertible in certain circumstances into one common share of Finco (a “**Finco Share**”). In connection with the RTO, Finco subsequently amalgamated with 2670764 Ontario Inc., a wholly-owned subsidiary of Mezzotin, pursuant to a three-cornered amalgamation with the resulting amalgamated entity (“**Amalco**”) becoming a wholly-owned subsidiary of the Resulting Issuer and holders of Finco Shares exchanging their shares of Finco for Subordinate Voting Shares.

3.2 Acquisitions and Dispositions

There have been no relevant acquisitions or dispositions.

3.3 United States Regulatory Environment, Industry Background and Trends

The emergence of the legal cannabis sector in the United States, both for medical and adult-use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter live in states where it is fully legalized for adult use.¹

The use of cannabis and cannabis derivatives to treat the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens, with a growing acceptance by the medical community as well. These represent large increases in public support over the last 40 years in favour of cannabis use. A review of the research, published in 2015 in the *Journal of the American Medical Association* found solid evidence that cannabis can treat pain and muscle spasms.² The pain component is particularly important because other studies have suggested that cannabis can replace pain patients' use of highly addictive, potentially deadly opiates — meaning marijuana legalization could literally save lives.³

Polls throughout the U.S. consistently show strong support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 94% of the U.S. voters support legalizing cannabis for medical use.⁴ In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.⁵

On the recreational side, there are currently ten (10) states, plus the District of Columbia, in which the recreational sale of cannabis has been approved. These states include Oregon, Washington, Nevada, California, Colorado, Massachusetts, Michigan, Vermont, Alaska and Maine. With respect to medical marijuana, as more research centers study the effects of cannabis-based products in treating or addressing therapeutic needs, and assuming that research findings demonstrate that such products are effective in doing so, management believes that the size of the U.S. medical cannabis market will also continue to grow as more states expand their medical marijuana programs and new states legalize medical marijuana.

Notwithstanding that 33 States have now legalized adult-use and/or medical marijuana, marijuana remains illegal under U.S. federal law with marijuana listed as a Schedule I drug under the United States Controlled Substances Act of 1970. See Section 4 and Section 17 below.

Currently the Resulting Issuer only operates in the state of California, although it intends to expand both into other states within the U.S. that have legalized cannabis use either medicinally or recreationally, and internationally.

California legalized medicinal marijuana in 1996 and legalized marijuana for recreational-use in 2017.

¹ Ripley, Eve. (2016 November 30). Nearly 60 percent of U.S. population now lives in states with marijuana legalization. Retrieved from <https://news.medicalmarijuanainc.com/nearly-60-percent-u-s-population-now-lives-states-marijuana-legalization/>.

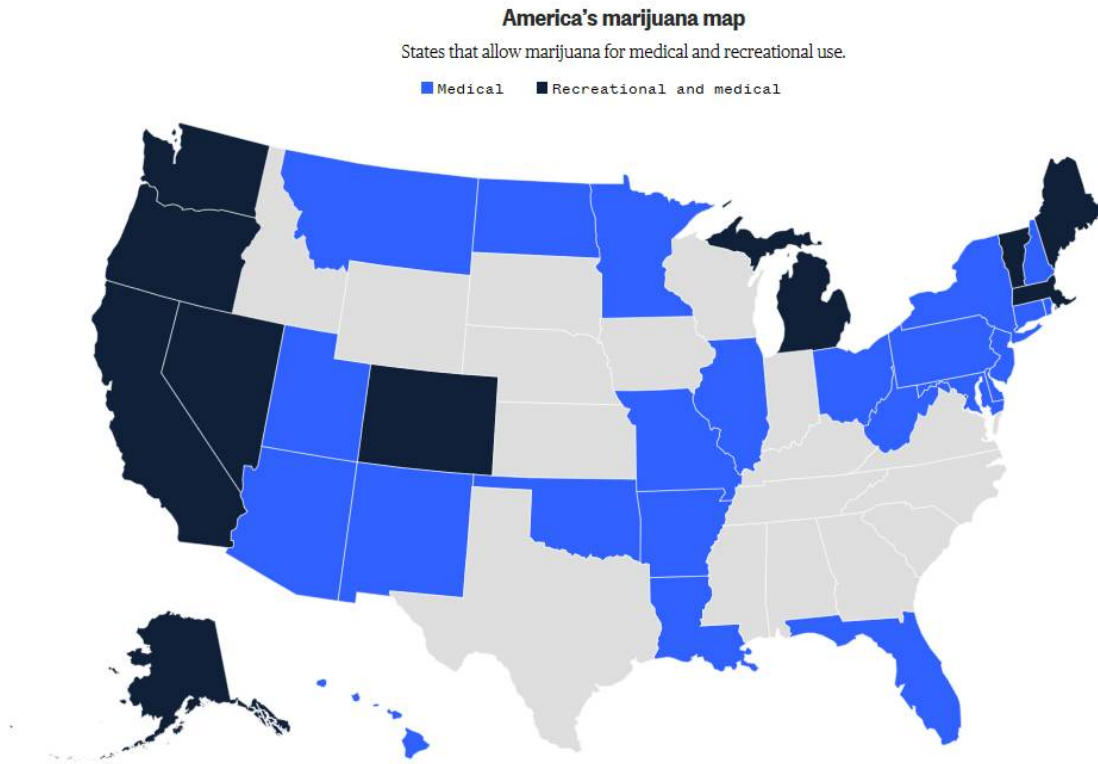
² Grant, Igor MD (2015). Medical Use of Cannabinoids. *Journal of American Medical Association*, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

³ Bachhuber, MA, Saloner B, Cunningham CO, Barry CL. (2014). Medical Cannabis Laws and Opioid Analgesic Overdose Mortality in the United States, 1999-2010. *JAMA Intern Med*. 174(10):1668-1673. doi: 10.1001/jamainternmed.2014.4005.

⁴ Quinnipiac University. (2017 April 20). U.S. Voter Support For Marijuana Hits New High; Quinnipiac University National Poll Finds; 76 Percent Say Their Finances Are Excellent Or Good. Retrieved from <https://poll.qu.edu/national/release-detail?ReleaseID=2453>.

⁵ Gallup. (2017 October 25). Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from <http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx>.

State Status of Legalization



Note: Data does not include CBD/Low THC programs. Data current as of Nov. 20, 2018.

Source: National Conference of State Legislatures

Note: 92% of all states currently have some form of legalized cannabis, from CBD-only to full recreational legalization.

Current U.S. Cannabis Market

Subsequent to the ground swell of support for legal access to marijuana at the state level, there has been rapid opportunity growth in the U.S. market. Sales of legal cannabis flowers and cannabis-infused derivative and edible products totaled US\$6.1 billion in 2017, and are expected to reach US\$8.8 billion in 2018 with approximately 36% of sales for medical use and 64% for full adult use.⁶ The U.S. market for direct legal cannabis sales alone is projected to grow to US\$17 billion by 2021⁷ and the total addressable market for direct cannabis sales in the U.S. today is estimated at US\$45-50 billion if every state legalized full adult recreational consumption.⁸

The number of medical cannabis patients in states with existing comprehensive medical cannabis programs was approximately 1.5 million by the end of 2017, served by approximately 1,500-2,000 medical dispensaries nationwide, with a disproportionate number of those in

⁶ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

⁷ Arcview Market Research & New Frontier Data. (2016). *The State of Legal Marijuana Markets* (4th ed.), pp. 11. Available from <https://www.arcviewmarketresearch.com/4th-edition-legal-marijuana-market/>.

⁸ Marijuana Business Daily. (2017). *Marijuana Business Factbook*, 2017. Available from <https://mjbizdaily.com/factbook/>.

California. It's currently estimated that each patient spends about US\$2,000 annually,⁹ and that the total number of medical cannabis patients nationwide is expected to grow to 2.5 million by 2021.¹⁰

California Regulatory Landscape

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996 (“**CUA**”). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the “Medical Cannabis Regulation and Safety Act” (“**MCRSA**”). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the “Adult Use of Marijuana Act” (“**AUMA**”) creating an adult-use marijuana program for adult-use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (“**MAUCRSA**”), which amalgamates MCRSA and AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses in the State of California.

Pursuant to MAUCRSA: (i) CalCannabis, a division of the California Department of Food and Agriculture, issues licenses to cannabis cultivators; (ii) the Manufactured Cannabis Safety Branch (the “**MCSB**”), a division of the California Department of Public Health, issues licenses to cannabis manufacturers; and (iii) the California Department of Consumer Affairs, via its agency the Bureau of Cannabis Control (the “**BCC**”), issues licenses to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California’s cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and updated them with revisions in June 2018. The three agencies released their permanent rulemakings on January 16, 2019 which are now in effect. All three agencies began issuing temporary licenses in January 2018 and are currently evaluating annual license applications. The issuance of temporary licenses ended on December 31, 2018, though previously-issued temporary licenses remain valid until their expiration dates.

In order to legally operate a medical or adult-use cannabis business in California, the operator must have both local authorization and a state license. This requires license holders to operate in jurisdictions with marijuana licensing programs. Therefore, cities and counties (“Local

⁹ Marijuana Business Daily. (2017). *Marijuana Business Factbook, 2017*. Available from <https://mjbizdaily.com/factbook/>.

¹⁰ New Frontier Financial. (2015). Modeling of State Patient Counts. *Cannabis Weekly*.

Jurisdictions”) in California are allowed to determine the number of licenses they will issue to marijuana operators, or Local Jurisdictions can choose to outright ban marijuana. California has not set a limit on the number of state licenses an entity may hold, unlike other states that have restricted how many cannabis licenses an entity may hold in total or for various types of cannabis activity. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

Indus only conducts business in Californian cities with other state cannabis licensees.

Licenses

Indus and its subsidiaries are licensed to operate Medical and Adult-Use Manufacturing, Nursery, Cultivation and Distribution facilities under applicable California and local jurisdictional law. Indus’ licenses permit it to possess, cultivate, process, dispense and wholesale medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by the BCC, California Department of Public Health (“CDPH”) and California Department of Food and Agriculture (“CDFA”) under the provision of the MAUCRSA and California Assembly Bill No. 133.

The licenses are independently issued for each approved activity for use at the Indus facilities in California. Please see the table below for a list of Indus’ in respect of its operations in California.

Cypress Manufacturing Company - Cannabis Licenses

Agency	License Number*	License Type
CDFA	TAL18-0008149	Nursery
CDFA	TAL18-0008133	Processor
CDFA	TAL18-0008131	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008132	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008134	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008135	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008136	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008137	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008138	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008139	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008140	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0008141	Cultivation: Small Mixed-Light Tier 1
CDFA	TAL18-0003260	Cultivation: Small Mixed-Light Tier 2
CDFA	TML18-0003261	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008142	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008143	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008144	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008145	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008146	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008147	Cultivation: Small Mixed-Light Tier 2
CDFA	TAL18-0008148	Cultivation: Small Mixed-Light Tier 2
BCC	A11-18-0000287-TEMP	Distributor (Salinas)
BCC	C11-18-0000520-TEMP	Distributor (Los Angeles)
CDPH	CDPH-10002196**	Manufacturing Type 7: Volatile Extraction
CDPH	CDPH-T00002047	Manufacturing Type N: Infusion

*License numbers will be changing as temporary licenses are replaced with provisional or annual (permanent) licenses.

**Annual (permanent) License

California state and local licenses are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the BCC. While renewals are annual, there is limit on the number of permitted annual renewals. In respect of the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner, and there are no material violations noted against the applicable license, Indus would expect to receive the applicable renewed license in the ordinary course of business. While Indus' compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that Indus' licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of Indus and have a material adverse effect on Indus' business, financial condition, results of operations or prospects.

License and Regulations

The Adult-Use and Medicinal Cultivation licenses that have been granted to Indus permit cannabis cultivation activity, which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

Indus' Adult-Use and Medicinal Manufacturing licenses permit Indus to extract concentrated cannabis, tetrahydrocannabinol (THC), cannabidiol (CBD) and other cannabis extracts from cannabis plants, then convert them to cannabis concentrates, edibles, balms, beverages, vapes and a variety of other consumer goods. Indus also packages and labels these goods, including processed flower (the smokable part of the cannabis plant) for wholesale delivery.

The Adult-Use and Medicinal Distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities. Distribution activity is permissible to and from certain Indus and non-Indus licensees.

In the state of California, only cannabis that is grown in the state can be sold in the state. Although California is not a vertically integrated system, Indus is vertically integrated and has the capabilities to cultivate, harvest, manufacture and wholesale cannabis and cannabis products to licensed retail dispensaries. The state also allows Indus to make a wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

California - Local Licensure, Zoning and Land Use Requirements

To obtain a state license, cannabis operators must first obtain local authorization, which is a prerequisite to obtaining state licensure. All three state regulatory agencies require confirmation from the applicable locality that an applicant is in compliance with local requirements and has either been granted authorization to, upon state licensure, continue previous cannabis activities or commence cannabis operations. One of the basic aspects of obtaining local authorization is compliance with all local zoning and land use requirements. Local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. Some localities have limited the number of authorizations an entity may hold in total or for various types of cannabis activity. Others have tiered the authorization process, granting the

initial rounds of local authorization to applicants that previously conducted cannabis activity pursuant to the CUA or those that meet the locality's definition of social equity.

California - Record-Keeping and Continuous Reporting Requirements

California's state license application process additionally requires comprehensive criminal history, regulatory history and personal disclosures for all beneficial owners. Any criminal convictions or civil penalties or judgments occurring after licensure must promptly be reported to the regulatory agency from which the licensee holds a license. State licenses must be renewed annually. Disclosure requirements for local authorization may vary, but generally tend to mirror the State's requirements.

Licensees must also keep detailed records pertaining to various aspects of the business for up to seven years. Such records must be easily accessible by the regulatory agency from which the licensee holds a license. Additionally, licensees must record all business transactions, which must be uploaded to the statewide traceability system. Indus is in compliance in all material respects with these record-keeping and continuous disclosure requirements.

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, Indus is required to do the following:

- 1) maintain a fully operational security alarm system;
- 2) contract for state-certified security guard services;
- 3) maintain a video surveillance system that records continuously 24 hours a day and maintains those recordings for at least 90 days;
- 4) ensure that the facility's outdoor premises have sufficient lighting;
- 5) store cannabis and cannabis product only in areas per the premises diagram submitted to the state of California during the licensing process;
- 6) store all cannabis and cannabis products in a secured, locked room or a vault;
- 7) report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- 8) ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a delivery manifest in any vehicle transporting cannabis and cannabis products. Only vehicles registered with the BCC, that meet BCC distribution requirements, are to be used to transport cannabis and cannabis products.

California - Operating Procedure Requirements

License applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Indus complies with these operational and training requirements by systematically training employees in various aspects of regulatory requirements, ensuring that operational and business practices are aligned with regulatory requirements, and by conducting internal audits to ensure compliance and identify areas for further training.

California - Site-Visits & Inspections

As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

California -Compliance Procedures

Indus utilizes MAX ERP, an integrated enterprise compliance platform, which integrates Indus' inventory management program and standard operating procedures with the software's compliance and quality features to facilitate compliance with state and local requirements. MAX ERP features include a compliance software solution that offers lot and batch control, recall management, document control and quality analysis. Additionally Indus utilizes standard operating procedure building tools to facilitate the implementation and maintenance of compliant operations and tracks all required licensing maintenance criteria.

Indus has developed a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained outside counsel to monitor its compliance with state law on an ongoing basis. Indus will continue to work closely with its legal counsel to develop and improve its internal compliance program and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The internal compliance program requires continued monitoring by managers and executives of Indus to ensure all operations conform with legally compliant standard operating procedures.

4 Narrative Description of the Business

4.1 General Business of the Resulting Issuer

The Resulting Issuer and its subsidiaries solely carry on the business formerly carried on by Indus prior to completion of the RTO. Indus is a California-based cannabis company with vertically integrated operations including large scale cultivation, extraction, processing, manufacturing, branding, package and wholesale distribution to retail dispensaries statewide. Indus operates a 225,000 square foot cultivation facility in Monterey County and a manufacturing and laboratory facility in Salinas, California for production of extracts and distillates and branded and packaged cannabis flower, concentrates and edible products. Indus also distributes proprietary and third-party brands throughout the State of California, and maintains warehouses and distribution vehicles in Central and Southern California. Although Indus and certain of its subsidiaries exist under the laws of Delaware, no such company carries on operations in the State of Delaware.

In addition to owning cultivation, manufacturing and distribution cannabis licences and operations, Indus also provides manufacturing, extraction and distribution services to third-party cannabis and cannabis branding companies. Indus currently has manufacturing agreements with four (4) companies and distribution agreements with sixteen (16) companies. None of

these manufacturing or distribution agreements are individually considered material to the operations of the Resulting Issuer as a whole.

Indus is operated by an executive team that has significant experience in the cannabis industry and a robust operational track-record in all facets of Indus' operations, which has effectively executed its business plan to rapidly scale its business. Indus had 261 fulltime-equivalent employees as of early December 2018, all in California.

Indus has two (2) wholly owned material subsidiaries, and one affiliated service company. Such subsidiaries and affiliate were incorporated or otherwise organized under the laws of California and Delaware. See Section 2 above.

Indus, through its wholly-owned subsidiary, is party to a lease for a premises known as the Zabala property located at 139 Zabala Road in Monterrey County, California (see Section 22 – Material Contracts). Indus has been conducting a series of scheduled renovations of the four greenhouse structures at its Zabala site, including structural upgrades, installation of lighting, motorized light deprivation shades, and automated nutrient systems and environmental controls (collectively, the **“Greenhouse Renovations”**). The first Greenhouse Renovation at Greenhouse #2, was completed in the second quarter of 2017, and Indus is currently harvesting and replanting clones (being a plant that is an exact reproduction of an original parent plant) sequentially in eight segregated rooms in Greenhouse #2, beginning with the initial harvest in July 2017. The Greenhouse Renovations at Greenhouses #1 and #3 are presently underway and are expected to be completed in the second quarter of 2019. The Greenhouse Renovation of Greenhouse #4 is expected to begin in 2019 with a forecasted completion date of 2020. Each Greenhouse Renovation costs approximately US\$2 million and requires approximately 120 days to complete. Indus has invested approximately US\$3 million in the Greenhouse Renovations to date with a planned US\$5 million additional investment.

The completion and commissioning of the renovated greenhouses over the ensuing four quarters is expected to further reduce unit costs of cultivation and make available additional cannabis flower and feedstocks for its extraction and processing, packaging and distribution operations.

In December 2017, Indus entered into a long term lease on a 70,000 square foot facility in Los Angeles. The facility will operate as the Southern California distribution center and will provide additional capacity for manufacturing activities as well as business partner meeting and development activities. Indus expects facility upgrades for distribution and warehouse activities and manufacturing, development and office activities at this location to be completed in the second quarter of 2019.

The completion and commissioning of the Los Angeles facility will increase facility square footage for distribution and warehousing by 180% and manufacturing by 80%. Additionally, it will enable Indus to process proprietary and third-party product for state-mandated testing from two locations, taking advantage of strategic laboratory alliances across California.

Indus expects to increase proprietary branded product sales in 2019 through the development of new products as well as sales and marketing efforts at existing and newly opened dispensaries. Distribution revenues in 2019 are expected to grow as a result of a full year of third party distribution activities and adding additional distributed brand partners to the e-commerce distribution platform.

TOTAL AVAILABLE FUNDS

Indus has historically relied upon equity and debt financings to satisfy its capital requirements and may require further equity and debt capital to finance its development, expansion and acquisition activities moving forward.

Immediately prior to the completion of the RTO, as a result of the conversion of the 3,435,762 Subscription Receipts outstanding prior to the closing of the RTO and release from escrow of the related net proceeds raised pursuant to the Offering, Finco had an estimated working capital position of approximately C\$49,971,421, after deduction of the agents' fees and certain other expenses associated with the Offering. In addition, immediately prior to the completion of the RTO, the estimated working capital deficiency of Mezzotin was approximately C\$(34,000), and the estimated working capital position of Indus was approximately US\$12,300,000. As a result, based upon an illustrative currency conversion ratio of C\$1.00 = US\$0.73, the Resulting Issuer had an estimated US\$48,754,317 of funds available for use upon completion of the RTO.

The Resulting Issuer intends to use the estimated funds available to it as set out in the following table:

Use of Available Funds	Amount (US Dollars)
Capital Expenditures	\$8,000,000 ⁽¹⁾
Growth Opportunities	\$1,500,000 ⁽¹⁾
Working Capital	\$28,754,317 ⁽³⁾
Future Acquisitions	\$10,500,000 ⁽²⁾
Total Available Funds:	\$48,754,317
(1) For further details, please refer to the chart below under the heading "Significant Events and Milestones".	
(2) For further details, please refer to the disclosure below under the heading "Growth Strategy". This amount is an estimate only, and may increase or decrease depending upon opportunities, which are not definitively known at present, and which may become available to the Resulting Issuer on a going-forward basis. Any such opportunities shall be evaluated by the Board of Directors to determine if they are in the best interests of the Resulting Issuer in order to meet its business objectives and enhance shareholder value.	
(3) This amount is expected to fund ongoing general and corporate expenses of the Resulting Issuer and its subsidiaries on a going-forward basis, including but not limited to rent, professional fees, salaries, regulatory compliance costs, product development, product launch marketing, sales and marketing expenses and inventory costs.	

Significant Events and Milestones

During the 18 month period following completion of the RTO, the Resulting Issuer expects to focus on advancing the following milestones:

- (i) completion and commissioning of the Greenhouse Renovations which is expected to further reduce unit costs of cultivation and make available additional cannabis flower and feedstocks for extraction and processing, packaging and distribution operations;
- (ii) completion and commissioning of the Los Angeles facility which is expected to increase facility square footage for distribution and warehouse by 180% and manufacturing by 80%, and to enable Indus to process proprietary and third-party product for state-mandated testing from two locations;

- (iii) increase proprietary branded product sales in 2019 through the development of new products as well as sales and marketing efforts at existing and newly opened dispensaries; and
- (iv) increase distribution revenues in 2019 as a result of a full year of third party distribution activities and adding additional distributed brand partners to the e-commerce distribution platform.

For further details, please refer to the disclosure above under the heading “General Business of the Resulting Issuer” and below under the heading “Principal Products and Services – Distribution Services”. The following table outlines how the Resulting Issuer plans to achieve the objectives enumerated above.

Milestone	Anticipated Costs (in thousands US\$)	Timeline from Date of Listing Statement
Complete Greenhouse Renovations	\$5,000	6-12 months
Complete Los Angeles facility renovation	\$3,000	9-12 months
New product development	\$500	12-18 months
Execute marketing and branding campaigns	\$1,000	12-18 months

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Resulting Issuer to achieve its objectives. The Resulting Issuer may require additional funds in order to fulfill all of its expenditure requirements to meet its business objectives and may either issue additional securities or incur debt. There can be no assurance that additional funding required by the Resulting Issuer will be available, if required.

GROWTH STRATEGY

Continued Expansion in the U.S. Market

As the legalization of cannabis throughout the United States continues to expand both recreationally and medically, management believes that the size of the U.S. cannabis market will continue to provide significant growth opportunities. On the recreational side, there are currently ten (10) states, plus the District of Columbia, in which the recreational sale of cannabis has been approved. These states include Oregon, Washington, Nevada, California, Colorado, Massachusetts, Michigan, Vermont, Alaska and Maine. In these markets, it is anticipated that recreational sales will continue to grow as cannabis cultivators, manufacturers and distributors benefit from a shift in consumers from illegal sales to legal sales and from new cannabis consumers. Given the evolving state of these recreational markets, Indus does not currently have definitive plans or timelines for its anticipated growth as these markets continue to expand, however Indus plans to capitalize on the significant increase in cannabis consumption in these markets through both an expansion of its brand and distribution footprint in California, as well as an entry into other recreational markets. Indus will also seek opportunities to expand its brands and operations in recreational markets through acquisitions or alliances in these markets.

With respect to medical marijuana, as more research centers study the effects of cannabis-based products in treating or addressing therapeutic needs, and assuming that research findings demonstrate that such products are effective in doing so, management believes that the size of the U.S. medical cannabis market will also continue to grow as more states expand their

medical marijuana programs and new states legalize medical marijuana. Given Indus' experience in operating within the California medical-only market from 2015 through 2017, Indus and will seek possible opportunities to expand into new medical-only markets.

Management expects to be an acquirer in the cannabis industry, and will actively seek acquisition and investment opportunities across the cannabis supply chain.

Entry Into International Markets

Indus will look to leverage its branding, marketing, operational, manufacturing and distribution outreach expertise in seeking opportunities to gain exposure to key international markets.

Indus has identified two general types of international opportunities: (i) opportunities to license its brands and operational know-how to third-party cannabis product manufacturers and distributors; and (ii) opportunities to create joint ventures with local partners for manufacturing and distribution operations. Indus anticipates selectively seeking partnership and licensing agreements in multiple countries.

As Indus advances the investigation and implementation of domestic and international growth opportunities, it will continue financing the incremental development and preparation costs thereof with cash from operations and possibly with external financings.

PRINCIPAL PRODUCTS AND SERVICES:

Please refer to item 4.1(3) below for details of production and sales for Indus.

Distribution Services

Indus has a primary distribution center located in Salinas, California and is in the process of developing a distribution center in Los Angeles, California.

Deliveries are made daily, distributing its products to over 80% of the licensed dispensaries in California utilizing a fleet of 14 owned and leased vehicles. Additionally, Indus distributes third party branded products to California dispensaries, providing warehousing, delivery, customer service and collection services for the third party brands. Indus expects to increase its fleet of vehicles as necessary to meet delivery requirements from increased proprietary and third-party brand sales.

Fulfillment Technology

In 2018 Indus entered into a distribution agreement with WAYV, an e-commerce technology platform servicing California's growing cannabis industry. WAYV technology streamlines the traditional business-to-business process, including transport and sales through a one-stop website that integrates regulatory and compliance checks. WAYV has been retained as a service provider to Indus, which serves as a transparent, efficient tracking and compliance platform that is creating a new standard and surpasses the fulfillment experience of non-cannabis markets in today's on-demand world.

Retail Dispensary

Indus has acquired a licence from the City of Salinas for a proposed Salinas cultivation and dispensary facility consisting of a 30,000 square foot greenhouse cultivation space and 2,500

square foot dispensary space. Indus believes that the benefits of such a proposed facility include complete full vertical integration from cultivation to retail; provision of a platform for product test marketing prior to full production of new products; attractive gross margins in the retail segment; and the possible monetization of the licence.

Distribution

Indus provides physical warehousing and delivery to retail dispensary customers throughout the State of California for its manufactured products as well as brands distributed on behalf of third-parties. Indus maintains distribution facilities in Salinas, in a warehouse and packing facility, and in Los Angeles, in a combined warehouse, office and distribution hub, with plans for a third distribution site north of San Francisco, as well as a fleet of vehicles ranging from specially outfitted Ford Transit delivery vans to small SUVs and Toyota Prius cars.

E-Commerce Platform

Indus, in collaboration with Wayv, an automated, on-demand supply chain logistics platform, offers e-commerce technology to the California cannabis industry. Wayv technology streamlines the business-to-business process, including transport and sales through a one-stop website that integrates regulatory and compliance checks. In 2019, Indus anticipates expanding order-taking capabilities to dispensaries in California whereby qualified dispensaries can directly order product on-line.

Inventory Management

Indus has comprehensive inventory management procedures, which are compliant with the rules set forth by the California Department of Consumer Affairs' Bureau of Cannabis Control ("BCC") and all other applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict control over Indus' cannabis and cannabis product inventory from cultivation or manufacture to sale and delivery to a licensed dispensary, distributor or manufacturer, or disposal as cannabis waste. Such inventory management procedures also include measures to prevent contamination and maintain the safety and quality of the products cultivated, manufactured or distributed.

The Company's principal products and services are fully developed and in commercial production

PRODUCTION AND SALES: METHODS OF PRODUCTION

Cultivation

Indus conducts cannabis cultivation operations located in Monterey County, California. It currently operates a cultivation facility which includes four greenhouses totaling 225,000 square feet sited on 10 acres located on Zabala Road.

Farming cannabis at this scale enables Indus to curate specialized strains and maintain greater control over the quantity and quality of cannabis available for its products, preserving the consistency of its flower and cannabis feedstocks for its extraction laboratory and product manufacturing operations.

The first harvest was in the third quarter of calendar 2017. Indus is currently upgrading the greenhouses which when completed will more than double the current facility output. The

cultivation facility focuses primarily on the commercialization of cannabis as well as the research and development of new strains of cannabis. Indus maintains a strict quality control process which assures a predictable output yield of safe, pesticide free product.

Extraction

Extraction operations were first launched by Indus in the third quarter of 2017 with the commissioning of Indus' 5,000 square foot licensed laboratory within its Salinas manufacturing facility. The lab contains six separate rooms that can each house one independent closed loop volatile extraction machine (meaning that the machine does not expose the products to open air), which are designed to process the cannabis through the application of hydrocarbon or ethanol solvents, to extract certain concentrated resins and oils from the dried Cannabis. This process is known as volatile extraction, which is the most efficient and rapid method of extracting cannabis. These resins, oils and concentrates are sold as ingestible products known as "shatter", Butane Honey Oil ("BHO"), and "crumble".. Indus currently owns and operates two closed loop volatile extraction machines, (the "ETS Units"), each housed in a separate room, and each of which has the capacity to process over 120 pounds of dry product per day yielding over 7.5 kilograms of cannabis concentrates. Indus expects to employ the remaining four rooms for extraction operations on a going forward basis, increasing the aggregate capacity and unit output of the extraction lab. Indus also currently owns and operates 12 purge ovens in conjunction with the two ETS Units in the laboratory and expects to increase the number of ovens at a ratio of six ovens for each new extraction machine. Purge ovens, also known as vacuum ovens, are used after the ETS Units to remove the solvents from the end product in a low pressure and high heat environment.

The extraction operations also include a cold-water hash production room with six extraction machines and four freeze dryers to produce both high grade cold water hash (which is Cannabis hash produced using a cold-water production method) for packaging and distribution as well as food grade material for inclusion in manufactured products. The extraction operations utilize cannabis feedstocks from Indus' Zabala cultivations as well as feedstock acquired from other approved cultivations. Concentrate production is packaged as branded extracts, such as crumble and shatter, for distribution, incorporated into its manufactured edible products and sold in bulk to other licensed enterprises. In addition, extraction is provided as a fee-based service on third-party material.

Manufacturing

The Indus manufacturing facility is located in Salinas, California and houses the edible product operations and extraction and distillation operations. The edible product operations utilize internally produced cannabis oil, which can also be supplied from multiple external sources. The extraction operations utilize materials generated from the Indus cultivation site, supplemented by multiple external sources.

The manufacturing operations of Indus produce a wide variety of cannabis-infused products in its 15,000 square foot manufacturing facility in Salinas. Its products include chocolate confections, beverages, baked goods, and hard and soft non-chocolate confections. Indus utilizes modern commercial production equipment and employs food grade manufacturing protocols, including industry-leading standard operating procedures to ensure that its products meet stringent quality and safety standards. Indus has implemented updated compliance, packaging and labeling standards to meet the requirements of the Medical and Adult-Use Cannabis Regulation and Safety Act with the advent of adult use legalization in California.

Product Offerings

Indus' product offerings includes flower, vape pens, oils, extracts, chocolate edibles, mints, gummies, beverages, tinctures and pre-rolls. Indus sells its products under owned and third-party brands. Owned brands include Altai and Moon edibles, Moon vape pens, Original Pot Cookie baked products, Flavor extracts, Cypress Cannabis flower, House Weed flower and pre-rolls and Acme vape pens and edibles. Third-party brands for which Indus exclusively manufactures and distributes in California include Beboe vape pens and pastilles, Legal beverages, Dixie beverages and edibles, Canna Stripe edibles and TerpX extracts. Indus also provides third party extraction processing, and bulk extraction concentrates and flower to licensed manufacturers and distributors.

Brands owned by Indus include the following:

Acme Elixirs – uses the latest extraction technology to create oil derived from organically grown cannabis without harmful solvents or additives. Acme maintains a strong commitment to consumer health and the environment by providing high quality, lab-tested vaporizing pens and cannabinoid chews.

Altai - combines confections with the finest cannabis to create delicious hand-crafted and award-winning edibles.

Beboe - aims to offer cannabis users a more sophisticated product.

Cypress Cannabis - strives to produce the highest quality and cleanest EnvirOrganic flower. Cultivated by an experienced team of growers by combining cutting edge techniques and an Envirocann certified organic grow process, Cypress has curated a premium product for the refined user.

Dixie Brands - established in 2010 with an emphasis on research, education and advocacy, and has since become an industry leader by establishing itself as a trusted source for innovative, effective and delicious product. Thoughtful production practices go into Dixie's diverse selection of products, which includes edibles, drinks and topicals in a variety of potencies and strains.

Flavor Extracts - provides crumble and terp sugar (which is an edible cannabis product with isolated and enhanced flavour and aromas) products that are hand-selected for optimum flavor and premium color. Manufactured using only the finest materials, Flavor concentrates are made with a dedication to quality using a closed-loop system, and tested to ensure that it's residual solvent free.

House Weed – a value driven product delivering a flavorful and potent experience with dependable quality. Available in a variety of sizes with a consistent selection of strains.

Mirth Provisions - launched in 2013 with the mission of creating premium cannabis beverages produced from all-natural, non-GMO, and never using high-fructose syrup. Mirth is known best for its sparkling beverages, Legal, in four strain-specific formulas.

Moon - offers a range of cannabis bars, bites and fruit chews in a variety of delicious flavors, focused on high-potency, high-quality and high-value.

Original Pot Company - infuses its baked edibles with only the highest quality cannabis.

TerpX – a leader in award-winning BHO extraction, TerpX produces innovative, award-winning hash oil products with an emphasis on quality and consistency.

MATERIAL LEASES:

Indus is presently party to two material leases, directly or through its subsidiaries, as further described below under Section 22 – Material Contracts.

Specialized Skills:

Indus specializes in the cultivation, extraction, product development, manufacturing and distribution of cannabis products. Indus employs personnel with a wide range of skill sets, including those with masters' and bachelors' degrees in their respective fields. With respect to cultivation, Indus recruits individuals with plant science and agricultural experience, and personnel have the practical experience necessary to cultivate high yielding, multiple strain variety cannabis plants and to develop new cannabis strains through selective horticultural practices.

With regard to extraction, Indus recruits individuals with extraction and distillation experience for its product lines, and personnel have the practical experience and knowledge necessary to processes the raw, dried cannabis product through volatile extraction processes, thereby generating high yields of cannabis extracts and distillates. In addition, Indus personnel have the practical experience and knowledge necessary to conduct secondary processing of cannabis biomass, into crude cannabis oil, distillate, and concentrates shatter, wax and crystals, and to utilize the natural terpenes¹¹ in cannabis to formulate premium vaporizer oils.

With regard to product development and manufacturing, Indus recruits individuals with professional culinary education for edibles product development for its edibles division, and personnel have extensive experience in confectionary product development and manufacturing, particularly with regard to cannabis edibles, including chocolates, candies, cookies, gummies, beverages and tinctures..

With regard to distribution, Indus recruits individuals with supply chain and inventory workflow experience, and Indus possesses extensive institutional knowledge of its distribution network, enabling it to make daily deliveries to metropolitan areas throughout California and distributed over 25 brands throughout the State in 2018.

Indus currently possesses all specialized skills and knowledge it requires, but will continue to compete with other cannabis and manufacturing companies to secure such staff.

Sources, pricing and availability of raw materials, component parts or finished products:

Indus sources all flower product for sale from its cultivation facility. It has developed relationships with local cannabis growers whereby flower quantities are readily available at competitive prices should the sourcing need arise. Indus sources less than 50% of its biomass

¹¹ Terpenes are the oils that give cannabis plants their smell. They come from the same components as tetrahydrocannabinol ("THC") and cannabidiol ("CBD"). When ingested, they help cannabinoids to break the blood-brain barrier.

needs in extraction from its cultivation facility. Remaining biomass material is readily available from multiple sources at competitive prices. Indus manufactures substantially all cannabis oil and distillate needs from its internal extraction operations. A small amount of specialized cannabis oil is procured from multiple external sources at competitive prices. Indus manufactures all finished goods for its proprietary brands. Third party distributed brand product is sourced directly from third party partners.

Intangible property (proprietary technologies, processes, and brand names)

Indus has developed numerous proprietary technologies and processes. These proprietary technologies and processes include its information system software, cultivation, edible manufacturing and extraction techniques, quality and compliance processes and new product development processes. While actively exploring the patentability of these techniques and processes, Indus relies on non-disclosure/confidentiality arrangements and trade secret protection.

Indus has invested significant resources towards developing recognizable and unique brands consistent with premium companies in analogous industries. To date, Indus has five (5) registered federal trademarks with the United States Patent and Trademark Office and has one (1) of application pending.

In addition to its trademarks, Indus owns over 100 website domains, including www.indusholdingco.com, numerous social media accounts across all major platforms.

Indus maintains strict standards and operating procedures regarding its intellectual property, including the regular use of nondisclosure, confidentiality, and intellectual property assignment agreements.

Non-Cyclical

The Company's business is not cyclical or seasonal;

Contracts

There are no contracts the termination or renegotiation of which would affect the Business in the 12 months following the date of the Listing Statement;

Environmental

Any environmental protection requirements are not expected to have any material financial or operational effects on the capital expenditures, earnings and competitive position of the Resulting Issuer in the current financial year or future years. See *Section 17 - Risk Factors - Environmental Risk and Regulation* at page 66; *Section 17 - Risk Factors - High Bonding and Insurance Coverage Costs* at page 78; and - *Environmental and Social Policies* on page 33.

Number of Employees: As of the date of this Listing Statement, Indus had 266 full-time equivalent ("FTE") employees, including 252 full-time employees, 1 direct-sourced contractor, and 13 outsourced contractors. Full-time equivalent employees include temporary security, cultivation and packaging employees that are retained through staffing agencies that perform recurring services for Indus. The FTE employees are distributed among the following departments:

Department	Number of FTE Employees
Security	13
Cultivation	46
Manufacturing	125
Distribution & Warehousing	39
Finance & Accounting	6
Marketing	6
Sales	19
Quality Assurance/Quality Control /Compliance	7
Executive Operations	5
Total	266

- a) There are no contracts upon which the Company's business is substantially dependent.
- b) There are no aspects of the Company's business that are reasonably expected to be affected in the current financial year by renegotiation or termination of any contract or sub-contract.

Competitive Conditions:

Indus competes with other branded manufacturers and distributors, and with other licensed manufacturers offering similar services, within California.

Currently, the U.S. cannabis industry is largely comprised of small to medium-sized entities; however, the risk remains that large companies who recognize the potential for financial success through investment in this industry could strategically purchase or assume control of

larger cultivation, manufacturing or other facilities. Increased competition by larger and better financed competitors could materially adversely affect the business, financial condition, results of operations or prospects of Indus and Indus cannot provide assurances that it will be able to compete successfully against current and future competitors.

Because of the early stage of the industry in which Indus operates, Indus expects to face additional competition from new entrants. To remain competitive, Indus expects to require continuous research and development, marketing, sales and support. Indus may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition, results of operations or prospects of Indus.

Despite state-level legalization of cannabis in the United States, illicit or “black-market” operations remain abundant and present substantial competition to Indus. In particular, illicit operations, because they are largely clandestine, are not required to comply with the extensive regulations that Indus must comply with in order to conduct business, and accordingly may have significantly lower costs of operation.

Lending Operations:

The Company does not have any lending operations.

Bankruptcy and Restructuring:

There are no bankruptcy, receivership or similar proceedings against the Resulting Issuer or any voluntary bankruptcy, receivership or similar proceedings by the Company, within the three most recently completed financial years or the current financial year.

Other than pursuant to the RTO, there are no material restructuring transactions. See Section 2.2.

Environmental and Social Policies:

The Company has not implemented any social or environmental policies that are fundamental to the Company’s operations See *Section 17 - Risk Factors - Environmental Risk and Regulation* at page 66; and *Section 17 - Risk Factors - High Bonding and Insurance Coverage Costs* at page 78.

- 4.2 The Company does not have any outstanding asset-backed securities.
- 4.3 The Company does not have any mineral projects.
- 4.4 The Company does not have any oil and gas projects.

5. Selected Consolidated Financial Information

5.1 Annual Information

Pubco

The following table provides a brief summary of Pubco's financial operations for the each of the two most recently completed financial years. Refer to Schedule "A" for a complete copy of Pubco's audited financial statements for the years ended December 31, 2017 and 2016.

Description	Year Ended December 31, 2017 (audited) (in thousands C\$)	Year Ended December 31, 2016 (audited) (in thousands C\$)
Revenues	\$0	\$0
Loss from continuing operations	\$(206)	\$ (257)
Loss per share from continuing operations	\$(0.00)	\$ (0.01)
Net loss	\$(206)	\$ (257)
Net loss per share basic and diluted	\$(0.00)	\$ (0.01)
Total assets	\$792	\$881
Total long-term financial liabilities	\$445	\$338

Indus Holding Company

The following table provides a brief summary of Indus' consolidated financial operations for the each of the two most recently completed financial years, and the nine-month period ended September 30, 2018. The selected financial information has been derived from and should be read in conjunction with the Indus' financial statements for the years ended December 31, 2017 and 2016, and the unaudited interim financial statements for the nine months ended September 30, 2018, which are attached to this Listing Statement as Schedules "A" and "B", respectively.

Description	Year Ended December 31, 2017 (audited) (in thousands US\$)	Year Ended December 31, 2016 (audited) (in thousands US\$)	Nine Months Ended September 30, 2018 (audited) (in thousands US\$)
Revenues	\$15,468	\$4,676	\$10,940
Loss from continuing operations ⁽¹⁾	\$(7,193)	\$(3,439)	\$(3,670)
Net loss	\$(7,215)	\$(3,439)	\$(3,738)
Total assets	\$11,586	\$6,213	\$17,635
Total long-term financial liabilities	\$8,979	\$3,760	\$344

Notes:

⁽¹⁾ Income from continuing operations is prior to income tax expense.

5.2 Quarterly Information

Prior to the RTO Indus was a private company and did not prepare quarterly financial information.

5.3 Dividends

The Resulting Issuer does not intend, and is not required, to pay any dividends on the securities to be listed. Any future determination to pay dividends will be at the discretion of the board of directors of the Resulting Issuer ("**Resulting Issuer Board**") and will depend, among other things, on the financial condition, earnings, business environment, operating results, capital

requirements, any contractual restrictions on the payment of dividends and any other factors that the Resulting Issuer Board deems relevant.

The Resulting Issuer's ability to pay dividends may be affected by U.S. state and federal regulations. See "Risk Factors."

5.4 Foreign GAAP

The financial statements included in this Listing Statement have been, and the future financial statements of the Resulting Issuer will be, prepared in accordance with IFRS.

6. Management's Discussion and Analysis

Please refer to Schedule "C" for the Company's MD&A for the most recently completed fiscal year ended December 31, 2017; and to Schedule "D" for the nine months ended September 30, 2018.

7. Market for Securities

7.1 Listing prior to RTO

The Common Shares of Mezzotin were listed on the NEX board of the TSX Venture Exchange prior to the RTO. Prior to the RTO Indus was a private company and as such its shares were not listed on a Canadian or foreign stock exchange or traded on a Canadian or foreign market.

8. Consolidated Capitalization

8.1 As a result of the RTO, the capitalization of the Resulting Issuer is comprised of Subordinate Voting Shares and Super Voting Shares. For information regarding the Convertible Shares of Indus, see section 10.1 General – Description of the Securities. At the closing of the RTO, there were 202,590 Super Voting Shares, 3,568,285 Subordinate Voting Shares and 28,459,245 Convertible Shares outstanding, prior to the conversion of any of the Convertible Shares. See Item 10 – Description of Securities.

9. Options to Purchase Securities

9.1 The following table provides information as to options to purchase Subordinate Voting Shares of the Resulting Issuer.

Options Held	Number of Options	Exercise Price (USD)	Expiry Date
Options held by all executive officers and past executive officers of Indus as a group (which consist of 4 executive officers and past executive officers)	150,000	2.0348	June 30, 2023
	100,000	2.0348	September 2, 2024
Options held by all directors and past directors of Indus who are not also executive officers as a group, of the Issuer (which consist of 4 directors and past directors)	50,000	1.0174	December 22, 2022
	40,000	2.0348	June 30, 2023

Options held by all executive officers and past executive officers of all subsidiaries of Indus as a group (which consist of one executive officer and past executive officers and excludes those executive officers listed in row a.1 of this table	25,000	2.0348	February 12, 2024
Options held by all other employees and past employees of subsidiaries of the Issuer as a group ⁽¹⁾	180,000	1.0174	December 22, 2022
	10,000	2.0348	May 2, 2023
	75,000	2.0348	October 15, 2023
	125,000	2.0348	October 31, 2023
	25,000	2.0348	February 12, 2024
	392,000	2.0348	June 30, 2024
	100,000	2.0348	July 8, 2024
	10,000	4.5057	October 28, 2024
	3,000	4.5057	October 31, 2024
	5,000	4.5057	December 25, 2024
	85,000	4.5057	December 31, 2024
	20,000	4.5057	January 1, 2025
	75,000	4.5057	January 6, 2025
	300,000	4.5057	January 13, 2025

9.2 Resulting Issuer Equity Incentive Plan

The Resulting Issuer has adopted an equity incentive plan (the “**2019 Incentive Plan**”) to replace the existing Mezzotin equity incentive plan as of the closing of the RTO, which was approved by shareholders on January 26, 2019. The number of Subordinate Voting Shares that may be issued under the 2019 Incentive Plan shall be determined by the Resulting Issuer Board from time to time and may not exceed 10% of the number of Subordinate Voting Shares then outstanding or issuable on conversion of the Convertible Shares. In addition, up to 2,259 250 Subordinate Voting Shares may be issued in connection with the RTO, in lieu of securities of Indus and on an economically equivalent basis, upon exercise of assumed stock options issued pursuant to Indus’ 2016 Equity Incentive Plan (the “**Indus Plan**”). Such assumed Indus stock options will not reduce the maximum number of Subordinate Voting Shares that may be issued under the 2019 Incentive Plan. The Indus Plan will be assumed by the Resulting Issuer solely with respect to such assumed stock options and no further equity grants will be made under the Indus Plan following the closing.

The 2019 Incentive Plan permits the grant of (i) nonqualified stock options (“**NQSOs**”) and incentive stock options (“**ISOs**”) (collectively, “**Options**”), (ii) restricted stock awards, (iii) restricted stock units (“**RSUs**”), (iv) stock appreciation rights (“**SARs**”); (v) performance compensation awards (“**PCAs**”) and (vi) other stock-based awards (collectively, “**Awards**”). Any of the Resulting Issuer’s employees, officers, directors and consultants (who are natural persons) are eligible to participate in the 2019 Incentive Plan if selected by the Compensation Committee of the Resulting Issuer (the “**Participants**”). A maximum of 4,000,000 Subordinate Voting Shares may be issued as ISOs, subject to adjustment as provided in the 2019 Incentive Plan. Any shares subject to an Award under the 2019 Incentive Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the 2019 Incentive Plan. If, and so long as, the Resulting Issuer is listed on the CSE, the aggregate number of Subordinate Voting Shares issued or issuable to persons providing investor relations activities (as defined in CSE policies) as compensation within a one-year period, shall not exceed 1% of the total number of Subordinated Voting Shares then outstanding.

The Compensation Committee is authorized to make adjustments to the number and kind of shares which may be issued in connection with Awards, the number and kind of shares issuable in respect of outstanding Awards, the purchase price or exercise price relating to any Award (or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award) and any share limit set forth in the 2019 Incentive Plan in order to prevent the dilution or enlargement of the rights of Participants in connection with any stock split, reorganization, merger, amalgamation, repurchase or exchange of securities of the Resulting Issuer, issuance of securities of the Resulting Issuer or other similar corporate transaction or event, or any unusual or nonrecurring events affecting the Resulting Issuer or any change in applicable laws, accounting principles or stock exchange rules.

Options

The Compensation Committee is authorized to grant Options to purchase Subordinate Voting Shares that are either ISOs meaning they are intended to satisfy the requirements of Section 422 of the United States Internal Revenue Code of 1986, as amended (the “**Code**”), or NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Under the terms of the 2019 Incentive Plan, unless, in respect of Participants who are not residents of Canada for purposes of the *Income Tax Act* (Canada) and not subject to taxation under the *Income Tax Act* (Canada) with respect to such Option, the Compensation Committee determines otherwise in the case of an Option granted in substitution for another Option in connection with a corporate transaction, the exercise price of the Options will not be less than the fair market value (as determined under the 2019 Incentive Plan) of the shares at the time of grant, and in any event may not be priced lower than the greater of the closing market price of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the stock options, and (b) the date of grant of the stock options. The maximum term of an option granted under the 2019 Incentive Plan will be ten years from the date of grant. Payment in respect of the exercise of an Option may be made in cash or by cheque, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as the Compensation Committee may determine to be appropriate. Additional minimum provisions set forth in the 2019 Incentive Plan shall apply to awards granted to California participants if such award is granted in reliance on Section 25102(o) of the California Corporations Code, and in any event subject to compliance with the policies of the CSE.

Restricted Stock

A restricted stock award is a grant of Subordinate Voting Shares, which are subject to forfeiture restrictions during a restriction period. The Compensation Committee will determine the price, if any, to be paid by the Participant for each Subordinate Voting Shares subject to a restricted stock award, which pursuant to the rules of the CSE, may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the restricted stock award, and (b) the date of grant of the restricted stock award. The Compensation Committee may condition the expiration of the restriction period, if any, upon: (i) the Participant’s continued service over a period of time with the Resulting Issuer or its affiliates; (ii) the achievement by the Participant, the Resulting Issuer or its affiliates of any other performance goals set by the Compensation Committee; or (iii) any combination of the above conditions as specified in the applicable award agreement. During the restriction period, unless otherwise provided in the applicable award agreement, a Participant will have the right to vote the shares underlying the restricted stock; however, all dividends will remain subject to restriction until the stock with respect to which the dividend was issued lapses. The

Compensation Committee may, in its discretion, accelerate the vesting and delivery of shares of restricted stock.

RSUs

RSUs are granted in reference to a specified number of Subordinate Voting Shares and entitle the holder to receive, on achievement of specific performance goals established by the Compensation Committee, after a period of continued service with the Resulting Issuer or its affiliates or any combination of the above as set forth in the applicable award agreement, one Subordinate Voting Share for each such Subordinate Voting Share covered by the RSU; provided, that the Compensation Committee may elect to pay cash, or part cash and part Subordinate Voting Shares in lieu of delivering only Subordinate Voting Shares, and provided further that pursuant to the policies of the CSE, the value ascribed to the Subordinate Voting Shares covered by the RSU may not be lower than the greater of the closing market price of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the RSUs, and (b) the date of grant of the RSUs. The Compensation Committee may, in its discretion, accelerate the vesting of RSUs.

SARs

SARs may be granted subject to the terms of the 2019 Incentive Plan and any applicable award agreement, which confer on the holder a right to receive upon exercise thereof the excess of (i) the fair market value of one Subordinate Voting Share on the date of exercise over (ii) the grant price of the SAR (which shall not be less than 100% of the fair market value of one Subordinate Voting Share on the date of grant); provided, however, that, subject to applicable law and stock exchange rules, the Compensation Committee may designate a grant price below fair market value on the date of grant if the SAR is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Resulting Issuer or an affiliate. Notwithstanding the foregoing, pursuant to the rules of the CSE, SARs may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the SAR, and (b) the date of grant of the SAR. Subject to the terms of the 2019 Incentive Plan, the policies of the CSE and any applicable award agreement, the grant price, term, conditions, restrictions, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any SAR shall be as determined by the Compensation Committee.

PCAs

PCAs may be granted under the 2019 Incentive Plan, which (i) may be denominated or payable in cash, Subordinate Voting Shares, or other securities, awards or other property (including, without limitation, restricted stock and RSUs), and (ii) confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of one or more objective performance goals during such performance periods as the Compensation Committee shall establish. Notwithstanding the foregoing, pursuant to the rules of the CSE, PCAs may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the PCA, and (b) the date of grant of the PCA. Subject to the terms of the 2019 Incentive Plan and the policies of the CSE, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any PCA granted, the amount of any payment or transfer to be made pursuant to any PCA and any other terms and conditions shall be determined by the Compensation Committee.

Other

Pursuant to the 2019 Incentive Plan, the Compensation Committee may also grant dividend equivalents under which the holder shall be entitled to receive payments (in cash, Subordinate Voting Shares, other securities, awards or other property) equivalent to the amount of cash dividends paid by the Resulting Issuer to holders of Subordinate Voting Shares, with respect to a number of Subordinate Voting Shares determined by the Compensation Committee (which Subordinate Voting Shares function similar to “phantom” shares which entitle the holder to such dividend equivalent rights). Subject to the terms of the 2019 Incentive Plan, the policies of the CSE and any applicable award agreement, such dividend equivalents may have such terms and conditions as the Compensation Committee shall determine, provided that pursuant to the rules of the CSE, dividend equivalents may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the dividend equivalent, and (b) the date of grant of the dividend equivalent.

In addition, awards may be granted under the 2019 Incentive Plan that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Subordinate Voting Shares (including, without limitation, securities convertible into Subordinate Voting Shares), as are deemed by the Compensation Committee to be consistent with the purpose of the 2019 Incentive Plan in accordance with applicable regulations, provided that pursuant to the rules of the CSE, such awards may not be priced lower than the greater of the closing market prices of the Subordinate Voting Shares on (a) the trading day prior to the date of grant of the award, and (b) the date of grant of the award.

Tax Withholding

The Resulting Issuer may take such action as it deems appropriate to ensure that all applicable federal, state, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

General

The Compensation Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate, in each case subject to the policies of the CSE. Generally, Awards granted under the 2019 Incentive Plan shall be non-transferable except by will or by the laws of descent and distribution.

The Resulting Issuer Board may amend, alter, suspend, discontinue or terminate the 2019 Incentive Plan and the Compensation Committee may suspend or terminate any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to (A) the approval of the Resulting Issuer’s shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the 2019 Incentive Plan (including, without limitation, as necessary to comply with any rules or requirements of applicable securities exchange); and (B) the policies of the CSE.

In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Subordinate Voting Shares or other securities of the Resulting Issuer or any other similar corporate transaction or event involving the Resulting Issuer (or the Resulting Issuer shall enter into a written agreement to undergo such a transaction or event), the Compensation Committee or the Resulting Issuer Board may, in its sole discretion, provide for any (or a combination) of the

following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, provided that the consummation of the event subsequently occurs):

- termination of the Award, whether or not vested, in exchange for cash and/or other property, if any, equal to the amount that would have been attained upon the exercise of the vested portion of the Award or realization of the Participant's vested rights,
- the replacement of the Award with other rights or property selected by the Compensation Committee or the Resulting Issuer's Board, in its sole discretion,
- assumption of the Award by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices,
- that the Award shall be exercisable or payable or fully vested with respect to all Subordinate Voting Shares covered thereby, notwithstanding anything to the contrary in the applicable award agreement, or
- that the Award cannot vest, be exercised or become payable after a date certain in the future, which may be the effective date of the event.

10. Description of the Securities

10.1 General – Description of the Securities

Pursuant to the RTO, the authorized capital of the Resulting Issuer is comprised of Super Voting Shares, and Subordinate Voting Shares.

Super Voting Shares

The Super Voting Shares provide Robert Weakley, a founding shareholder of Indus (“**Weakley**”), with a number of votes that is equal to 85.0% of the total voting power of the Resulting Issuer on a fully diluted basis immediately following the closing of the RTO.

Holders of Super Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer will have the right to vote. At each such meeting, holders of Super Voting Shares will be entitled to 1,000 votes in respect of each Super Voting Share. In order to minimize the proportion of the outstanding voting securities of the Resulting Issuer that are held by “U.S. persons” for purposes of determining whether the Resulting Issuer is a “foreign private issuer” for purposes of United States securities laws, the actual number of Super Voting Shares that were issued was 202,590.

Holders of Super Voting Shares are not entitled to receive dividends. In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, the Resulting Issuer will distribute its assets in priority to the rights of holders of any other class of shares of the Resulting Issuer (including the holders of the Subordinate Voting Shares) to return the issue price of the Super Voting Shares to the holders thereof. The holders of Super Voting Shares shall not be entitled to receive any other assets or property of the Resulting Issuer and their sole rights in respect of assets or property of the Resulting Issuer will be to such return of the issue price of such Super Voting Shares.

There is a restriction on the transfer of the Super Voting Shares. The Super Voting Shares can only be transferred in accordance with the terms of an investment agreement entered into between the Resulting Issuer and Weakley. The investment agreement provides that Super Voting Shares may be transferred only among Weakley and the other members of a permitted transferee group or otherwise with the consent of the Resulting Issuer. The investment agreement prohibits the Resulting Issuer from consenting to a transfer that would result in the Super Voting Shares being acquired pursuant to a change of control transaction, as defined in the investment agreement.

The Resulting Issuer has the right to redeem (i) any or all of the Super Voting Shares for their original purchase price in the event Weakley resigns all of his positions with the Resulting Issuer and its subsidiaries other than for “Good Reason”, as defined in the investment agreement, or if Weakley and the other members of the permitted transferee group hold less than 50% of the total number of Convertible Shares of Indus and Subordinate Voting Shares held by Weakley and the other members of the permitted transferee group as of the closing of the RTO; and (ii) any Super Voting Shares that are transferred to persons other than the members of the permitted transferee group without the Resulting Issuer’s consent. In addition, the Resulting Issuer is required to redeem the Super Voting Shares in connection with a change in control transaction as defined in the investment agreement, for their original purchase price. **The holders of Subordinate Voting Shares shall not be entitled to participate in any such redemption under the terms of the Subordinate Voting Shares or under any coattail or similar agreement.**

Subordinate Voting Shares

Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors, dividends in cash or property of the Resulting Issuer. Holders of Subordinate Voting Shares are also entitled to notice of and to attend at any meeting of the shareholders of the Resulting Issuer, except a meeting of which only holders of another particular class or series of shares of the Resulting Issuer shall have the right to vote. At each such meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share held.

In the event of the liquidation, dissolution or winding-up of the Resulting Issuer, the holders of Subordinate Voting Shares shall, subject to the prior rights of the holders of any shares of the Resulting Issuer ranking in priority to the Subordinate Voting Shares (including, without restriction, the Super Voting Shares) be entitled to participate ratably along with all other holders of Subordinate Voting Shares.

In connection with the RTO, Indus also created the class of Convertible Shares. The Convertible Shares are non-voting and the holders of Convertible Shares, together with holders of Indus’ Class A Common Shares (which is the class of voting shares of Indus held solely by the Resulting Issuer) on a pro-rata basis, are entitled to receive dividends when and as declared by the board of directors. Upon the dissolution or liquidation of Indus, whether voluntary or involuntary, holders of Convertible Shares, together with holders of Class A Common Shares of Indus on a pro-rata basis, will be entitled to receive all assets of Indus available for distribution to its stockholders.

Holders of Convertible Shares may elect, from time to time, to contribute their Convertible Shares to the Resulting Issuer in exchange for Subordinate Voting Shares at a rate of one (1) Subordinate Voting Share for every one (1) Convertible Share contributed (or under certain circumstances for the cash value of such shares as provided in the share terms for the

Convertible Shares). **Following the RTO, a third party offeror may offer to purchase some or all of the Convertible Shares. Any such third party offer to purchase Convertible Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares.** However, the holders of Subordinate Voting Shares have been granted the right to participate on an economically equivalent basis in any transaction or series of related transactions pursuant to which more than 20% of the outstanding Convertible Shares as of the effective date of the RTO (calculated immediately prior to the closing of the RTO) are acquired by a party other than Indus or the Resulting Issuer. No additional Convertible Shares will be issued.

10.2 Debt securities are not being listed.

10.4 Securities other than equity securities or debt securities are not being listed.

10.5 The Resulting Issuer does not propose to modify the terms of the securities being listed.

10.6 For other attributes of the securities being listed, please refer to item 10.1 of this Listing Statement.

10.7 Prior Sales

The common shares of Mezzotin were reclassified as Subordinate Voting Shares of the Resulting Issuer as a condition precedent to the completion of the RTO, bearing the terms set forth in item 10.1 above. No Common Shares were issued within the 12 months preceding the date of this Listing Statement other than an aggregate of 8,014,969 Common Shares which were issued on May 25, 2018 at a deemed price of \$0.05 per share to Max Mind Investment Limited pursuant to a debt settlement agreement.

10.8 Stock Exchange Price:

Prior to the RTO Indus was a private company and as such its shares were not listed on a Canadian or foreign stock exchange or traded on a Canadian or foreign market. The common shares of Mezzotin were previously listed on the NEX board of the TSX Venture Exchange prior to the completion of the RTO.

11. Escrowed Securities

None of the securities of the Resulting Issuer are subject to escrow.

12. Principal Shareholders

12.1

Name	Number/Class of Shares of Indus/Resulting Issuer Held Immediately Following Closing of RTO	Held Beneficially/Of Record
Robert Weakley	202,590 Super Voting Shares (representing 85% of the total voting power of Resulting Issuer) and 5,459,397 Convertible Shares ⁽²⁾ (representing 94.1% of the total voting	Beneficially and of Record

	power of Resulting Issuer on a partially diluted basis, in the aggregate assuming conversion of such Convertible Shares only ⁽¹⁾)	
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Notes:

(1) Each Convertible Share is non-voting, however all Convertible Shares are convertible into Subordinate Voting Shares on a 1:1 basis, with each Subordinate Voting Share entailing one vote per share.

(2) Verde Unicornio LLC, an entity owned by Robert and Michaela Weakley, holds 5,459,397 Convertible Shares of Indus.

13 Directors and Officers

13.1

Name and Residence	Age	Office Held with Resulting Issuer	Period of Service as a Director	Principal Occupation for Past Five Years	Number of Shares of Indus and Resulting Issuer Beneficially Owned or Over Which Control is Exercised on Completion of Business Combination
Robert Weakley Monterey, California, USA	44	Director, President, and CEO	2019 to present	President, CEO and Director of Indus (2015 to current) CEO, Coastal Luxury Management (2007 to 2014), hospitality management firm	202,590 Super Voting Shares 5,495,497 Convertible Shares ⁽¹⁾⁽²⁾
Mark Ainsworth San Mateo, California, USA	44	Director, and Executive Vice President	2019 to present	Executive VP, Co-Founder and Director of Indus (2015 to present) CEO and Founder, Pastry Smart LLC (2006 to 2014), bakery and confectionary manufacturer	1,363,000 Convertible Shares ⁽¹⁾
Tina Maloney Salinas, California, USA	56	Director, Chief Financial Officer and Corporate Secretary	2019 to present	CFO, Corporate Secretary and Director of Indus (2018 to present) CAO, Amyris Inc. (2018), biotechnology and chemical company VP and Principal Accounting Officer, The Cooper Companies (2005 to 2017), medical device company	122,194 Convertible Shares ⁽¹⁾
Stephanie Harkness Pebble Beach, California, USA	75	Director	2019 to present	Managing General Partner of OPES Holdings, LLC (2005 to present), venture capital and private equity firm CEO, Pacific Plastics & Engineering (1980 to 2011), medical device manufacturer	1,234,289 Convertible Shares ⁽¹⁾

Name and Residence	Age	Office Held with Resulting Issuer	Period of Service as a Director	Principal Occupation for Past Five Years	Number of Shares of Indus and Resulting Issuer Beneficially Owned or Over Which Control is Exercised on Completion of Business Combination
Bill Anton Henderson, Nevada, USA	78	Director	2019 to present	Chairman & CEO, Anton Enterprises Inc. (2005 to present), business services firm Managing Partner, Anton Venture Capital Fund LLC (2004 to present), venture capital firm	791,997 Convertible Shares ⁽¹⁾
Arthur Maxwell Sudbury, Massachusetts, USA	61	Director	2019 to present	Chairman of AIS, Inc. (1989 to present), furniture manufacturer Chairman of Pearl Street Capital Group (2004 to present), asset management firm	590,523 Convertible Shares ⁽¹⁾
Sam Tramiel Palo Alto, California, USA	69	Director	2019 to present	Partner and co-Founder of Tramiel Capital Inc. (1996 to present), real estate investment company	110,970 Convertible Shares ⁽¹⁾

Notes:

(1) Each Convertible Share is non-voting, however all Convertible Shares are convertible into Subordinate Voting Shares on a 1:1 basis, with each Subordinate Voting Share entailing one vote per share.

(2) Verde Unicornio LLC, an entity owned by Robert and Michaela Weakley, holds 5,459,397 Convertible Shares .

- 13.2 Each director will hold office from the closing of the Business Combination until the next annual meeting or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws.
- 13.3 All directors and officers of the Resulting Issuer, as a group, beneficially own or exercise control over (i) 202,590 Super Voting Shares representing approximately 85% of the total outstanding voting power of the Resulting Issuer and (ii) 9,597,500 Convertible Shares representing 0% of the total outstanding voting power of the Resulting Issuer
- 13.4 Board Committees

The Resulting Issuer has board committees, including an audit committee (the “Audit Committee”) and a compensation and corporate governance committee (the “Compensation and Corporate Governance Committee”).

Audit Committee

The audit committee assists the Resulting Issuer Board in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee’s responsibilities include reviewing the financial reports and other financial information provided by the Resulting Issuer to regulatory authorities and its shareholders and reviewing the Resulting Issuer’s system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

The Audit Committee is comprised of Sam Tramiel (Audit Committee Chair), Bill Anton, and Arthur Maxwell, each of whom is independent and financially literate within the meaning of National Instrument 52-110. For a description of the education and experience of each member of the Audit Committee refer to Section 13.11.

Compensation and Corporate Governance Committee

The Compensation and Corporate Governance Committee assists the Resulting Issuer Board in fulfilling its responsibilities for determining compensation philosophy and guidelines, and fixing compensation levels for the Resulting Issuer’s executive officers. The committee is charged with reviewing the Resulting Issuer’s stock option plans and proposing changes thereto, approving any awards of options under the Resulting Issuer’s stock option plans and recommending any other employee benefit plans, incentive awards and perquisites with respect to the Resulting Issuer’s executive officers. The Compensation and Corporate Governance Committee may also recommend changes to the size, composition and structure of the Resulting Issuer Board and its committees; and will assist the Resulting Issuer Board in the orientation and continuing education for directors and in the Resulting Issuer’s overall approach to corporate governance. The Compensation and Governance Committee is also reviews and approves all related-party transactions and prepares reports for the Resulting Issuer Board on such related-party transactions.

The Compensation and Corporate Governance Committee is comprised of Stephanie Harkness (Compensation and Governance Committee Chair), Bill Anton, Arthur Maxwell, Sam Tramiel, and Tina Maloney. For a description of the education and experience of each member of the Compensation and Corporate Governance Committee refer to Section 13.11.

13.5 Principal Occupations

Stephanie Harkness, a director of the Resulting Issuer, also serves as Managing General Partner of OPES Holdings, LLC, a venture capital and private equity firm.

Bill Anton, a director of the Resulting Issuer, also serves as Chairman & CEO, Anton Enterprises Inc., a business services firm.

Arthur Maxwell, a director of the Resulting Issuer, also serves as Chairman of AIS, Inc., a furniture manufacturer.

Sam Tramiel, a director of the Resulting Issuer, also serves as Partner and co-Founder of Tramiel Capital Inc., a real estate investment company.

13.6 Corporate Cease Trade Orders

No director or officer of the Resulting Issuer or any shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity,

(a) was the subject of a cease trade or similar order or an order that denied the company access to any statutory exemption for a period of more than 30 consecutive;

(b) was subject to an event that resulted, after he or she ceased to act in that capacity, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(e) within a year of that person ceasing to act in that capacity, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

13.7 - 13.8 Penalties or Sanctions

No director or officer of the Resulting Issuer or any shareholder holding a sufficient number securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely considered important to a reasonable investor in making an investment decision.

13.9 Bankruptcies and Insolvencies

No director or officer of the Resulting Issuer, or a shareholder holding sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

13.10 Conflicts

There are no existing or potential material conflicts of interest between the Resulting Issuer or a subsidiary of the Resulting Issuer and a director or officer of the Resulting Issuer or a subsidiary of the Resulting Issuer, other than as described under Items 20 Interest of Management and Others in Material Transactions, and 17.1 – “Risks Relating to the Resulting Issuer – Founder Voting Control”.

13.11 Management – Officers and Directors Biographical Statements

Biographies of each of the directors and officers of the Resulting Issuer, including their five year employment histories, are set forth below:

Robert Weakley –President, CEO, and Director, Age 44

Robert Weakley serves as President, CEO, and co-founder of the Resulting Issuer. As the organization’s leader, Mr. Weakley is responsible for overseeing the senior management team, implementing the strategic direction of the Resulting Issuer, and realizing its overall vision of creating products that emphasize consumer safety while advancing the changing perceptions of cannabis use. Prior to his involvement with the Resulting Issuer and Indus, Mr. Weakley was CEO and Founder of Coastal Luxury Management, a premier event and hospitality management firm. He currently serves on the executive board for the Boys and Girls Club of Monterey County and the Monterey Business Council. Mr. Weakley is an employee of the Resulting Issuer, and dedicates approximately 90% of his time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Mark Ainsworth –Executive Vice President, Co-Founder, and Director, Age 44

Mark Ainsworth is Executive Vice President of the Resulting Issuer and was a Co-Founder of Indus, overseeing manufacturing functions, including procurement and distribution. Mr. Ainsworth brings to the company substantial experience in food manufacturing and distribution operations. In 2006, he founded Pastry Smart, the first and only American Humane Certified and Organic bakery and confectionery manufacturer in the United States. During his tenure he specialized in research and development, consultation to Fortune 500 companies, and development of products that are still being sold by retailers such as Whole Foods Markets and Costco Wholesale. Prior to launching Pastry Smart, Mr. Ainsworth served in several food industry management roles. He completed his fellowship at Johnson & Wales University and began his career in the pastry kitchens of the Atlantic Inn and Lucca’s. He has been a member of the American Culinary Federation since 2013. Mr. Ainsworth is an employee of the Resulting Issuer, and dedicates approximately 90% of his time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Tina Maloney –Chief Financial Officer, Corporate Secretary and Director, Age 56

Ms. Maloney is Chief Financial Officer and Corporate Secretary of the Resulting Issuer. She is a finance executive with international experience in public companies and private equity-backed start-ups. Her results-driven background includes specific areas of expertise in finance, strategic planning, information systems, and mergers and acquisitions. Prior to her involvement with Indus and the Resulting Issuer, Ms. Maloney was CAO of Amyris, Inc., a publicly-traded industrial biotechnology and chemical company; Vice President and Principal Accounting Officer of The Cooper Companies, an S&P 500 medical device and IVF company; and held various senior leadership roles at Sola International, a publicly-traded manufacturer of eyeglass lenses. Prior to Sola, she was Vice President of Finance for IESL, an environmental services and electroplating company servicing the defense industry. Ms. Maloney holds an MBA, a B.S. in Business Administration, and is a Certified Management Accountant and a Chartered Global Management Accountant. Ms. Maloney is an employee of the Resulting Issuer, and dedicates approximately 90% of her time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Stephanie Harkness – Director, age 75

Ms. Harkness is currently the Managing General Partner of OPES Holdings, LLC. From 1980 to 2011 Ms. Harkness was CEO of Pacific Plastics & Engineering, a leading medical device manufacturer in the San Francisco Bay area. Ms. Harkness served on the Board of Directors of Indus since January 2015. She was formerly the Chairperson of National Association of Manufacturers, a member of the Board of Directors for Dignity Health Hospital, and Chair of the Silicon Valley Capital Club Board of Governors. She is a past recipient of the National Association of Manufacturers "Freedom Award," the NAWBO "National Woman Business Owner" award, the Wells Fargo Bank "Outstanding Entrepreneur" award, and the Junior Achievement's Hall of Fame for Entrepreneurship, Leadership, and Philanthropy "2018 Legacy Award." Ms. Harkness holds a BS degree from Cal Poly, and MA and Administration credentials from San Jose State. Ms. Harkness dedicates approximately 5% of her time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Bill Anton – Director, age 78

Mr. Anton has served as Chairman and CEO of Anton Enterprises, Inc. since 2005 and Managing Partner of Anton Venture Capital Fund LLC since 2004. Prior to Anton Enterprises he was Chairman of Anton Airfood, Inc. from 1989 to 2005, the airport foodservice company he founded. Mr. Anton is Chairman Emeritus of the Board of Trustees of the Culinary Institute of America and served on the Board of Directors of Indus since November 2018. He also serves on the Board of Trustees of Media Research Corporation, the Board of Directors of QSpex Technologies Inc., and is a member of the Board of Governors of the Thaliens Foundation for Mental Health at Cedars-Sinai. Mr. Anton formerly served on the Board of Directors of Air Chef Corporation, the leading private aviation catering firm in North America, the Board of Directors for Morton's Restaurant Group, the Board of the British Restaurant Association, the Board of Trustees of the William F. Harrah College - University of Nevada in Las Vegas, the National Restaurant Association Education Foundation. Mr. Anton is a recipient of the Silver Plate Award for "Chain Operator of the Year" from the International Foodservice Manufacturers Association and the "Golden Chain Award" from Nation's Restaurant News. Mr. Anton dedicates approximately 5% of his time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Arthur Maxwell – Director, age 61

Mr. Maxwell co-founded AIS, Inc. in 1989, one of the largest business furniture manufacturers in the United States and serves as its Chairman. Mr. Maxwell served as the managing General Partner of AIS Venture Fund LP, a multifaceted investment vehicle. He holds positions with Harwich One LLC, AIS Funding LLC, and AIS Equity Holdings LLC. Throughout his career, Mr. Maxwell has led many successful acquisition, buyout and investment transactions and served both as CEO and as a Board member of numerous private and publicly held enterprises and charitable organizations. Mr. Maxwell currently serves as an active and lead investor, adviser and Board member to various enterprises at different stages of development. Mr. Maxwell served on the Board of Directors of Indus since August 2017. He attended Boston College from 1976 to 1979, where he majored in Political Science and Economics. Mr. Maxwell dedicates approximately 5% of his time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

Sam Tramiel – Director, age 69

Mr. Tramiel is currently Partner and Co-Founder of Tramiel Capital Inc., which specializes in real estate and investments. Formerly, Mr. Tramiel served as Director, CEO and President of Atari Corp., a prominent manufacturer of video games and home computers that pioneered the video entertainment industry, from July 1984 to July 1996. During the period from 1972 to 1984 Mr. Tramiel held various senior management positions at Commodore International Inc., one of the pioneering companies in the development and marketing of some of the earliest personal computers. Mr. Tramiel has been a member of the board of directors for Haldor Advanced Technologies Ltd since 2013, and ThinOptics Inc., since 2014. Mr. Tramiel dedicates approximately 5% of his time to the Resulting Issuer and has not entered into any non-competition or non-disclosure agreement with the Resulting Issuer.

14. Capitalization

14.1 The following tables provide information about the Resulting Issuer's capitalization as of the date of this Listing Statement:

Issued Capital

	Number of Subordinate Voting Shares ⁽¹⁾⁽³⁾ (non-diluted)	Number of Subordinate Voting Shares ⁽³⁾⁽⁴⁾ (fully-diluted)	% of Issued ⁽¹⁾⁽³⁾ (non- diluted)	% of Issued ⁽³⁾⁽⁴⁾ (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	3,568,285	37,115,729	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer	Nil	10,369,284	0%	27.9%

(or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)

Total Public Float (A-B)	3,568,285	26,746,445	73.0%	72.1%
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Freely-Tradeable Float

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	Nil	25,164,812 ⁽²⁾	0%	67.8%
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Total Tradeable Float (A-C)	3,568,285	11,950,917	100%	32.2%
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Notes:

1. Assumes no outstanding Convertible Shares are converted to Subordinate Voting Shares.
2. A total of 25,164,812 Subordinate Voting Shares are subject to contractual lock-up restrictions, of which 8,356,284 Subordinate Voting Shares are held by insiders and are subject to a lock-up expiring as to 1,671,256 Subordinate Voting Shares approximately 90 days after trading commences and as to 6,685,028 Subordinate Voting Shares approximately 180 days after trading commences. The remaining 16,808,528 Subordinate Voting Shares are held by non-insiders and are subject to a lock-up expiring as to 5,602,842 Subordinate Voting Shares approximately two months after trading commences, as to 5,602,842 Subordinate Voting Shares approximately four months after trading commences and as to 5,602,842 Subordinate Voting Shares approximately six months after trading commences. All of the foregoing Subordinate Voting Share figures in this footnote are presented on a fully diluted basis.
3. Excludes the Super Voting Shares. Holders of the Subordinate Voting Shares are entitled to one vote per share and the holders of the Super Voting Shares are entitled to 1,000 votes per share. As a result of his ownership of Super Voting Shares, Robert Weakley exercises approximately 85% of the voting power in respect of the Resulting Issuer's outstanding shares.
4. Reflects conversion of all outstanding Convertible Shares and other convertible securities of the Resulting Issuer.

Public Securityholders (Registered)⁽²⁾

Class of Security

<u>Size of Holding</u>	<u>Number of holders⁽¹⁾</u>	<u>Total number of securities⁽¹⁾</u>
1 – 99 securities	2	86
100 – 499 securities	7	1,177
500 – 999 securities	3	1,983
1,000 – 1,999 securities	9	12,708
2,000 – 2,999 securities	4	9,200
3,000 – 3,999 securities	4	16,982
4,000 – 4,999 securities	15	64,408
5,000 or more securities	80	3,461,741
	124	3,568,285

Notes:

1. Assumes no outstanding Convertible Shares are converted to Subordinate Voting Shares.
2. Defined as persons other than Related Persons or employees of the Resulting Issuer or Related Person of the Issuer, or persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held)

Public Securityholders (Beneficial)⁽²⁾

Class of Security

<u>Size of Holding</u>	<u>Number of holders⁽¹⁾</u>	<u>Total number of securities⁽¹⁾</u>
1 – 99 securities	191	2,879
100 – 499 securities	28	5,240
500 – 999 securities	9	6,918
1,000 – 1,999 securities	15	21,204
2,000 – 2,999 securities	6	14,642
3,000 – 3,999 securities	4	16,982
4,000 – 4,999 securities	16	69,389
5,000 or more securities	79	3,430,437

Unable to confirm	-	594
	<u>323</u>	<u>3,568,285</u>

Notes:

1. Assumes no outstanding Convertible Shares are converted into Subordinate Voting Shares.
2. Defined as persons other than Related Persons or employees of the Resulting Issuer or Related Person of the Issuer, or persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held)

Non-Public Securityholders (Registered)⁽²⁾

Class of Security

<u>Size of Holding</u>	<u>Number of holders⁽¹⁾</u>	<u>Total number of securities⁽¹⁾</u>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	-	-
	-	-

Notes:

1. Assumes the no outstanding Convertible Shares are converted to Subordinate Voting Shares.
2. Defined as Related Persons or employees of the Resulting Issuer or Related Person of the Issuer, or persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held)

14.2 The following table provides details for any securities convertible or exchangeable into any class of listed securities. For terms of the Stock Options, see section 9.2.

Description of Security	Number of convertible / exchangeable securities outstanding	Number of listed securities issuable upon conversion / exercise
Convertible Shares	28,459,245 ⁽¹⁾	28,459,245 ⁽¹⁾
Compensation Options (exercise price: \$15.65; expiry date of two years following closing of RTO)	197,533	197,533
Share Purchase Warrants	45,000	45,000

(exercise price US\$1.02; expiry date of October 30, 2026)		
Share Purchase Warrants (exercise price US\$2.03; expiry date of August 27, 2023)	155,000	155,000
Share Purchase Warrants (exercise price US\$2.03; expiry date of September 21, 2026)	491,448	491,448
Share Purchase Warrants (exercise price US\$2.03; expiry date of September 28, 2026)	737,172	737,172
Share Purchase Warrants (exercise price US\$2.03; expiry date of October 30, 2026)	368,586	368,586
Share Purchase Warrants (exercise price US\$2.03; expiry date of November 2, 2026)	245,724	245,724
Share Purchase Warrants (exercise price US\$2.03; expiry date of December 11, 2026)	245,724	245,724
Share Purchase Warrants (exercise price US\$2.03; expiry date of December 31, 2026)	122,862	122,862
Stock Options ⁽²⁾	1,770,000	1,770,000

Notes:

1. Assumes no outstanding Convertible Shares are converted to Subordinate Voting Shares.
2. For further details, please refer to Section 9.1 of this Listing Statement.

14.3 The following table provides details for listed securities reserved for issuance that are not included in section 14.2.

Not applicable

15. Executive Compensation

15.1 Below is a Statement of Executive Compensation complying with Form 51-102F6V.

Named Executive Officers

For the purposes of this section, the “Named Executive Officers” or “NEOs” are the Chief Executive Officer, Executive Vice President and Co-founder, and Chief Financial Officer of the Resulting Issuer, being Robert Weakley (Chief Executive Officer), Mark Ainsworth (Executive Vice President and Co-founder), and Tina Maloney (Chief Financial Officer). The biographies of each NEO are set out under Section 13 above.

Determination of Compensation

The Resulting Issuer Board has established a Compensation and Governance Committee to assist the Resulting Issuer Board in fulfilling its governance and supervisory responsibilities. The Resulting Issuer Board is expected to adopt a written charter for the Compensation and Governance Committee that will establish, among other things, the Compensation and Governance Committee's purpose and its responsibilities with respect to executive compensation. The charter of the Compensation Committee will provide that, among other things, the Compensation Committee will be responsible for assisting the Resulting Issuer Board in its oversight of executive compensation, management development and succession, director compensation and executive compensation disclosure.

It is anticipated that the independent directors of the Resulting Issuer will review and make recommendations to the Compensation Committee each year with respect to the executive compensation arrangements and employment agreements for the NEOs. Furthermore, the *2019 Equity Incentive Plan* will be administered by, and the award of any share-based compensation awards will be recommended by the Compensation and Governance Committee and be approved by the Resulting Issuer Board.

The Resulting Issuer Board will consider industry standards and the financial situation of the Resulting Issuer when determining executive compensation. The Resulting Issuer Board will set the compensation level of the NEOs in order to retain individuals of a high caliber and motivate their performance to achieve the Resulting Issuer's strategic objectives. The compensation package of the NEOs will consist of short and long-term cash and equity incentives based on the achievement of the Resulting Issuer's goals.

Benchmarking

The executive team is expected to establish an appropriate comparator group for purposes of setting the future compensation of the NEOs.

Compensation of Executives

The compensation of the NEOs will include three major elements: (a) base salaries; (b) equity-based compensation; and (c) cash bonuses.

- **Base Salaries** – Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries will be determined on an individual basis, taking into consideration the past, current and potential contribution to the Resulting Issuer's success, the position and responsibilities of the NEOs and competitive industry pay practices for other high growth, premium brand companies of similar size and revenue growth potential.
- **Equity-Based Compensation** – In connection with the RTO, Pubco Shareholders approved the *2019 Incentive Plan* at the Pubco Meeting. For further details in respect of the *2019 Incentive Plan*, refer to *Section 9.2 Resulting Issuer Equity Incentive Plan*.
- **Cash Bonuses** – Annual bonuses will be awarded based on qualitative and quantitative performance standards and will reward performance of each NEO individually. The determination of an NEO's performance may vary from year to year depending on economic conditions and conditions in the cannabis industry and may be based on

measures such as stock price performance, the meeting of financial targets against budget (such as revenues), the meeting of acquisition objectives and balance sheet performance.

Pension and Other Benefit Plans

The Resulting Issuer does not intend to implement a pension plan, defined benefit plan, defined contribution plan or deferred compensation plan that provides for payments or benefits to Named Executive Officers at, following, or in connection with retirement.

Summary of Executive Compensation

The following table sets forth the anticipated compensation to be paid or awarded to the Named Executive Officers of the Resulting Issuer:

Table of Compensation							
Name & Position	Year	Salary (US\$)	Bonus (US\$)⁽¹⁾⁽²⁾	Equity-based Compensation⁽³⁾	Committee or Meeting Fees (US\$)	All Other Compensation (US\$)	Total Compensation (US\$)
Robert Weakley <i>CEO and Director</i>	2019	375,000	Nil	Nil	N/A	Nil	375,000
Mark Ainsworth <i>EVP Co-founder and Director</i>	2019	250,000	Nil	Nil	N/A	Nil	250,000
Tina Maloney <i>CFO, Director and Corporate Secretary</i>	2019	200,000	Nil	Nil	N/A	Nil	200,000

Notes:

⁽¹⁾ The total amount of all bonuses to be paid or payable in or with respect to fiscal 2018 has yet to be determined.

⁽²⁾ Upon the closing of the RTO, the Board will award bonuses up to US\$300,000 in the aggregate to Mr. Weakley, Mr. Ainsworth, and Ms. Maloney.

⁽³⁾ In connection with the RTO, the Board will grant up to 500,000 RSUs in the aggregate to Mr. Weakley, Mr. Ainsworth, and Ms. Maloney, vesting 50% per year. The Company may, in its sole discretion, accelerate the vesting of such RSUs. Any additional Options, RSUs, Stock Awards or share-based compensation to be granted to the NEOs in respect of fiscal 2019 has yet to be determined by the Compensation Committee and the Board.

Employment, Termination and Change of Control Benefit

Indus Holding Company is party to employment agreements with the NEOs pursuant to which such NEO would be entitled to a termination or change of control benefit.

The NEO's employment contracts provide for the payment of severance in the event of termination without Cause or upon change of control in the following manner: salary continuation for twenty-four (24) months at the NEO's annual salary rate at the time of termination and an amount equal to any target bonus for the fiscal year that the Executive would have received had the Executive remained employed with the Corporation pro-rated for the number of weeks the Executive was employed in the year, payable at the same time as executive bonuses are paid generally under the applicable Company bonus plan. Post-termination, the NEO will continue to receive health insurance coverage for a period of twenty-four (24) months.

Summary Compensation for Directors

It is anticipated that the Resulting Issuer will pay compensation to its directors in the form of annual fees for attending meetings of the Resulting Issuer Board. Directors may receive additional compensation for acting as chairs of committees of the Resulting Issuer Board. Directors will also be entitled to receive stock options and other applicable awards and will be reimbursed for any out-of-pocket travel expenses incurred in order to attend meetings of the Resulting Issuer Board, committees of the Resulting Issuer Board or meetings of the shareholders of the Resulting Issuer. It is also anticipated that the Resulting Issuer will obtain customary insurance for the benefit of its directors and enter into indemnification agreements with its directors pursuant to which the Resulting Issuer will agree to indemnify its directors to the extent permitted by applicable law.

Equity Compensation

The Resulting Issuer Board intends to, in connection with the closing of the RTO, grant up to 500,000 RSUs in the aggregate, to Ms. Harkness, Mr. Anton, Mr. Maxwell, and Mr. Tramiel, on the terms set out in the *2019 Incentive Plan*, with one-half of the RSUs vesting on the date that is one year following the closing date of the RTO and one-half of the RSUs vesting on the second annual anniversary date following the closing of the RTO. The Resulting Issuer may, in its sole discretion, accelerate the vesting of such RSUs.

16. Indebtedness of Directors and Executive Officers

No director, executive officer or senior officer the Resulting Issuer, or any associates of such persons, is currently, or was at any time during the most recently completed financial year indebted to the Resulting Issuer or any of its subsidiaries, or is indebted to another entity where the debt is, or at any time since the most recently completed financial year was, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Resulting Issuer or any of its subsidiaries.

17. Risk Factors

17.1 Risk Factors relating the Resulting Issuer

The following are certain factors relating to the business of the Resulting Issuer¹², which factors investors should carefully consider when making an investment decision concerning the securities of the Resulting Issuer or any entity related to the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not presently known to Indus or not otherwise presently identified by Indus or currently deemed immaterial by Indus Holding, may also impair the operations of the Resulting Issuer. If any such risks actually occur, security holders of the Resulting Issuer or any such related entity could lose all or part of their investment and the business, financial condition, liquidity, cash flows, results of operations and prospects of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

¹² NTD: The Resulting Issuer refers to the Resulting Issuer and its consolidated subsidiaries, including Indus.

RISKS RELATED TO THE RESULTING ISSUER'S BUSINESS AND CANNABIS INDUSTRY

Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act

The Resulting Issuer will be directly engaged in the medical and adult-use cannabis industry in the U.S. where local and state laws permit such activities. Thirty-one states the District of Columbia, Puerto Rico, and Guam have legalized medical cannabis in some form. Nine of those states, including California, have legalized cannabis for adult use. Fifteen additional states have legalized high-cannabidiol ("CBD"), low THC oils for a limited class of patients. Only four states continue to prohibit cannabis entirely. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the Federal Controlled Substances Act and as such, the cultivation, distribution, sale and possession of cannabis violates federal law in the U.S.

Enforcement of U.S. federal law and any other relevant law is a significant risk and an investor's contribution to and involvement in such activities may result in U.S. federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since 2014, the United States Congress has passed appropriations bills that have included an amendment (referred to as the Rohrabacher-Farr Amendment, the Rohrabacher-Blumenauer Amendment and the Joyce Amendment), which by its terms does not appropriate any federal funds to the United States Department of Justice for the prosecution of medical cannabis offenses of individuals who or businesses which are in compliance with state medical cannabis laws. For now, the Rohrabacher-Blumenauer Amendment is the only statutory restraint on enforcement of federal cannabis laws. Courts in the U.S. have construed these appropriations bills to prevent the federal government from prosecuting individuals or businesses when those individuals or businesses operate in strict compliance with state and local medical cannabis regulations; however, this legislation only covers medical cannabis, not adult-use cannabis, and expires concurrently with each annual budget or continuing resolution relating thereto, unless extended or renewed. On May 17, 2018, the House Appropriations Committee approved inclusion of the Amendment in its appropriations bill for fiscal year 2019, followed by the Senate Appropriations Committee on June 12, 2018. The Amendment was then renewed through December 7, 2018 as part of a short-term spending bill signed on September 28, 2018. Because this conduct continues to violate federal law, U.S. courts have observed that should the U.S. Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law and if the U.S. Congress restores such funding, the U.S. federal government will have the authority to prosecute individuals and businesses for violations of the law while it lacked funding, to the extent of the Controlled Substances Act's five-year statute of limitations applicable to non-capital Controlled Substances Act violations. The Resulting Issuer may be irreparably harmed by any change in enforcement policies by the federal or applicable state governments.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Resulting Issuer, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licences in California, the listing of its securities on any stock exchange, its financial position, operating results, profitability or liquidity or the market price of its shares. In addition, it will be difficult for the Resulting Issuer to estimate

the time or resources that would be needed in connection with the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Approach to the Enforcement of Cannabis Laws may be Subject to Change

As a result of the conflicting views between states and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in a 2013 memorandum issued by James Cole (the “**Cole Memorandum**”), the deputy U.S. Attorney General, acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states had enacted laws relating to cannabis for medical purposes and that resources should not be directed for federal enforcement activity, including civil enforcement and criminal investigations and prosecutions, related to cannabis activities that were compliant with robust state regulatory systems are not priorities for federal enforcement. In March 2017, the then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and on January 4, 2018, Attorney General Sessions issued the Sessions Memorandum, which rescinded the Cole Memorandum on the basis that the direction provided therein was unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9-27-000 of the United States Attorneys’ Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community. Due to the ambiguity of the Sessions Memorandum, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

The effect of the rescission of the Cole Memorandum remains to be seen. Upon the release of the Sessions Memorandum, while some U.S. Attorneys expressed support for such rescission, numerous government officials, legislators and federal prosecutors in states with medical and recreational cannabis statutes announced their intention to continue the Cole Memorandum-era status quo despite the Sessions Memorandum. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear, and the enforcement of relevant federal laws is a significant risk. Potential federal prosecutions could involve significant restrictions being imposed upon the Resulting Issuer or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Resulting Issuer’s business, revenues, operating results and financial condition, as well as the Resulting Issuer’s reputation and prospects, even if such proceedings were concluded successfully in favour of the Resulting Issuer. Such proceedings could involve the prosecution of key executives of the Resulting Issuer or the seizure of corporate assets.

Federal and State Forfeiture Laws

As an entity that conducts business in the cannabis industry, the Resulting Issuer will be potentially subject to U. S. federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with cannabis related businesses but

believes criminal liability is too difficult to prosecute. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Shareholders of the Resulting Issuer located in jurisdictions where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Prospective securityholders of the Resulting Issuer or any entity related thereto should be aware of these potentially relevant federal and state laws in considering whether to invest in the Resulting Issuer or any entity related thereto.

Anti-Money Laundering Laws and Regulations

The Resulting Issuer will be subject to a variety of laws and regulations in Canada and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the U.S. Anti-Money Laundering Laws, 18 U.S.C. §§ 1956, 1957, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations promulgated thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada.

Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. While Indus has maintained bank accounts, the loss of such accounts and the potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented to cannabis companies, and which could conceivably impact the Resulting Issuer, by the unavailability of traditional banking and financial services. In the event that any of the Resulting Issuer's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of a crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the Resulting Issuer's ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Heightened Scrutiny by Regulatory Authorities

The Resulting Issuer's business activities will rely on newly established and/or developing laws and regulations in multiple jurisdictions, including California. These laws and regulations are rapidly evolving and subject to change, sometimes with minimal notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The Resulting Issuer's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and/or the United States. As a result, the Resulting Issuer may be subject to significant direct and indirect interaction with public officials. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be

proposed, or whether any proposals will become law or otherwise be adopted, and there can be no assurance that heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Resulting Issuer's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

The Resulting Issuer's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement with regard to these reports. On February 8, 2018, CDS signed the CDS Memorandum of Understanding ("MOU") with the Exchanges. The CDS MOU outlines CDS' and the exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with cannabis -related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Resulting Issuer, it would have a material adverse effect on the ability of the Resulting Issuer's or its affiliates', as applicable, shareholders to effect trades of shares through the facilities of a stock exchange, as a result of which such shares would become highly illiquid.

Risks Associated with Travelling Across Borders

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time and lifetime bans have been granted.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Directors, officers or employees of the Resulting Issuer traveling from Canada to the United States for the benefit of the Resulting Issuer may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Resulting Issuer directors, officers or employees, then this may reduce the Resulting Issuer's ability to manage its business effectively in the United States.

Risk of Regulatory or Political Change

The success of the Resulting Issuer's business strategy depends on the legality of the cannabis industry in the states in which the Resulting Issuer will operate, and the lack of U.S. federal enforcement of its laws that make cannabis businesses illegal. The political environment surrounding the cannabis industry in general can be volatile and the statutory and regulatory framework remains in flux. Despite widespread state legalization, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Resulting Issuer's business, results of operations, financial condition or prospects.

Delays in enactment of or changes in new state regulations, or changes in federal laws or enforcement priorities, could restrict the Resulting Issuer's ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Resulting Issuer will be reliant upon state regulations being implemented to facilitate the operation of medical and adult-use cannabis in California. If such regulations are not timely implemented, or are subsequently repealed or amended, or contain prolonged or problematic phase-in or transition periods or provisions, the Resulting Issuer's ability to achieve its growth targets, and thus, the return on investor capital, could be adversely affected. the Resulting Issuer is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Resulting Issuer's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict cannabis businesses in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry, including the Resulting Issuer. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Resulting Issuer and its business, results of operations, financial condition and prospects.

The medical and adult-use cannabis industries are in their infancy and the Resulting Issuer anticipates that the current California regulations will be subject to change as California's regulation of the cannabis industry matures. The Resulting Issuer's compliance program will emphasize security and inventory control to ensure strict monitoring of cannabis and other inventory from cultivation to sale or disposal. Additionally, Indus Holding has created standard operating procedures that include descriptions and instructions for monitoring inventory at all stages of cultivation, processing, manufacturing, distribution, transportation and delivery. The Resulting Issuer will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to applicable regulation.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at each of the local, state and federal level. The inability of the Resulting Issuer to respond to the changing regulatory landscape may cause it to be unsuccessful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Resulting Issuer's Management Team or Other Owners Could Be Disqualified From Ownership in the Resulting Issuer

The Resulting Issuer's business is in a highly regulated industry in which many states have enacted extensive rules for ownership of a participant company. The Resulting Issuer's owners (which could include the investors in the Resulting Issuer) could become disqualified from having an ownership stake in the Resulting Issuer under relevant laws and regulations of applicable state and/or local regulators, if the applicable owner is convicted of a certain type of felony or fails to meet the requirements for owning equity in a company like the Resulting Issuer.

Public Opinion and Perception

Government policy changes or public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. The Resulting Issuer believes the medical and adult-use cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of such cannabis.

Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varied from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, or could result in adverse regulatory changes in California, thereby limiting the Resulting Issuer's growth prospects and number of new state jurisdictions into which the Resulting Issuer could expand. Any inability to fully implement the Resulting Issuer's expansion strategy may have a material adverse effect on its business, results of operations or prospects.

General Regulatory Risks; Risks Related to Licensure

The Resulting Issuer's business will be subject to a variety of laws, regulations and guidelines relating to the cultivation, manufacture, management, transportation, extraction, storage and disposal of cannabis, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Resulting Issuer's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

Changes to such laws, regulations and guidelines due to matters beyond the control of the Resulting Issuer may cause adverse effects to the Resulting Issuer. The Resulting Issuer will be required to obtain or renew government permits and licences for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process involving numerous regulatory agencies, involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licences will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licences that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing

process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from proceeding with its ongoing operations or planned renovation, development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

California state licences, and some local licences, are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the Bureau for Cannabis Control (for state licences) or the applicable local regulatory body (for local licences). While renewals are annual, there is no ultimate expiry after which no renewals are permitted. Additionally, with respect to the renewal process, provided that the requisite renewal fees are paid, the renewal application is submitted in a timely manner and there are no material violations noted against the applicable licence, the Resulting Issuer would expect to receive the applicable renewed licence in the ordinary course of business.

Under the California Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA"), after January 1, 2018, only licence holders are permitted to engage in commercial cannabis activities. A prerequisite to obtaining a California State licence is obtaining a valid licence, permit or authorization from a local municipality. The process associated with acquiring a permanent state licence is onerous and there are no assurances that the Resulting Issuer, or any subsidiary or entity to which the Resulting Issuer will provide or intends to provide services, will be granted any licences or any renewals thereof. Because there are different licences for different types of commercial cannabis activities, even if the Resulting Issuer, any subsidiary and/or any such entity to which the Resulting Issuer will provide services or intends to provide services is granted one or more licences, there are no assurances that they will be granted all of the licences they will need to effectuate the Resulting Issuer's business plan. Further, as part of the permitting and licensing process in California, state and local officials may conduct both random and scheduled inspections of cannabis operations. The Resulting Issuer will be required to comply with both state laws and regulations and applicable local ordinances and codes. Compliance with both state and local laws may be burdensome and failure to do so could result in the loss of licences, civil penalties and possibly criminal prosecution.

While the compliance controls of Indus have been developed to mitigate the risk of any material violations of any licence it holds arising, there is no assurance that the Resulting Issuer's licences will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licences to be held by the Resulting Issuer could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Resulting Issuer's reputation, require the Resulting Issuer to take, or refrain from taking, actions that could harm its operations or require the Resulting Issuer to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Resulting Issuer's business, financial condition, results of operations or prospects.

California Regulatory Non-Compliance

The implementation of MAUCRSA and its many regulations resulted in substantial changes to the California cannabis law. On December 31, 2017, the prior cannabis regulatory regime was in effect, and on January 1, 2018, the new regulatory regime became effective. Many of the specifics of the new regulations were not finalized until December 7, 2017, when regulations were promulgated on an emergency basis by the applicable California regulatory bodies. In early 2018, Indus Holding had not fully implemented its MAUCRSA compliance programs and the Resulting Issuer, as successor to Indus, could be determined by governmental authorities to have violated certain California regulations relating to cannabis operations. Neither Indus Holding nor the Resulting Issuer has received any citation or notice of violation and is unable to assess what impact, if any, this may have on the Resulting Issuer's business activities or operations. There is no assurance that the consequences of any such violation or violations would not result in fines or penalties or result in suspension or termination of existing or future licences, any of which may have a material adverse effect on the Resulting Issuer's business, results of operations or financial condition and prospects. California's permanent regulations are still not final, with further proposed changes released in October 2018. Changes to such regulations and guidelines due to matters beyond the control of the Resulting Issuer may cause adverse effects to the Resulting Issuer.

Re-classification of Cannabis in the United States

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, if cannabis is re-categorized as a Schedule II or other controlled substance, and the resulting re-classification would result in the requirement for U.S. Federal Drug Administration ("U.S. FDA") approval if medical claims are made for the Resulting Issuer's products such as medical cannabis, then as a result, such products may be subject to a significant degree of regulation by the U.S. FDA and Drug Enforcement Agency (the "DEA"). In that case, the Resulting Issuer may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the cultivation, manufacturing or distribution of the Resulting Issuer's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the U.S. FDA, DEA, or any other regulatory authority determines that the Resulting Issuer's products may have potential for abuse, it may require the Resulting Issuer to generate more clinical or other data than the Resulting Issuer currently anticipates in order to establish whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

Service Providers

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Resulting Issuer could suspend or withdraw their services, which may have a material adverse effect on the Resulting Issuer's business, revenues, operating results, financial condition or prospects.

Enforceability of Contracts

Due to the nature of the Resulting Issuer's business and the fact that its contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Resulting Issuer may face difficulties in enforcing its contracts in federal and certain state courts. The inability to enforce any of the Resulting Issuer's contracts could have a material adverse effect on the Resulting Issuer's business, operating results, financial condition or prospects. California enacted a law that provides that notwithstanding any other law, commercial activity relating to medicinal cannabis or adult-use cannabis conducted in compliance with California law and any applicable local standards, requirements, and regulations shall be deemed to be all of the following: (1) a lawful object of a contract, (2) not contrary to, an express provision of law, any policy of express law, or good morals, and (3) not against public policy.

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If Indus were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Resulting Issuer's United States operations, which would have a material adverse effect.

Environmental Risk and Regulation

The Resulting Issuer's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Resulting Issuer's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Resulting Issuer may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

RISKS RELATED TO THE RESULTING ISSUER

Founder Voting Control

As a result of the Super Voting Shares, Robert Weakley will exercise approximately 85% of the voting power in respect of the Resulting Issuer's outstanding shares. The holders of the Subordinate Voting Shares are entitled to one vote per share and the holders of the Super Voting Shares are entitled to 1,000 votes per share. As a result, Mr. Weakley is expected to have the ability to control the outcome of all matters submitted to the Resulting Issuer's

shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Resulting Issuer. See Section 10.1 above.

The concentrated control through the Super Voting Shares could delay, defer, or prevent a change of control of the Resulting Issuer, arrangement involving the Resulting Issuer or sale of all or substantially all of the assets of the Resulting Issuer that its other shareholders support. Conversely, this concentrated control could allow Mr. Weakley to consummate such a transaction that the Resulting Issuer's other shareholders do not support. In addition, Mr. Weakley may make long-term strategic investment decisions and take risks that may not be successful and may harm the Resulting Issuer's business.

Mr. Weakley may exercise his voting control in his own interests, which may not always be in the interests of the Resulting Issuer or the other shareholders of the Resulting Issuer.

Limited Operating History

The Resulting Issuer will only have limited operating results to date. Indus has incurred operating losses from inception, as it created an infrastructure to capitalize on the opportunity for value creation that is emerging from the relaxing of state and local prohibitions on the cannabis industry in California. The Resulting Issuer's lack of extensive operating history makes it difficult for prospective shareholders to evaluate the Resulting Issuer's prospects for success. There is no assurance that the Resulting Issuer will be successful, and the likelihood of success must be considered in light of its relatively early stage of operations.

Reliance on Management

The Resulting Issuer's future success will depend substantially on the continued services of its and its subsidiaries' executive officers, its key cultivation, manufacturing, distribution and delivery personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Resulting Issuer might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Resulting Issuer may lose know-how, key professionals and staff members. Particularly as non-competition restrictions are generally not available to California employers, these executive officers and key employees could leave their employment with and compete with the Resulting Issuer, including by taking customers away. Any loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Resulting Issuer's business, operating results, financial condition or prospects, and the Resulting Issuer may be unable to find adequate replacements on a timely basis, or at all.

Additional Financing

The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance and that its continued development will require additional financing. The Resulting Issuer intends to fund its future business expansion, such as undertaking capital expenditures, renovations or business combination transactions, through additional equity and/or debt financing as well as through anticipated positive cash flow from operations. The failure to raise or procure such additional funds or the failure to generate such positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable or favorable to the Resulting Issuer.

The Resulting Issuer's inability to raise financing to fund expansion, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Resulting Issuer's business, results of operations, financial condition or prospects. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of existing shareholders. Any debt financing obtained in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Profitability of the Resulting Issuer

The Resulting Issuer may experience difficulties in its development process, such as capacity constraints, quality control or other disruptions, which would make it more difficult to generate profits. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale or improvements in cultivation or manufacturing processes and design could have a material adverse effect on the Resulting Issuer's business, prospects, results of operations and financial condition.

Competition

The Resulting Issuer will face intense competition from other companies, some of which have longer operating histories and more financial resources and experience than the Resulting Issuer. Currently, the U.S. cannabis industry is largely comprised of small to medium-sized entities; however, the risk remains that large companies who recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger cultivation, manufacturing or other facilities. Increased competition by larger and better financed competitors could materially adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer and the Resulting Issuer cannot provide assurances that it will be able to compete successfully against current and future competitors.

Because of the early stage of the industry in which the Resulting Issuer will operate, the Resulting Issuer expects to face additional competition from new entrants. To remain competitive, the Resulting Issuer expects to require continuous research and development, marketing, sales and support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

Despite state-level legalization of cannabis in the United States, illicit or "black-market" operations remain abundant and present substantial competition to the Resulting Issuer. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Resulting Issuer will have to comply with in order to conduct business, and accordingly may have significantly lower costs of operation.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer becoming more financially leveraged; (iv) that the anticipated benefits and cost savings of those transactions may not be realized fully or at all or

may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and (vi) loss or reduction of control over certain of the Resulting Issuer's assets. In addition, any proposed acquisitions may be subject to regulatory approval.

A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations. If the Resulting Issuer encounters additional transaction and integration related costs or other factors that result in the Resulting Issuer failing to realize all of the benefits from an acquisition, this could cause dilution to the Resulting Issuer's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the shares of the Resulting Issuer or its affiliates, as applicable.

While the Resulting Issuer intends to conduct reasonable due diligence in connection with any strategic acquisitions, there are risks inherent in any acquisition. The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition, including unknown or undisclosed risks or liabilities of such companies for which the Resulting Issuer is not sufficiently indemnified, could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer.

Risks Inherent in an Agricultural Business

Adult-use and medical cannabis are agricultural products. There are risks inherent in the agricultural business, such as insects, plant diseases, fires, inadequate water supply and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of the Resulting Issuer's products.

Vulnerability to Rising Energy Costs

Adult-use and medical cannabis growing operations consume considerable amounts of energy, making the Resulting Issuer potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Resulting Issuer.

Product Liability

Selling products for human consumption involves inherent legal and other risks, including product contamination, spoilage, product tampering, allergens, pesticides, microbial agents or other adulteration. As a cultivator, manufacturer and distributor of products designed to be ingested by humans, the Resulting Issuer will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis may impose a risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. As a manufacturer and distributor of adult-use and medical cannabis, or in its role as a service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical cannabis, the Resulting Issuer may be subject to various product liability claims, including, among others, that the cannabis product caused injury or illness included inadequate instructions for use or inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its customers and consumers

generally, and could have a material adverse effect on the business, results of operations, financial condition, profitability or prospects of the Resulting Issuer. Moreover, even if a product liability or consumer fraud claim is unsuccessful, has no merit or is not pursued, the negative publicity surrounding assertions against the Resulting Issuer's products or processes and legal costs could materially and adversely affect the Resulting Issuer's product sales, financial condition and operating results.

There can be no assurances that the Resulting Issuer will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Resulting Issuer will have procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of the Resulting Issuer's brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses and possibly resulting in a loss or suspension of necessary licences.

Results of Future Clinical Research

Research in Canada and the U.S. and internationally as it pertains to the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and Tetrahydrocannabinol ("THC")) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC).

Although the Resulting Issuer believes that articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective investors should not place undue reliance on such articles and reports. Although the Resulting Issuer does not make any product claims regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, some of the products the Resulting Issuer will distribute from other manufacturers may have labels affixed with some or all of these claims. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Resulting

Issuer's products with the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The cannabis business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Resulting Issuer. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Resulting Issuer might be unable to find a replacement for such source in a timely manner or at all.

Dependence on Suppliers and Skilled Labour

The ability of the Resulting Issuer to cultivate, manufacture and process cannabis products on a competitive basis will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of any major equipment contemplated by the Resulting Issuer's capital expenditure plans may be significantly greater than anticipated by the Resulting Issuer's management and may be greater than funds available to the Resulting Issuer, in which circumstance the Resulting Issuer may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Resulting Issuer.

Management of Growth

The Resulting Issuer may in the future experience rapid growth and development in a relatively short time and become subject to growth-related risks including capacity constraints, pressure on its internal systems and controls, the ability to attract and retain qualified management personnel and the training of new personnel. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base and management personnel. The Resulting Issuer intends to utilize outsourced resources, and hire additional personnel, in order to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the price of its shares.

Forecasting Risks

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the the Resulting Issuer.

Reliable Data on the Medical and Adult-Use Marijuana Industry is not Available

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Resulting Issuer of estimated sales, demographics, demand, and similar consumer research, are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Resulting Issuer's management team.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business, or otherwise named as a defendant in a lawsuit or regulatory action, either of which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for its or its affiliates, as applicable, shares. Even if the Resulting Issuer is involved in litigation and prevailed, litigation can redirect significant company resources. Further, the Resulting Issuer may incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims.

Intellectual Property Risks

The Resulting Issuer may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes and know-how. The Resulting Issuer will rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and certain key suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and the Resulting Issuer may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Resulting Issuer's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

Moreover, the Resulting Issuer may be unable to adequately protect its proprietary and intellectual property rights. The Resulting Issuer's ability to compete may depend on the superiority, uniqueness and value of its intellectual property and technology and any intellectual property and technology it may develop. To the extent the Resulting Issuer is able to do so, in order to protect any proprietary rights of the Resulting Issuer, the Resulting Issuer intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of the Resulting Issuer's intellectual property:

- a. The market for the Resulting Issuer's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;
- b. Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for any products;
- c. The Resulting Issuer's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- d. Issued patents, trademarks and registered copyrights may not provide the Resulting Issuer with any competitive advantages;
- e. The Resulting Issuer's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- f. The Resulting Issuer's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Resulting Issuer develops; or
- g. Another party may obtain a blocking patent and the Resulting Issuer would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the Controlled Substances Act, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Resulting Issuer. As a result, the Resulting Issuer's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Resulting Issuer can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Further, the Resulting Issuer may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Resulting Issuer's business. The existence and/or outcome of any such litigation could harm the Resulting Issuer's business. Further, because the content of much of the Resulting Issuer's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Resulting Issuer may face additional difficulties in defending its intellectual property rights.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry has begun to enter the cannabis industry, including, through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could substantially change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Resulting Issuer to secure long-term profitability and success through the sustainable and profitable operation of its business.

Constraints on Marketing Products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on packaging, labeling, marketing and sales activities imposed by government regulatory bodies, including the State of California and local California municipalities in which the Resulting Issuer will operate. The regulatory environment in the United States limits companies' abilities to compete for market share in a manner similar to other industries. Further, each of MAUCRSA and the Manufacturing Regulations impose strict packaging and labeling restrictions, including preventing such labels from being attractive to children. In addition, all cannabis and cannabis product labels and inserts must include extensive government warnings, instructions for use and various other information related to the product's production. If the Resulting Issuer is unable to effectively market its products or compete for market share, comply with all applicable labeling and packaging requirements or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Resulting Issuer's sales and results of operations could be adversely affected.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Resulting Issuer will be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Resulting Issuer that violates: (i) government regulations; (ii) manufacturing standards; (iii) state cannabis laws and regulations; or (iv) applicable laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for the Resulting Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Resulting Issuer's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Resulting Issuer's operations will depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Resulting Issuer's operations also will depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, and especially if it affected the Resulting Issuer's connectivity to and the functionality of its track and trace software, adversely impact the Resulting Issuer's reputation and results of operations.

Security Breaches

Given the nature of the Resulting Issuer's products, as well as the concentration of inventory in its facilities, despite meeting or exceeding all regulatory security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Resulting Issuer's facilities could expose the Resulting Issuer to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and the possible loss or suspension of its licences.

Federal Tax Risks

Section 280E of the U. S. Internal Revenue Code, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the Controlled Substances Act). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are licensed under applicable state laws. Although the IRS issued a clarification allowing the deduction of cost of goods sold, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

Further, each person engaged in a trade or business who, in the course of that trade or business, receives more than \$10,000 in cash in one transaction or in two or more related transactions, is required to file Form 8300 with the Internal Revenue Service (the "IRS"). The Resulting Issuer could be determined by the IRS to have violated such requirement to file Form 8300 in connection with certain cash transactions that exceeded \$10,000. Each of Indus Holding and the Resulting Issuer has not received any citation or notice of violation and is unable to assess what impact, if any, this may have on its business activities or operations. There is no assurance that the consequences of any such violation or violations would not result in fines or penalties or result in suspension or termination of existing or future licences, any of which may have a material adverse effect on the Resulting Issuer's business, results of operations or financial condition.

The IRS and/or similar state government bodies may not accept the tax structure or tax positions taken by the Resulting Issuer. If the Resulting Issuer's tax structure and/or tax positions are challenged or invalidated, any tax advantages contemplated by the Resulting Issuer with respect to the Resulting Issuer's anticipated future profits or otherwise, may not be available, and this may result in adverse tax consequences to the Resulting Issuer and investors. Based on anecdotal information, the Resulting Issuer believes that there is a greater likelihood that the IRS will audit cannabis-related businesses such as the Resulting Issuer. Any such audit could result in the Resulting Issuer paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

California Taxes

California law imposes an excise tax to be paid by the end-consumer and the dispensary; and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to any sales and use tax at the state and local level. The tax regime that is applicable to the Resulting Issuer's business will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Resulting Issuer's expected business plan a futile endeavor.

High Bonding and Insurance Coverage Costs

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying for example for a dispensary licence or renewal as a guarantee of payment of sales and franchise tax. Indus Holding is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Resulting Issuer's business.

The Resulting Issuer's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Resulting Issuer will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, including certain crop losses, its insurance will not cover all the potential risks associated with its operations and the amount of such insurance coverage it will maintain may not be adequate to cover all claims or liabilities, which may force the Resulting Issuer to bear substantial costs resulting from risks and uncertainties of its business. It may not be possible for the Resulting Issuer to obtain insurance to protect against all operational risks and liabilities. In particular, the Resulting Issuer may have difficulty obtaining insurance, or be forced to pay higher premiums, because it operates in the cannabis industry. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Resulting Issuer may not generally be available on acceptable terms. The Resulting Issuer might also become subject to liability for pollution or other hazards which may not be insured against or which the Resulting Issuer may elect not to insure against because of premium costs or other reasons. Further, the Resulting Issuer will not have any business interruption insurance. Any business disruption or natural disaster could result in substantial costs and diversion of resources. The failure to obtain or maintain adequate insurance coverage on terms favorable to the Resulting Issuer, or at all, could have a material adverse effect on the business, financial condition and results of operations of the Resulting Issuer and its subsidiaries.

Global Financial Conditions

From time to time, global financial conditions are characterized by extreme volatility. Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Resulting Issuer's ability to obtain equity or debt financing in the future on terms favourable to the Resulting Issuer or at all. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. In such an event, the Resulting Issuer's operations and financial condition could be adversely impacted. Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Resulting Issuer's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

RISKS RELATED TO THE OFFERING AND THE RESULTING ISSUER UPON COMPLETION OF THE REVERSE TAKEOVER TRANSACTION

Increased Costs as a result of being a Public Company

As a public issuer, the Resulting Issuer will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Resulting Issuer's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Resulting Issuer's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition. The Resulting Issuer will work with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Resulting Issuer's financial management control systems to manage its obligations as a public company. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. Indus Holding has made, and the Resulting Issuer will continue to make, changes in these and other areas, including the Resulting Issuer's internal controls over financial reporting. However, the Resulting Issuer cannot assure investors that these and other measures that the Resulting Issuer might take will be sufficient to allow the Resulting Issuer to satisfy its obligations as a public company on a timely basis.

Certain Remedies and Rights to Indemnification may be Limited

Pubco's governing documents provide that the liability of its board of directors and officers is eliminated to the fullest extent allowed under the laws of its jurisdiction of organization. Thus, Pubco and the shareholders of Pubco may be prevented from recovering damages for alleged errors or omissions made by the members of its board of directors and its officers. Pubco's governing documents also provide that Pubco will, to the fullest extent permitted by law, indemnify members of its board of directors and its officers for certain liabilities incurred by them by virtue of their acts on behalf of Pubco.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers

Some of the directors and officers of Pubco are expected to reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for investors to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for investors to effect service of process within Canada upon such persons.

Past Performance Not Indicative of Future Results

The prior operational performance of the Company is not indicative of the future operating results of the Company or the Resulting Issuer. There can be no assurance that the historical operating results achieved by the Company or its affiliates will be achieved by the Company or the Resulting Issuer, and the Resulting Issuer's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Resulting Issuer's financial estimates, projections and other forward-looking information were prepared by Indus without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur. Investors should inquire of the Resulting Issuer and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Resulting Issuer might achieve.

Market Price Volatility Risks

The market price of the Pubco shares may be subject to wide fluctuations in response to many factors, including variations in the operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Pubco shares.

Sales by Existing Shareholders

Sales of a substantial number of Pubco shares in the public market could occur at any time either by existing holders of Pubco shares or by holders of securities exchangeable into or redeemable for Pubco shares. These sales, or the market perception that the holders of a large number of Pubco shares or securities exchangeable into or redeemable for Pubco shares intend to sell Pubco shares, could reduce the market price of the Pubco shares. If this occurs and continues, it could impair Pubco's ability to raise additional capital through the sale of securities.

Dividends

Each of the Company and the Resulting Issuer has no earnings or dividend record, and does not anticipate that Pubco will pay any dividends on the Pubco shares in the foreseeable future. Dividends paid by Pubco would be subject to tax including, potentially, withholding tax.

Limited Market for Securities

It is proposed that the Pubco shares will be listed on the CSE. However, there can be no assurance that such listing will be obtained and even if obtained, that an active and liquid market for the Pubco shares will develop or be maintained and an investor may find it difficult to resell any securities of Pubco.

Use of Proceeds

The Resulting Issuer intends to use the net proceeds from the proposed Offering, including as disclosed herein and for general corporate and working capital purposes; however, the Resulting Issuer will maintain broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditure. Accordingly, an investor in the Offering will have to rely upon the judgment of management with respect to the use of the proceeds, with only limited information concerning management's specific intentions. Management may spend a portion or all of the net proceeds from the Offering in ways that investors might not desire, that might not yield a favourable return and that might not increase the value of a prospective investor's investment. The failure by management to apply these funds effectively could harm Indus' business. Pending use of such funds, the Resulting Issuer might invest the net proceeds from the Offering in a manner that does not produce income or that loses value.

Dilution and future sales of Pubco Shares

Pubco and its affiliates may issue additional Pubco shares and securities convertible into or redeemable for Pubco shares, including options, warrants or other rights, in the future, which may dilute a shareholder's holding in Pubco. The directors of Pubco will have the discretion to determine if an issuance of Pubco shares or securities convertible into Pubco shares is warranted, the price at which such issuance is effected and the other terms of issue of Pubco shares.

- 17.2 There are no risks that security holders of the Resulting Issuer may become liable to make an additional contribution beyond the price of the security.
- 17.3 There are no risk factors material to the Resulting Issuer that a reasonable investor would consider relevant to an investment in the securities being listed and that are not otherwise described under section 17.1 or 17.2.

18. Promoters

There are no promoters of the Resulting Issuer

19. Legal Proceedings and Regulatory Actions

19.1 Legal Proceedings

There are no legal proceedings material to the Resulting Issuer to which the Resulting Issuer or a subsidiary thereof is a party or of which any of their respective property is the subject matter, nor or any such proceedings known to the Resulting Issuer to be contemplated.

19.2 Regulatory Actions

The Resulting Issuer has not been subject to any penalties or sanctions imposed by any court relating to securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof, nor has the Resulting Issuer been subject to any other penalties or sanctions imposed by a court or regulatory body against it the disclosure of which would be necessary to provide full, true and plain disclosure of all material facts relating to the Resulting Issuer's securities, nor has the Resulting Issuer entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

20. Interest of Management and Others in Material Transactions

20.1 Description of Interest

Robert Weakley

Robert Weakley serves as the President, CEO, and Co-founder of Indus, and is proposed to serve as the President, CEO and a director of the Resulting Issuer. Pursuant to the RTO, it is anticipated that such number of Super Voting Shares of the Resulting Issuer will be issued to Mr. Weakley as will provide him with a number of votes that is equal to 85.0% of the total voting power of the Resulting Issuer immediately following the closing of the RTO. The Super Voting Shares are being issued in order to ensure that effective control of the Resulting Issuer will, subject to the redemption provisions applicable to the Super Voting Shares described herein, be given to Mr. Weakley, being a key person responsible for the success of Indus, for a sufficient period of time so as to not provide disincentives to capital raising by the Resulting Issuer. In addition, Mr. Weakley would not have considered the RTO and accompanying “going-public” transaction without the control safeguards provided by the Super Voting Shares. See Section 10.1 above.

Edible Management, LLC

Edible Management, LLC, a California limited liability company (“**Edible**”), is controlled by Robert Weakley.

Pursuant to the terms of the Brand Management and Sales Services Agreement between Edible and Indus dated May 1, 2015 (as may be amended from time to time, the “**Brand Management Agreement**”), Edible provides various management services to Indus, including, among other things, development and marketing of Indus’ brands, the development of standard operating procedures for the sale of Indus’ assets in Northern and Southern California, providing industry specific strategic marketing advice, providing quarterly reporting for each of Indus’ brands, providing sales, legal and human resources support services and coordinating efforts with licensees of Indus (the “**Brand Management Services**”). In exchange for the Brand Management Services, Indus will (i) reimburse Edible for its actual monthly payroll for the prior month, (ii) provided that Indus meets its ongoing obligations and sales goals, Indus will pay a monthly incentive commission payments to Edible equal to the monthly quota and commission schedule pre-approved by Indus, (iii) reimburse Edible for all out-of-pocket expenses and (iv) rent free office space. In addition, unless agreed to in writing, Edible will not directly or indirectly engage in any business competitive with Indus within a 100 mile range of Indus’ main operating site. The Brand Management Agreement may be terminated by either party within 90 days written notice to the other party.

Pursuant to the terms of the Association Management Services Agreement between Edible and Cypress, dated March 31, 2015 (as may be amended from time to time, the “**Association Management Agreement**”), Edible provides various management services to Cypress, including, among other things, managing Cypress’ day to day general business operations, acquiring all necessary equipment, supplies and intangible properties, supervising Cypress’ employees and independent contractors, maintaining Cypress’ income and payroll tax withholding and reporting, ensuring Cypress’ compliance with applicable law and additional business support services (the “**Association Management Services**”). In exchange for the Association Management Services, Cypress will (i) reimburse Edible for its actual monthly payroll for the prior month, (ii) provided that Cypress meets its ongoing obligations and sales goals, Cypress will pay a monthly incentive commission payments to Edible equal to 2% of

topline gross sales revenue, which is not to exceed USD\$ 2,000,000 on an annual basis, (iii) reimburse Edible for all out-of-pocket expenses and (iv) rent free office space. In addition, unless agreed to in writing, Edible will not directly or indirectly engage in any business competitive with Cypress within a 100 mile range of Indus' main operating site. The Association Management Agreement may be terminated by either party within 90 days written notice to the other party.

Amounts paid to Edible Management pursuant to the Brand Management Agreement and the Association Management Agreement, collectively, for 2017 were \$5.2 million and for the nine months ended September 30, 2018 and 2017 were \$4.05 million and \$3.76 million, respectively.

21. Auditors, Transfer Agents and Registrars

21.1 The name and address of the auditor of the Resulting Issuer are:

GreenGrowth CPAs
145 S. Fairfax Ave
Los Angeles CA 90036
USA

21.2 Odyssey Trust Company has been appointed as the registrar and transfer agent of the Resulting Issuer. The office of Odyssey Trust Company (where the securities register and register of transfers are maintained) is:

Odyssey Trust Company
350-300 5th Avenue SW
Calgary AB T2P 3C4

22. Material Contracts

22.1 Material contracts of the Resulting Issuer, other than contracts entered into in the ordinary course of business, that were entered into within the two years before the date of this Listing Statement are as follows.

(i) Zabala Lease Agreement

Indus, through its wholly-owned subsidiary Cypress Holding Company, LLC ("**Cypress**"), is a party to a lease agreement with TinHouse, LLC d/b/a/ Tinhouse Partners, LLC as landlord, and each of Indus and Edible Management, LLC as guarantor, dated April 1, 2017 and as amended September 26, 2017 and March 21, 2019 (the "**Zabala Lease**"). The Zabala Lease relates to real property located at 139 Zabala Road in Monterrey County, California which consists of approximately 445,311 square feet of land containing greenhouses of approximately 227,356 square feet and a warehouse/shop/office building of approximately 6,375 square feet. The property may be used for any lawful use so long as all marijuana commercial activity is conducted in compliance with applicable California state and local laws. The minimum monthly rent under the Zabala Lease is US\$142,965.45 per month. The security deposit under the Zabala Lease is US\$116,865.50.

Sufficient levels of security in compliance with all applicable laws must be provided for this property twenty-four (24) hours per day, 365 days per year during the term of the lease. The Zabala Lease terminates on December 31, 2034, subject to five options to extend for an

additional period of 5 years each, on the same terms and conditions, except for the adjustment of the minimum monthly rent.

To the extent that any adult-use marijuana commercial activity at the premises is deemed illegal at any time during the term of the lease, all such operations at the premises must be ceased immediately, and any continued unlawful use thereafter constitutes an immediate default and the landlord and its affiliates are indemnified in connection with such matters all as further described in the Zabala Lease.

As of the date of this Listing Statement, Cypress is currently in good standing under the Zabala Lease.

(ii) **Los Angeles Warehouse Lease Agreement**

Indus is a party to the Commercial Lease Agreement with Marks Love Durant Partnership as landlord, as amended December 3, 2018 (the "**Los Angeles Warehouse Lease**"). The Los Angeles Warehouse Lease relates to real properties located at 3316 S. Main St., ("**Building 3316**"), 3326 S. Main St. ("**Building 3326**") and 3328 S. Main St. ("**Building 3328**") in Los Angeles, CA 90007 which consists of three warehouses totalling approximately 70,257 square feet of warehouse space.

The Los Angeles Warehouse Lease will automatically terminate if Indus does not obtain licenses from the State of California to lawfully operate adult-use and medical cannabis distribution and manufacturing businesses, in which event all reserve payments will be forfeited and all rents previously tendered will be forfeited, any abatements granted will be voided and Indus will be obligated for the full amount of unabated rental value which accrues until the vacate date. In addition, Indus is required to make improvements to the premises valued at no less than US\$500,000.00 within one year after the delivery of the entire premises to Indus under the Los Angeles Warehouse Lease (which period may be extended by Indus by six months if it has exercised a good faith, reasonable and diligent effort to cause such improvements).

The full rent for this premises is comprised of (i) US\$56,673.20 per month for Building 3316; (ii) US\$22,708.30 per month for Building 3326; and (iii) US\$5,586.00 per month for Building 3328 (subject to increase by 3% annually after November 30, 2020) (collectively, the "**Full Rent**"). Until the amount of rent reaches US\$509,805.00 (the "**Los Angeles Warehouse Lease Abatement Period**"), the rent payable under the Los Angeles Warehouse Lease is 50% of the Full Rent, pro-rated for each warehouse that is delivered by the landlord. After the Los Angeles Warehouse Lease Abatement Period and until November 30, 2020, the rent payable will escalate to the Full Rent.

If Indus elects to extend the term of the Los Angeles Warehouse Lease, the rent payable thereunder is a fixed amount for the first year and increased annually thereafter by the greater of (1) 3% or (2) the increase in the U.S. Consumer Price Index. The security deposit under the Los Angeles Warehouse Lease is US\$509,805.00.

During the term of the Los Angeles Warehouse Lease, provided that Indus is not in default, Indus has a right of first refusal to purchase the premises in its entirety.

The Los Angeles Warehouse Lease is effective on December 1, 2018 and terminates on November 30, 2024 subject to two (2) options to extend the term for an additional period of 5 years each.

As of the date of this Listing Statement, Indus is currently in good standing under the Los Angeles Warehouse Lease.

- 22.2 Copies of each of the Zabala Lease and the Los Angeles Warehouse Lease are being submitted together with this Listing Statement

23 Interest of Experts

23.1 Interest of Experts

The consolidated financial statements of Indus for the years ended December 31, 2017 and December 31, 2016 have been audited by Green Growth CPAs, and their audit report dated February 1, 2019 is included in this listing statement. Green Growth CPAs are the independent auditors of Indus and are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario (registered name of The Institute of Chartered Accountants of Ontario).

No other person or company who is named as having prepared or certified a part of this Listing statement or prepared or certified a report or valuation described or included in this Listing Statement has, or will have immediately following completion of the RTO, any direct or indirect interest in the property of the Resulting Issuer or Indus.

24. Other Material Facts

24.1 No Other Material Facts

There are no other material facts about the Resulting Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer and its securities

25. Financial Statements

- 25.1 The following audited financial statements for the Resulting Issuer are attached to this Listing Statement:

- (a) copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the Resulting Issuer were subject to such law, being the consolidated financial statements as of and for the years ended December 31, 2017 and 2016, and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2017 and December 31, 2016; and
- (b) a copy of financial statements for any completed interim period of the current fiscal year, including the condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and 2017, and the management's discussion and analysis of financial condition and results of operations for the three and nine months ended September 30, 2018 and September 30, 2017.

25.2 The Company is not re-qualifying for listing following a fundamental change.

CERTIFICATE OF THE RESULTING ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Indus Holdings, Inc., hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Indus Holdings, Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Salinas, California, USA

this 23rd day of April, 2019.

“signed”

Chief Executive Officer

Robert Weakley

“signed”

Chief Financial Officer

Tina Maloney

“signed”

Director

Mark Ainsworth

“signed”

Director

Sam Tramiel

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to Indus Holding Company. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Salinas, California, USA

This 23rd day of April, 2019.

“signed”

Chief Executive Officer

Robert Weakley

“signed”

Chief Financial Officer

Tina Maloney

“signed”

Director

Mark Ainsworth

“signed”

Director

Sam Tramiel

SCHEDULE "A"
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

INDUS

HOLDING

GROUP OF COMPANIES

**CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR
THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(Expressed in United States Dollars)

INDUS HOLDING GROUP OF COMPANIES

To the Board of Directors of INDUS Holding Group of Companies:

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of INDUS Holding Group of Companies (collectively, “the Company” of “INDUS”), reviewed and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company’s financial condition and results of operations in conformity with International Financial Reporting Standards. Management has included in the Company’s consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the Company’s auditors, GreenGrowth CPAs, and their report is presented herein.

“signed”

Robert Weakley
Chief Executive Officer

“signed”

Tina Maloney
Chief Financial Officer

February 1, 2019

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Operations	3
Consolidated Statements of Changes in Stockholders' Equity (Deficit)	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Indus Holding Company
Salinas, California

We have audited the accompanying consolidated financial statements of Indus Holding Group of Companies (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2017 and December 31, 2016, and the consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Indus Holding Group of Companies as of December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

GreenGrowthCPAs

February 1, 2019
Los Angeles, California

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

(in thousands, except per share amounts, \$US)

		2017	2016
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 2,229	\$ 2,807
Accounts receivable—net of allowance for doubtful accounts of \$164.9 at December 31, 2017 and \$19.3 at December 31, 2016		1,448	416
Inventory	Note 3	3,305	825
Biological assets	Note 4	1,126	-
Prepaid expenses and other current assets		766	982
Total current assets		8,874	5,029
Property and equipment, net	Note 5	1,649	960
Other intangibles, net	Note 6	207	224
Other assets		857	-
Total assets		\$ 11,586	\$ 6,213
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		\$ 2,966	\$ 850
Accrued payroll and benefits		292	160
Current portion of long-term debt	Note 8	3,708	58
Other current liabilities		786	59
Total current liabilities		7,753	1,126
Long-term debt, net	Note 8	8,568	3,654
Other long-term liabilities		411	106
Total liabilities		16,732	4,886
STOCKHOLDERS' EQUITY			
Common stock, \$0.001 par value—35,000.0 shares authorized, 8,804.9 and 8,479.9 shares issued and outstanding at December 31, 2017 and 2016, respectively	Note 7	9	8
Series A preferred stock, \$0.001 par value—5,467.4 shares authorized, 5,467.4 issued and outstanding at December 31, 2017 and 2016, respectively	Note 7	5	5
Series A2 preferred stock, \$0.001 par value—2,359.0 shares authorized, 2,359.0 issued and outstanding at December 31, 2017 and 2016, respectively	Note 7	2	2
Additional paid-in capital		7,755	7,014
Accumulated deficit		(12,917)	(5,703)
Total stockholders' equity		(5,146)	1,327
Total liabilities and stockholders' equity		\$ 11,586	\$ 6,213

The consolidated financial statements were approved by the Board of Directors and were signed on its behalf by:

"Robert Weakley"
Robert Weakley, Chief Executive Officer

"Tina Maloney"
Tina Maloney, Chief Financial Officer

See accompanying notes to consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,
(in thousands, \$US)

		2017	2016
Net revenue		\$ 15,468	\$ 4,676
Cost of goods sold		13,640	3,904
Gross profit before biological asset adjustments		1,828	773
Net effect of change in fair value of biological assets	Note 4	(65)	-
Gross profit		1,893	773
Operating expenses			
General and administrative	Note 13	5,309	2,704
Sales and marketing		2,430	1,322
Depreciation and amortization	Note 5	64	40
Total operating expenses		7,803	4,066
Loss from operations		(5,911)	(3,294)
Other income/(expense)			
Other income/(expense)		(98)	26
Interest expense	Note 8	(1,184)	(172)
Total other income/(expense)		(1,282)	(146)
Loss before provision for income taxes		(7,193)	(3,439)
Provision for income taxes	Note 10	22	-
Net loss		\$ (7,215)	\$ (3,439)

See accompanying notes to consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, \$US)	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance—December 31, 2015	5,467	\$ 5	9,276	\$ 9	\$ 3,946	\$ (2,263)	\$ 1,697
Net loss						(3,439)	(3,439)
Repurchase and cancellation of common stock			(1,171)	(1)	(116)		(117)
Issuance of common stock			375	-			-
Issuance of Series A2 preferred stock - net of issuance cost of \$0	2,359	2			2,398		2,400
Issuance of warrants, net					786		786
Share-based compensation expense	-	-	-	-	-	-	-
Balance—December 31, 2016	7,826	\$ 7	8,480	8	\$ 7,014	(5,703)	\$ 1,327
Net loss						(7,215)	(7,215)
Issuance of common stock			325	-	650		650
Share-based compensation expense	-	-	-	-	92	-	92
Balance—December 31, 2017	7,826	\$ 7	8,805	\$ 9	\$ 7,755	\$ (12,917)	\$ (5,146)

See accompanying notes to consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,
(in thousands, \$US)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (7,215)	\$ (3,439)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	330	213
Amortization of debt issuance costs	385	64
Share-based compensation expense	92	-
Provision for doubtful accounts	146	19
Disposals of property and equipment	183	25
Warrants issued in exchange for services	-	16
Change in fair value of biological assets	65	
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(1,177)	(351)
Inventory	(2,545)	(217)
Biological assets	(1,126)	-
Prepaid expenses and other current assets	216	(722)
Other assets	(207)	(21)
Accounts payable and accrued expenses	3,130	426
Other long-term liabilities	306	94
Net cash used in operating activities	(7,418)	(3,893)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(982)	(117)
Net cash used in investing activities	(982)	(117)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(189)	(48)
Payments of notes payable		(200)
Proceeds from notes payable	4,050	
Proceeds from senior secured notes	250	4,250
Proceeds from convertible notes	3,712	
Proceeds from issuance of series A convertible preferred stock, net of issuance costs		2,400
Repurchase of common stock		(117)
Net cash provided by financing activities	7,823	6,285
Change in cash and cash equivalents	(578)	2,274
Cash and cash equivalents—beginning of year	2,807	533
Cash and cash equivalents—end of year	\$ 2,229	\$ 2,807
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 540	\$ 102
Cash paid during the year for income taxes	\$ 21	\$ -
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Property and equipment acquired via capital lease	\$ 202	\$ 187
Amortization of debt issuance costs	\$ 385	\$ 64
Issuance of common stock in exchange for investment in private entity	\$ 650	\$ -

See accompanying notes to consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

All amounts in these Notes are expressed in thousands of United States dollars (“\$” or “US\$”), unless otherwise indicated.

1. NATURE OF OPERATIONS

The consolidated financial statements of INDUS Holding Group of Companies (“INDUS” or the “Company”) consist of INDUS Holding Company and its wholly owned subsidiary, Cypress Holding Company, LLC (“Cypress Holding”), and its affiliated non-profit mutual benefit collective, Cypress Manufacturing Company, (“Cypress Manufacturing”).

INDUS Holding Company is engaged in owning intellectual property, including brands, and is associated with offering cannabis products to dispensaries in California.

Cypress Manufacturing is engaged in the cultivation, sourcing, processing, and distribution of high-quality cannabis products in California, and is organized as a mutual benefit, non-profit entity as required under California cannabis regulations. In January 2018, Cypress Manufacturing converted into a corporation, wholly owned by INDUS Holding Company.

Cypress Holding is engaged in the ownership and leasing of real and personal property to Cypress Manufacturing.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect for the years ended December 31, 2017 and December 31, 2016.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on February 1, 2018.

Basis of Measurement

These consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for biological assets and certain financial instruments, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Functional Currency

The Company and its subsidiary and affiliate’s functional currency, as determined by management, is the United States (“U.S.”) dollar. These consolidated financial statements are presented in U.S. dollars.

Classification of Expenses

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The expenses within the statements of operations are presented by function. Refer to Note 13 for details of expenses by nature.

Basis of Combination

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the subsidiary and affiliate are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary and affiliate:

- INDUS Holding Company, a Delaware corporation
- Cypress Holding Company, a Delaware limited liability company
- Cypress Manufacturing Company, a California mutual benefit non-profit company

Intercompany balances, and any unrealized gains and losses or income and expenses arising from transactions with the subsidiary and affiliate, are eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash deposits in financial institutions, and other deposits that are readily convertible into cash.

Accounts Receivable

Accounts receivables are classified as loans and receivable financial assets. Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost, less any provisions for impairment. When an accounts receivable is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the consolidated statements of operations.

Biological Assets

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. These costs are subsequently classified within Cost of Goods Sold on the consolidated statements of operations in the period in which the related product is sold. The unrealized fair value adjustments on growth of biological assets and the realized fair value amounts included in inventory sold are recorded in a separate line on the consolidated statements of operations.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs related to raw materials and finished goods are determined on the first-in, first-out basis. Specific identification and average cost methods are also used primarily

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

for certain packing materials and operating supplies. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory is written-down to net realizable value. As of December 31, 2017 and December 31, 2016, the Company determined that no reserve was necessary.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Category	Useful Life
Leasehold improvements	The lesser of 5 years or the remaining term of the lease
Office equipment	3 – 5 years
Furniture and fixtures	3 – 7 years
Vehicles	4 – 5 years
Machinery and equipment	3 – 6 years
Construction in progress	Not depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate. An item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the consolidated statements of operations in the year the asset is derecognized.

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values, and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively.

Branding rights are measured at fair value at the time of acquisition and are amortized on a straight-line basis over a period of 15 years.

Impairment of Long-lived Assets

Long-lived assets, including property, plant and equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no

impairment loss been recognized previously. As of December 31, 2017, and December 31, 2016, the Company did not recognize any impairment losses.

Leased Assets

A lease of property and equipment is classified as a capital lease if it transfers substantially all the risks and rewards incidental to ownership to the Company. A lease of property and equipment is classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

Income Taxes

The Company is a United States C corporation for income tax purposes. Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statements of operations. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Revenue Recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the years ended December 31, 2017, and December 31, 2016, amounts recorded as revenue are net of allowances, discounts and rebates of \$689.3 and \$183.0, respectively.

Research and Development

Research costs are expensed as incurred. For the years ended December 31, 2017 and December 31, 2016, research costs are immaterial.

Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete the development to use or sell the asset. To date, no development costs have been capitalized.

Share-Based Compensation

The Company has a share-based compensation plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest.

For shares granted to non-employees, the compensation expense is measured at the fair value of the goods and services received, except where the fair value cannot be estimated, in which case, it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized in the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions of the financial instrument.

Initial Measurement of Financial Assets and Financial Liabilities – Financial assets and liabilities are recognized at fair value upon initial recognition plus any directly attributable transaction costs when not subsequently measured at fair value through profit or loss ("FVTPL").

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 — Quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 — Inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 — Inputs for assets or liabilities that are not based upon observable market data

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Subsequent Measurement – Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, available for sale, and other financial liabilities.

Financial Assets

Loans – Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Impairment of Financial Assets – A financial asset not carried at FVTPL is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or, in the case of amounts receivable, are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial Liabilities

All financial liabilities (including liabilities designated at FVTPL) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in the consolidated statements of operations.

Classification – The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial Instrument	Classification	Fair value Hierarchy
Cash and Cash Equivalents	Amortized Cost	N/A
Deposits	Amortized Cost	N/A
Accounts Payable and Accrued Liabilities	Amortized Cost	N/A
Investments in Private Entities	FVTPL	Level 3
Promissory Notes Receivable	Amortized Cost	N/A
Convertible Notes Payable	Amortized Cost	N/A
Loans Payable	Amortized Cost	N/A

Significant Accounting, Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

- **Estimated Useful Lives and Depreciation of Property and Equipment** – Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- **Estimated Useful Lives and Amortization of Intangible Assets** – Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.
- **Fair Value of Biological Assets and Inventory** – In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.
- **Fair Value of Investments in Private Entities** – The Company uses discounted cash flow model to determine fair value of its investment in private entities. In estimating fair value, management is required to make certain assumptions and estimates such as discount rate, long term growth rate, estimated free cash flows.
- **Share-Based Compensation** – The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and warrants granted. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.
- **Deferred Tax Asset and Valuation Allowance** – Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Recent Accounting Pronouncements Not Yet Adopted

The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, providing a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with our customers. In April 2016, the IASB issued clarifications to IFRS 15, which provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and intellectual property licenses. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company expects the impact on its consolidated financial statements from the adoption of this new standard will be immaterial.

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

3. INVENTORY

Inventory was comprised of the following items:

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Years Ended December 31, (in thousands, \$US)

	2017	2016
Raw materials	\$ 3,005	\$ 108
Work in process	140	-
Finished goods	161	717
Total inventory	\$ 3,305	\$ 825

4. BIOLOGICAL ASSETS

The Company's biological assets consists of cannabis plants. As of December 31, 2016, there were no biological assets. A reconciliation of the beginning and ending balances of biological assets for the year ended December 31, 2017 is as follows:

Years Ended December 31, (in thousands, \$US)

	2017	2016
Beginning balance	\$ -	\$ -
Net change in fair value less costs to sell due to biological transformation	2,781	-
Transferred to inventory upon harvest	(1,656)	-
Ending balance	\$ 1,126	\$ -

The Company cultivates its plants within greenhouses that utilize natural light and certain greenhouses also use supplemental lighting. On average the full harvest growing cycle for natural light is 18 weeks and for greenhouses with supplemental lighting is 11 weeks.

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The selling price, which is based on the average market price in California where the Company operated during the year ended December 31, 2017;
- The cost to complete the cannabis production process post-harvest and the cost to sell based on the Company's historical results;
- The average number of weeks in the growing cycle based on the Company's historical results;
- The stage of plant growth; and
- Expected yields from each cannabis plant based on the Company's historical results.

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

The Company has quantified the sensitivity of the inputs in relation to biological assets as of December 31, 2017.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

- Selling price per pound – a decrease in the selling price per pound by 5% would result in the biological asset value decreasing by approximately \$93.1 at December 31, 2017.
- Estimated yield per plant – a decrease in the yield per plant of 5% would result in the biological asset value decreasing by approximately \$58.7 at December 31, 2017.

As of December 31, 2017, on average, the biological assets were 40.5% complete as to the next expected harvest date, and it is expected that the Company's biological assets will ultimately yield approximately 1,859 pounds of cannabis.

5. PROPERTY AND EQUIPMENT

As of December 31, 2017, and December 31, 2016, property and equipment consists of:

December 31, (in thousands, \$US)	2017	2016
Leasehold improvements	\$ 713	\$ 411
Office equipment	30	6
Furniture and fixtures	47	47
Vehicles	224	97
Machinery and equipment	1,165	676
Property and equipment, at cost	2,180	1,237
Accumulated depreciation	(531)	(277)
Property and equipment, net	\$ 1,649	\$ 960

A reconciliation of the beginning and ending balances of property and equipment for year ended December 31, 2017 is as follows:

(in thousands, \$US)	Property and Equipment, at Cost	Accumulated Depreciation	Property and Equipment, Net
Balance—December 31, 2016	\$ 1,237	\$ (277)	\$ 960
Additions	1,186		1,186
Disposals	(243)	60	(183)
Depreciation		(314)	(314)
Balance—December 31, 2017	\$ 2,180	\$ (531)	\$ 1,649

Depreciation expense for the years ended December 31, 2017, and December 31, 2016 totaled \$313.6 and \$196.4, respectively, of which \$249.3 and \$156.2 is included in cost of goods sold, respectively.

6. INTANGIBLE ASSETS

As of December 31, 2017 and December 31, 2016 intangible assets consisted of the following:

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Years Ended December 31, (in thousands, \$US)	2017	2016	Weighted Average Amortization Period (in years)
Branding rights	\$ 250	\$ 250	15
Accumulated amortization	(43)	(26)	
Total other intangibles, net	\$ 207	\$ 224	

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense of \$16.7 and \$16.7 for the years ended December 31, 2017 and December 31, 2016, respectively.

The Company estimates that amortization expense for our existing other intangible assets will be approximately \$16.7 for each of the fiscal years ending December 31, 2018, 2019, 2020, 2021, and 2022. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

7. CAPITALIZATION AND EQUITY TRANSACTIONS

Series A and A2 Convertible Preferred Stock

As of December 31, 2017, the Company has issued Series A and Series A2 convertible preferred stock through various rounds of financing. Equity issuance costs associated with each of the financing rounds have been applied as a reduction of the preferred stock balances for the applicable financing round. During the year ended December 31, 2016, the Company issued 2,359 shares of Series A2 convertible preferred stock at an issue price of approximately \$1.0174 in exchange for \$2.4 million of cash.

The rights, preferences, and privileges of the convertible preferred stock as of December 31, 2017 and 2016, are listed below:

- **Conversion Rights** — Each share of convertible preferred stock, at the option of its holder, is convertible into shares of common stock on a one-for-one basis, subject to adjustment. For convertible preferred stock other than Series A convertible preferred stock, conversion will occur automatically upon either (a) the closing of a registered public offering of the Company's common stock in the United States or Canada that yields aggregate gross proceeds to the Company of at least \$50.0 million, before underwriting discounts and commissions, or (b) upon a majority vote of the outstanding shares of convertible preferred stock.
- **Dividend Rights** — Dividends are noncumulative and are participating, in that after preferred stockholders receive dividends in the full preferential amount for the preferred stock, if the Company's Board of Directors ("Board") declares additional dividends, then such additional dividends will be paid out pro rata on the common stock and preferred stock on a pari passu basis. No dividend can be paid to common stockholders unless and until a per share dividend of at least 6% of the original issue price for a given series of preferred stock is first paid to the holders of such preferred stock.
- **Liquidation Preference** — In the event of a liquidation, dissolution, or winding-up of the Company or any deemed liquidation event set forth in the restated certificate of incorporation, holders of the preferred stock

are entitled to a per share liquidation preference equal to the greater of (a) the original issue price, as adjusted for stock splits, stock dividends reclassification and the like, for such series of preferred stock, plus any declared, but unpaid dividends and (b) the amount that would have been payable had all shares of such series of preferred stock converted into common stock. Thereafter, proceeds will be distributed pro rata to the holders of the outstanding common stock.

- Voting Rights — Holders of preferred stock are generally entitled to vote together with holders of common stock on matters presented for stockholder action, in addition to any other votes as provided by law or other provisions of the restated certificate of incorporation.

Common Stock

During the year ended December 31, 2017, the Company issued 325.0 shares of common stock valued at \$650.0 in exchange for shares in Haight & Ashbury Corp, a technology company developing the WAYV e-commerce platform.

During the year ended December 31, 2016, the Company repurchased 1.117 million shares of common stock from a co-founder in exchange for cash of \$117.1.

Common Stock Warrants

During 2016 and 2017, the Company issued warrants to purchase a total of 2.257 million shares of common stock at \$1.0174 price per share in connection with entering into a senior secured loan commitment agreement. These warrants expire 10 years after the issuance date and are fully vested upon issuance. The grant date fair value of the warrants was \$770.1 amortizable over the two-year contractual term of the senior notes. At December 2017 the unamortized balance was classified within current liabilities. The fair value of the warrants was estimated using the Black-Scholes option-pricing model with the following assumptions: exercise price \$1.0174, volatility 25%, 10-year life, 0% dividend yield, and a risk free interest rate of 1.84%. As of December 31, 2017 and 2016, none of the warrants outstanding have been exercised.

During 2016, the Company issued 45.0 compensatory warrants at \$1.0174 per share to a director of the company in exchange for investor relation services. Fees charged to operations were \$15.7. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value determined using the Black-Scholes option pricing model. As of December 31, 2017, none of the warrants outstanding have been exercised.

8. DEBT

Convertible Notes

In 2017 the Company entered into a \$3.712 million Convertible Note Purchase Agreement. The notes bear interest at 8% per annum, compounded annually. During May 2018, in accordance with the convertible note purchase agreement, the entire principal amount and accrued interest on the notes were automatically converted into common shares issued by the Company as part of its Series B Convertible Preferred Stock financing. Refer to Note 17 *Subsequent Events* for further information.

During 2017, the Company recorded accrued interest of \$147.7 which has been included in interest expense in the accompanying statements of operations for the year ended December 31, 2017.

Notes Payable

The Company has the following notes payable outstanding as of December 31,

Senior Secured Notes – In 2017 and 2016 the Company issued \$250 thousand and \$4.25 million, respectively, in senior secured notes bearing interest at 12% annually. The notes mature in October 2018 and are secured by certain assets of the company. Interest is paid monthly. In conjunction with the Company's intention to refinance a portion of the debt prior to maturity and its demonstrated ability to do so, \$2.75 million of the debt principal has been classified as non-current and \$1.75 million has been classified as current.

Promissory Notes Payable – In 2017 the Company issued \$3.0 million in promissory notes payable bearing interest at 18% annually maturing in December 2018. Interest is paid at the maturity of the note. In conjunction with the Company's intention to refinance a portion of the debt prior to maturity and its demonstrated ability to do so, \$750.0 of the debt principal has been classified as non-current and \$2.25 million has been classified as current.

Bridge Financing – In 2017 the Company issued \$1.05 million in bridge financing notes bearing interest of 16% until February 10, 2018 at which time the interest rate increases to 18%. In conjunction with the Company's intention to refinance the debt prior to maturity and its demonstrated ability to do so, the total amount of the debt principal has been classified as non-current.

Edibles Management Payable – In March 2015, the Company entered into an agreement to pay Edibles Management a fee equal to 2% of gross revenues up to \$2.0 million per year. The management fee is accrued at 2% per month and compensates the co-founders for their providing acquisition, management, product development, and advisory services. The co-founders have deferred payment of the management fee and thus the amount due is classified as non-current.

9. SHARE-BASED COMPENSATION

In 2016, the Company adopted the INDUS Holding Company Stock Incentive Plan (the "Plan"). The Plan provides for the grant of options as either non-statutory stock options or incentive stock options and restricted stock units to employees, officers, directors, and consultants of the Company to attract and retain persons of ability to perform services for the Company and to reward such individuals who contribute to the achievement by the Company of its economic objectives. The Plan provides for the grant and issuance of up to 1.428 million shares of Company common stock. During the year ended December 31, 2017, share-based compensation expense was \$91.6 and is included as a component of operating expenses in the accompanying statements of operations. There was no share-based compensation expense in 2016.

The Plan is administered by the Board or a committee appointed by the Board, which determines the persons to whom the awards will be granted, the type of awards to be granted, the number of awards to be granted, and the specific terms of each grant, including the vesting thereof, subject to the provisions of the Plan.

Stock Options

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The fair value of stock options granted was measured on the grant date. The grant date for these awards is equal to the measurement date. The fair value of each award is recognized as an expense over the requisite vesting period. Stock options granted generally have a contractual term of 10 years and vest over a 4-year period, with 25% of the stock options vesting annually on the anniversary of the date of grant. The Plan allows for early exercise of options prior to full vesting as determined by the Board and set forth in the stock option agreements governing such options. For the years ended December 31, 2017 and 2016, the amount of shares subject to repurchase was not material.

The Company uses the Black-Scholes option-pricing model to value stock options. The Black-Scholes model requires specified inputs to determine the fair value of share-based awards, consisting of (i) the expected volatility of the Company's common stock over the expected option life, (ii) the risk-free interest rate, (iii) the expected dividend yield, and (iv) the expected option life. Stock option grants during the year ended December 31, 2017, were valued using the following weighted-average assumptions:

Year Ended December 31,	2017
Expected volatility	50%
Dividend yield	0%
Risk-free interest rate	2.04%
Expected term in years	6.25

- Expected Volatility — The expected volatility is based on an analysis of comparable public company volatilities.
- Dividend Yield — The Company has not, and does not, intend to pay dividends.
- Risk-Free Interest Rate — The Company applies the risk-free interest rate based on the US Treasury yield in effect at the time of the grant.
- Expected Term in Years — The expected term represents the average time that options that vest are expected to be outstanding. The Company does not have sufficient history of exercise of stock options to estimate the expected term for employee stock options and, thus, calculates expected term using the simplified method, based on the average of the vesting term and the original contract term of the options.

The fair value of the common stock at the grant date was determined by the Board based upon numerous objective and subjective factors including valuations, preferred stock transactions with third parties, current operating and financial performance, management estimates, and future expectations.

Compensation expense for non-employee stock options is calculated using the Black-Scholes option valuation model and is recorded as the options vest. Non-employee options subject to vesting are required to be periodically revalued over their service period, which is generally the same as the vesting period.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

A summary of the stock option activity for employees and non-employees for the years ended December 31, 2017 and 2016, was as follows:

<u>(in thousands except per share amounts, \$US)</u>	<u>Stock Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding—December 31, 2015	-	-		
Granted	718	1.02		
Exercised	-			
Canceled	-			
Outstanding—December 31, 2016	718		10.0	
Granted	361	2.04		
Exercised	-			
Canceled	(237)	1.02		
Outstanding—December 31, 2017	842	\$1.45	7.7	
Vested and exercisable—December 31, 2017	173	\$1.02	9.0	\$ 262
Vested and expected to vest—December 31, 2017	842	\$1.50	7.7	\$ 431

The weighted-average grant-date fair value for stock options granted during the years ended December 31, 2017 and 2016, was \$2.0348 and \$1.0174 per share, respectively. As of December 31, 2017 and 2016, the amount of unrecognized compensation expense related to non-vested stock options was \$315.8 and \$356.9, respectively. The unrecognized compensation expense is expected to be recognized over a weighted-average period of 2.38 years.

Restricted Stock Units — As of December 31, 2017, and December 31, 2016, there were no restricted stock units outstanding and to date no restricted stock units have been granted.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

10. INCOME TAXES

The provision for income taxes for the years ended December 31, 2017 and 2016, consists of the following:

Years Ended December 31, (in thousands, \$US)	2017	2016
Current		
Federal	\$ -	\$ -
State	22	-
Total Current	22	-
Deferred tax expense (benefit)		
Federal	(1,438)	(1,075)
State	(1,118)	(511)
Total deferred tax benefit	(2,556)	(1,586)
Valuation allowance	2,556	1,586
Income tax expense	\$ 22	\$ -

In December 2017, the United States (“U.S.”) Congress passed and the President signed legislation commonly referred to as the Tax Cuts and Jobs Act, which contains many significant changes to the U.S. tax laws, including, but not limited to, reducing the U.S. federal corporate tax rate from 35% to 21% and utilization limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017 to 80% of taxable income with an indefinite carryforward period. As the Company has a full valuation allowance against its U.S. deferred tax assets, the revaluation of net deferred tax assets resulting from the reduction in the U.S. federal corporate income tax rate did not impact the Company’s effective tax rate. Additional guidance may be issued by the U.S. Treasury Department, the Internal Revenue Service (“IRS”), or other standard-setting bodies, which may result in adjustments to the amounts recorded, including the valuation allowance. Significant components of the Company’s deferred tax assets and liabilities at December 31, 2017 and 2016, are as follows:

Years Ended December 31, (in thousands)	2017	2017
Deferred tax assets		
Net operating loss carryforwards	\$ 2,553	\$ 1,541
Accruals and reserves	-	15
Depreciation	68	30
Other	-	-
Valuation allowance	(2,556)	(1,586)
Total deferred tax assets	64	-
Accruals and reserves	37	-
Share-based compensation	27	-
Total deferred tax liabilities	64	-
Net deferred tax liabilities	\$ -	\$ -

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative losses incurred through the year ended December 31, 2017. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections for future growth. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, a full valuation allowance totaling \$2.556 million and \$1.586 million has been recorded against its net deferred tax assets as of December 31, 2017 and 2016. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as our projections for growth.

As of December 31, 2017 and 2016, the Company had federal net operating loss ("NOL") carryforwards of approximately \$1.438 million and \$1.075 million, respectively, portions of which will begin to expire in 2035. The Company had state NOL carryforwards of approximately \$1.118 million and \$511.0, respectively, which will begin to expire in 2035. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. Under the provisions of the Internal Revenue Code, the NOLs and tax credit carryforwards are subject to review and possible adjustment by the IRS and state tax authorities. NOLs and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. The Company has not performed a comprehensive Section 382 study to determine any potential loss limitation with regard to the NOL carryforwards and tax credits. Any limitations would not impact the results of the Company's operations and cash flows because the Company has recorded a valuation allowance against its net deferred tax assets. Subsequent ownership changes may further affect the limitation in the future years.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not of being sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2017 and 2016, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2017 and 2016, the Company had no accrued interest and penalties related to uncertain tax positions.

The Company is subject to examination for its US federal and state jurisdictions for each year in which a tax return was filed, due to the existence of NOL carryforwards. These tax filings in major U.S. jurisdictions are open to examination by tax authorities, such as the IRS from 2015 forward and by tax authorities in various US states from 2015 forward.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases facilities and certain equipment under operating lease arrangements expiring in various years through fiscal year 2027. The aggregate minimum annual lease payments under operating leases in effect on December 31, 2017, are as follows:

At December 31, 2018

(in thousands, \$US)

2018	\$	2,346
2019		2,355
2020		2,125
2021		2,128
2022		2,016
Thereafter		10,409
Total future minimum operating lease payments	\$	21,379

The Company's lease agreements include early termination provisions at the option of the Company. The future obligations table above does not give effect to the exercising of any such provisions.

Rent expense for the years ended December 31, 2017 and 2016, was \$796.6 and \$311.0, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2017, and December 31, 2016, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

12. FINANCE LEASES

In 2017, the Company has finance leases for certain equipment used in its operations. As of December 31, 2017, \$210.6 in asset cost and \$26.6 in accumulated amortization is included in machinery and equipment as a component of Property and Equipment, Net in the accompanying balance sheet. Imputed interest ranges from 7% to 16% have been used in determining the minimum lease payments. The aggregate minimum annual lease payments under finance leases in effect on December 31, 2017, are as follows:

At December 31, 2018

(in thousands, \$US)

2018	\$	50
2019		50
2020		50
2021		41
2022		28
Thereafter		9
Future minimum capital lease payments		229
Less amount representing interest		42
Present value of net minimum lease payments		187
Less current portion		48
Finance lease obligations	\$	139

The current portion of finance lease obligations is recorded in other current liabilities and the non-current portion of finance lease obligations is recorded in other long-term liabilities in the accompanying balance sheets.

13. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, 2017, and December 31, 2016, general and administrative expenses were comprised of:

Years Ended December 31,

(in thousands, \$US)

	2017	2016
Salaries and benefits	\$ 2,083	\$ 1,029
Professional fees	605	734
Rent	485	194
Facility costs	351	70
Insurance	262	82
Travel and entertainment	207	173
Computer, telephone and internet	164	59
Supplies	146	50
Share-based compensation	92	-
Other general and administrative expenses	914	312
Total general and administrative expenses	\$ 5,309	\$ 2,703

14. RELATED-PARTY TRANSACTIONS

At December 31, 2017 and 2016, certain directors and officers of INDUS loaned the Company \$2.95 million and \$1.0 million, respectively, which were recorded within the Company's notes payable. The terms under these notes were the same as those for non-related party note holders.

In April 2015, INDUS entered into a services agreement with Olympic Management Group ("OMG"), for advisory and technology support services, including the access and use of software licensed to OMG to perform certain data processing and enterprise resource planning (ERP) operational services. OMG is owned by one of the Company's co-founders. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by OMG in performance of its services. Amounts paid to OMG for the years ended December 31, 2017 and 2016 were \$78.0 and \$47.6, respectively.

INDUS receives certain administrative, operational and consulting services through a Management Services Agreement with Edibles Management, LLC ("EM"). EM is a limited liability company owned by the co-founders of INDUS and was formed to provide INDUS with certain administrative functions comprising: cultivation, distribution, and production operations support; general administration; corporate development; human resources; finance and accounting; marketing; sales; legal and compliance. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by EM in performance of its services. Amounts paid to EM for the years ended December 31, 2017 and 2016 were \$5.217 million and \$3.225 million, respectively.

15. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assess the impact and likelihood of those risks. These risks include: market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2017 and December 31, 2016 is the carrying amount of cash and cash equivalents and accounts receivable. All cash and cash equivalents are placed with U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as a significant portion of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 14, the Company has the following contractual obligations:

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

December 31, (in thousands, \$US)	Maturity: < 1 Year		Maturity: > 1 Year	
	2017	2016	2017	2016
Accounts payable and				
Other accrued liabilities	\$ 4,045	\$ 1,068	\$ -	\$ -

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities. The Company considers interest rate risk to be immaterial.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because adult-use cannabis is a newly commercialized and regulated industry in the State of California, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There can be no assurance that price volatility will be favorable to INDUS or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by the local and state governments, the supply such licensees are able to generate and consumer demand for cannabis. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its valuation.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable.

16. SEGMENT INFORMATION

The Company's operations were comprised of a single reporting operating segment engaged in the production and sale of medical cannabis products in the state of California in the United States. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent a single reporting segment.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 1, 2019, the date the financial statements were available to be issued.

Series B Convertible Preferred Stock Offering

In March 2018, the Company initiated a \$15.0 million Series B Preferred Stock Agreement, which was subsequently increased to \$46.0 million, whereby the convertible preferred shares could be purchased for approximately \$4.5057 per share, or existing debt could be exchanged at a 20% discount from the offering price, or approximately \$3.6046 per share. As a result of the stock offering, the Company's convertible notes automatically converted in May 2018. On October 25, 2018, the Company completed its \$46 million Series B Preferred Stock Offering. Proceeds from the offering consisted of the conversion of \$12.1 million in outstanding debt and accrued interest into Series B preferred shares, \$4.0 million of convertible debt and accrued interest into common shares, and the receipt of \$26.7 million in cash and \$3.2 in subscription receivable. Upon closing the offering, the company had \$125 of senior secured notes and \$250 of promissory notes outstanding, of which all were due in the fourth quarter of 2018.

Acquisitions

In July 2018, the Company acquired all of the assets of Acme Inc. for total consideration of \$571, which includes seller's notes and stock. Acme is a leading name in cannabis extraction using the latest extraction technology to create oil derived from organically grown cannabis without harmful solvents or additives. The acquisition broadens and strengthens INDUS' brand portfolio and product offerings. The Company accounted for the acquisition of Acme assets as a business combination in accordance with IFRS 3 *Business Combinations*.

Proposed Reverse Takeover

In December 2018, the Company entered into a definitive business combination agreement pursuant to which the Company will complete a reverse takeover of Mezzotin Minerals Inc. ("Mezzotin"), a registered issuer in the Province of Ontario, and the securityholders of the Company will hold substantially all of the outstanding securities of Mezzotin

following the proposed transaction. Immediately prior to the transaction, Mezzotin will undertake a number of actions to prepare its share structure for the proposed transaction. An application has been made to list the resulting issuer's subordinate voting shares on the Canadian Securities Exchange. Following the transaction, the former securityholders of Mezzotin will own approximately CDN\$2.25 million in shares of the resulting issuer, which will be renamed "Indus Holdings, Inc."

SCHEDULE "B"
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

INDUS

HOLDING

GROUP OF COMPANIES

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017**

(UNAUDITED)

(Expressed in United States Dollars)

INDUS HOLDING GROUP OF COMPANIES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Board of Directors of INDUS Holding Group of Companies

The accompanying unaudited condensed consolidated interim financial statements and other financial information in this interim report were prepared by management of INDUS Holding Group of Companies (collectively, "the Company"), reviewed and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and result of operation in conformity with International Financial Reporting Standards. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been reviewed by the Company's auditors, GreenGrowth CPAs.

"signed"

Robert Weakley
Chief Executive Officer

"signed"

Tina Maloney
Chief Financial Officer

February 1, 2019

INDUS HOLDING GROUP OF COMPANIES

INDEX TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	Page
CONSOLIDATED INTERIM FINANCIAL STATEMENTS:	
Consolidated Interim Statements of Financial Position	1
Consolidated Interim Statements of Operations	2
Consolidated Interim Statements of Changes in Stockholders' Equity (Deficit)	3
Consolidated Interim Statements of Cash Flows	4
Notes to Consolidated Interim Financial Statements	5

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts, \$US)	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 646	\$ 2,229
Accounts Receivable—net of allowance for doubtful accounts of \$175.2 at September 30, 2018 and \$164.9 at December 31, 2017	2,082	1,448
Inventory	Note 5 8,211	3,305
Biological assets	Note 6 2,030	1,126
Prepaid expenses and other current assets	1,123	766
Total current assets	14,091	8,874
Property and equipment, net	Note 7 2,134	1,649
Goodwill	Note 4 357	-
Other intangibles, net	Note 4 194	207
Other assets	859	857
Total assets	\$ 17,635	\$ 11,586
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,181	\$ 2,966
Accrued payroll and benefits	209	292
Current portion of long-term debt	Note 10 944	3,708
Other current liabilities	1,340	786
Total current liabilities	4,674	7,753
Long-term debt, net	Note 10 344	8,568
Other long-term liabilities	-	411
Total liabilities	5,018	16,732
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value—35,000.0 shares authorized, 10,761.9 and 8,804.9 shares issued and outstanding at September 30, 2018, and December 31, 2017, respectively	Note 9 11	9
Series A preferred stock, \$0.001 par value—5,467.4 shares authorized, 5,467.4 issued and outstanding at September 30, 2018, and December 31, 2017, respectively	Note 9 5	5
Series A2 preferred stock, \$0.001 par value—2,359.0 shares authorized, 2,359.0 issued and outstanding at September 30, 2018, and December 31, 2017, respectively	Note 9 2	2
Series B preferred stock, \$0.001 par value—10,095.8 shares authorized, 4,317.0 issued and outstanding at September 30, 2018, and December 31, 2017, respectively	Note 9 4	-
Additional paid-in capital	29,249	7,755
Accumulated deficit	(16,655)	(12,917)
Total stockholders' equity	12,617	(5,146)
Total liabilities and stockholders' equity	\$ 17,635	\$ 11,586

The consolidated interim financial statements were approved by the Board of Directors and were signed on its behalf by:

"Robert Weakley"
Robert Weakley, Chief Executive Officer

"Tina Maloney"
Tina Maloney, Chief Financial Officer

See accompanying notes to consolidated interim financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS (UNAUDITED)

Periods Ended September 30, (in thousands, \$US)	Three Months		Nine Months	
	2018	2017	2018	2017
Net revenue	\$ 5,217	\$ 4,316	\$ 10,940	\$ 9,655
Cost of goods sold	4,143	3,251	8,520	7,750
Gross profit before biological asset adjustments	1,074	1,065	2,420	1,905
Net effect of change in fair value of biological assets <i>Note 6</i>	(1,336)	1,132	(2,290)	1,355
Gross profit	2,411	(67)	4,710	550
Operating expenses				
General and administrative <i>Note 16</i>	2,263	1,401	5,535	3,658
Sales and marketing	662	581	1,527	1,687
Depreciation and amortization <i>Note 7</i>	23	18	65	46
Total operating expenses	2,948	2,000	7,127	5,392
Loss from operations	(537)	(2,068)	(2,417)	(4,841)
Other income/(expense)				
Other income/(expense)	(1)	(9)	3	(121)
Interest expense <i>Note 10</i>	(310)	(325)	(1,257)	(815)
Total other income/(expense)	(311)	(334)	(1,254)	(936)
Loss before provision for income taxes	(849)	(2,402)	(3,670)	(5,777)
Provision for income taxes <i>Note 12</i>	3	-	67	-
Net loss	\$ (852)	\$ (2,402)	\$ (3,738)	\$ (5,777)

See accompanying notes to interim consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, \$US)	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance—December 31, 2017	7,826	\$ 7	8,805	\$ 9	\$ 7,755	\$ (12,917)	\$ (5,146)
Net loss	-	-	-	-	-	(3,738)	(3,738)
Issuance of common stock on conversion of convertible notes	-	-	1,947	2	3,959	-	3,961
Issuance of common stock for Acme acquisition	-	-	10	-	20	-	20
Issuance of Series B preferred stock - net of issuance cost of \$38.8	4,317	4			17,288	-	17,292
Issuance of warrants in exchange for services	-	-	-	-	87	-	87
Share-based compensation expense					140	-	140
Balance—September 30, 2018	12,143	\$ 11	10,762	\$ 11	\$ 29,249	\$ (16,655)	\$ 12,616

See accompanying notes to interim consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

Nine Months Ended September 30,
(in thousands, \$US)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (3,738)	\$ (5,777)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	312	242
Amortization of debt issuance costs	289	289
Share-based compensation expense	140	62
Provision for doubtful accounts	175	30
Disposals of property and equipment	-	183
Warrants issued in exchange for services	87	-
Change in fair value of biological assets	(1,659)	1,355
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(810)	(630)
Inventory	(3,322)	(1,912)
Biological assets	(631)	(1,271)
Prepaid expenses and other current assets	(357)	(235)
Other assets	-	-
Accounts payable and accrued expenses	(779)	1,638
Other long-term liabilities	718	437
Net cash used in operating activities	(9,574)	(5,590)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(726)	(729)
Net cash used in investing activities	(726)	(729)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(32)	(56)
Payments of notes payable	(600)	-
Proceeds from notes payable	500	750
Proceeds from senior secured notes	-	250
Proceeds from convertible notes	-	3,012
Proceeds from issuance of series B preferred stock, net of issuance costs	8,850	-
Net cash provided by financing activities	8,718	3,956
Change in cash and cash equivalents	(1,582)	(2,363)
Cash and cash equivalents—beginning of year	2,229	2,807
Cash and cash equivalents—end of year	\$ 646	\$ 442
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 97	\$ 540
Cash paid during the year for income taxes	\$ -	\$ 21
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment not yet paid for	\$ -	\$ -
Property and equipment acquired via capital lease	\$ 42	\$ 202
Issuance of common stock in exchange for investment in private entity	\$ -	\$ 650
Debt and associated accrued interest converted to series B preferred shares	\$ 12,441	\$ -
Acquisition of private entity	\$ 571	\$ -

See accompanying notes to interim consolidated financial statements.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

All amounts in these Notes are expressed in thousands of United States dollars (“\$” or “US\$”), unless otherwise indicated.

1. NATURE OF OPERATIONS

The consolidated financial statements of INDUS Holding Group of Companies (“INDUS” or the “Company”) consist of INDUS Holding Company and its wholly owned subsidiaries, Cypress Holding Company, LLC (“Cypress Holding”) and Cypress Manufacturing Company, (“Cypress Manufacturing”).

INDUS Holding Company is engaged in owning intellectual property, including brands, and is associated with offering cannabis products to dispensaries in California.

Cypress Manufacturing is engaged in the cultivation, sourcing, processing, and distribution of high-quality cannabis products in California, and prior to January 2018 was organized as a mutual benefit, non-profit entity as required under California cannabis regulations. In January 2018, Cypress Manufacturing converted into a corporation, wholly owned by INDUS Holding Company.

Cypress Holding is engaged in the ownership and leasing of real and personal property to Cypress Manufacturing.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 - Interim Financial Reporting. These unaudited condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee. These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on February 1, 2019.

Basis of Measurement

These unaudited condensed consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for biological assets and certain financial instruments, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Functional Currency

The Company and its subsidiaries’ functional currency, as determined by management, is the United States (“U.S.”) dollar. These consolidated financial statements are presented in U.S. dollars.

Classification of Expenses

The expenses within the statements of operations are presented by function. Refer to Note 14 for details of expenses by nature.

Basis of Combination

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries:

- INDUS Holding Company, a Delaware corporation
- Cypress Holding Company, a Delaware limited liability company
- Cypress Manufacturing Company, a California corporation

Intercompany balances, and any unrealized gains and losses or income and expenses arising from transactions with subsidiaries, are eliminated.

3. CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared following substantially the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2017, except as noted below.

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. Effective January 1, 2018, the Company adopted the standard and IFRS 9. The adoption of the standards has no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement under IAS 39, *Financial Instruments: Recognition and Measurement*, to the new measurement categories under IFRS 9.

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Effective January 1, 2018, the Company adopted the standard. The adoption of IFRS 9 has no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement under IAS 39, *Financial Instruments: Recognition and Measurement*, to the new measurement categories under IFRS 9.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, providing a principles-based approach for revenue recognition, and

introduces the concept of recognizing revenue for performance obligations as they are satisfied. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with our customers. In April 2016, the IASB issued clarifications to IFRS 15, which provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and intellectual property licenses. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Effective January 1, 2018, the Company has adopted the standard. There is no material impact. The Company continues to recognize revenue upon delivery of goods to customers since at this time performance obligations are satisfied.

Business Combinations

A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company. Business combinations are accounted for using the acquisition method of accounting. The consideration of each acquisition is measured at the aggregate of the fair values of tangible and intangible assets obtained, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Company at the date of acquisition. Key assumptions routinely utilized in allocation of purchase price to intangible assets include projected financial information such as revenue projections for companies acquired. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Any goodwill impairment loss is recognized in the consolidated statements of operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

4. ACQUISITIONS

In July 2018, the Company acquired all of the assets of Acme Inc. for total consideration of \$571.4, which includes (i) \$243.3 in seller's notes, (ii) \$307.7 in assumed debt, and (iii) \$20.4 in common shares. Acme is a leading name in cannabis extraction using the latest extraction technology to create oil derived from organically grown cannabis without harmful solvents or additives. The acquisition broadens and strengthens INDUS' brand portfolio and product offerings.

The Company accounted for the acquisition as a business combination in accordance with IFRS 3 *Business Combinations* and purchase consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The relative fair values of net assets acquired and liabilities assumed was \$198.1 for inventories, \$16.5 for property and equipment, and \$356.8 for goodwill. We have completed the purchase price allocation for this acquisition.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

5. INVENTORY

Inventory was comprised of the following items:

(in thousands, \$US)	September 30, 2018	December 31, 2017
Raw materials	\$ 7,786	\$ 3,005
Work in process	61	140
Finished goods	364	161
Total inventory	\$ 8,211	\$ 3,305

6. BIOLOGICAL ASSETS

The Company's biological assets consists of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the nine months ended September 30, 2018 and year ended December 31, 2017 is as follows:

(in thousands, \$US)	September 30, 2018	December 31, 2017
Beginning balance	\$ 1,126	\$ -
Net change in fair value less costs to sell due to biological transformation	6,156	2,781
Transferred to inventory upon harvest	(5,252)	(1,656)
Ending balance	\$ 2,030	\$ 1,126

The Company cultivates its plants within greenhouses that utilize natural light and those that use supplemental lighting. On average the full harvest grow cycle for natural light is 18 weeks and for supplemental lighting is 11 weeks.

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- The selling price, which is based on the average market price in California where the Company operated during the period ended September 30, 2018;
- The cost to complete the cannabis production process post-harvest and the cost to sell based on the Company's historical results;
- The average number of weeks in the growing cycle based on the Company's historical results;
- The stage of plant growth; and
- Expected yields from each cannabis plant based on the Company's historical results.

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

The Company has quantified the sensitivity of the inputs in relation to biological assets as of September 30, 2018.

- Selling price per pound – a decrease in the selling price per pound by 5% would result in the biological asset value decreasing by approximately \$173.6 at September 30, 2018.
- Estimated yield per plant – a decrease in the yield per plant of 5% would result in the biological asset value decreasing by approximately \$101.5 at September 30, 2018.

As of September 30, 2018, on average, the biological assets were 47.7% complete as to the next expected harvest date, and it is expected that the Company's biological assets will ultimately yield approximately 2,894 pounds of cannabis.

7. PROPERTY AND EQUIPMENT

As of September 30, 2018 and December 31, 2017, property and equipment consists of:

(in thousands, \$US)	September 30 2018	December 31 2017
Leasehold improvements	\$ 977	\$ 713
Office equipment	72	30
Furniture and fixtures	54	47
Vehicles	267	224
Machinery and equipment	1,594	1,165
Property and equipment, at cost	2,964	2,180
Accumulated depreciation	(830)	(531)
Property and equipment, net	\$ 2,134	\$ 1,649

A reconciliation of the beginning and ending balances of property and equipment for the period ended September 30, 2018 is as follows:

(in thousands, \$US)	Property and Equipment, at Cost	Accumulated Depreciation	Property and Equipment, Net
Balance—December 31, 2017	\$ 2,180	\$ (531)	\$ 1,649
Additions	785		785
Disposals	-		-
Depreciation		(299)	(299)
Balance—September 30, 2018	\$ 2,964	\$ (830)	\$ 2,134

Depreciation expense for the periods ended September 30, 2018 and 2017 totaled \$299.4 and \$229.2, respectively, of which \$247.3 and \$196.3 is included in cost of goods sold.

8. GOODWILL AND INTANGIBLE ASSETS

As of September 30, 2018 and December 31, 2017 goodwill and intangible assets consisted of the following:

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(in thousands, \$US)	September 30, 2018	December 31, 2017	Weighted Average Amortization Period (in years)
Goodwill	\$ 357	\$ -	
<i>Intangibles:</i>			
Branding rights	250	250	15
Accumulated amortization	(56)	(43)	
Total other intangibles, net	194	207	15
Total goodwill and intangibles, net	551	207	

As of September 30, 2018, goodwill was \$357. See Note 4 *Acquisitions* for further detail.

Intangible assets with finite lives are amortized over their estimated useful lives. The Company recorded amortization expense of \$12.5 for the nine months ended September 30, 2018 and 2017.

The Company estimates that amortization expense for our existing other intangible assets will be approximately \$4.2 for the remainder of 2018, \$16.7 for each of the fiscal years ending December 31, 2019, 2020, 2021, and 2022. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes.

9. CAPITALIZATION AND EQUITY TRANSACTIONS

Series B Convertible Preferred Stock

In March 2018, the Company initiated a \$15.0 million Series B Preferred Stock Agreement, which was subsequently increased to \$46.0 million, whereby the preferred shares could be purchased for approximately \$4.5057 per share, or existing debt could be exchanged at a 20% discount from the offering price, or approximately \$3.6046 per share. As a result of the stock offering, the Company's convertible notes automatically converted to common shares in May 2018.

Equity issuance costs associated with the financing round have been applied as a reduction of the preferred stock balance for the applicable financing round.

During the nine months ended September 30, 2018, the Company issued 4.3 million shares of Series B preferred stock and 1.9 million shares of common stock in exchange for \$8.85 million of cash and conversion of \$12.4 million of debt and accrued interest. The weighted average issue price of the Series B shares was \$4.0146 and of the common shares was \$2.0348.

The rights, preferences, and privileges of the preferred stock as of September 30, 2018 and December 31, 2017, are listed below:

- **Conversion Rights** — Each share of preferred stock, at the option of its holder, is convertible into shares of common stock on a one-for-one basis, subject to adjustment. For convertible preferred stock other than Series A convertible preferred stock, conversion will occur automatically upon either (a) the closing of a registered public offering of the Company's common stock in the United States or Canada that yields

aggregate gross proceeds to the Company of at least \$50.0 million, before underwriting discounts and commissions, or (b) upon a majority vote of the outstanding shares of convertible preferred stock.

- **Dividend Rights** — Holders of the preferred shares, in preference to common shares, are entitled to cash dividends at the rate of six percent (6%) of the applicable original issue price per annum on each outstanding share. Dividends are noncumulative and will be payable only when declared by the Company's Board of Directors ("Board"). In the event dividends are paid on any share of common stock, an additional dividend will be paid on all outstanding shares of Series B preferred stock in a per share amount equal (on an as-if-converted to Common Stock basis) to the amount paid or set aside for each share of common stock.
- **Liquidation Preference** — In the event of a liquidation, dissolution, or winding-up of the Company or any deemed liquidation event set forth in the restated certificate of incorporation, holders of the preferred stock are entitled to a per share liquidation preference equal to the greater of (a) the original issue price, as adjusted for stock splits, stock dividends reclassification and the like, for such series of preferred stock, plus any declared, but unpaid dividends and (b) the amount that would have been payable had all shares of such series of preferred stock converted into common stock. Thereafter, proceeds will be distributed pro rata to the holders of the outstanding common stock.
- **Voting Rights** — Holders of preferred stock are generally entitled to vote together with holders of common stock on matters presented for stockholder action, in addition to any other votes as provided by law or other provisions of the restated certificate of incorporation.

Series A and A2 Convertible Preferred Stock

As of December 31, 2017, the Company issued Series A and Series A2 convertible preferred stock through various rounds of financing. Equity issuance costs associated with each of the financing rounds have been applied as a reduction of the preferred stock balances for the applicable financing round. During the year ended December 31, 2016, the Company issued 2.4 million shares of Series A2 convertible preferred stock at an issue price of approximately \$1.0174 in exchange for \$2.4 million of cash.

The rights, preferences, and privileges of the convertible preferred stock as of September 30, 2018 and December 31, 2017, are listed below:

- **Conversion Rights** — Each share of convertible preferred stock, at the option of its holder, is convertible into shares of common stock on a one-for-one basis, subject to adjustment. For convertible preferred stock other than Series B convertible preferred stock, conversion will occur automatically upon either (a) the closing of a registered public offering of the Company's common stock in the United States or Canada that yields aggregate gross proceeds to the Company of at least \$50.0 million, before underwriting discounts and commissions, or (b) upon a majority vote of the outstanding shares of convertible preferred stock.
- **Dividend Rights** — Dividends are noncumulative and are participating, in that after preferred stockholders receive dividends in the full preferential amount for the preferred stock, if the Board declares additional dividends, then such additional dividends will be paid out pro rata on the common stock and preferred stock on a pari passu basis. No dividend can be paid to common stockholders unless and until a per share dividend of at least 6% of the original issue price for a given series of preferred stock is first paid to the holders of such preferred stock.

- **Liquidation Preference** — In the event of a liquidation, dissolution, or winding-up of the Company or any deemed liquidation event set forth in the restated certificate of incorporation, holders of the preferred stock are entitled to a per share liquidation preference equal to the greater of (a) the original issue price, as adjusted for stock splits, stock dividends reclassification and the like, for such series of preferred stock, plus any declared, but unpaid dividends and (b) the amount that would have been payable had all shares of such series of preferred stock converted into common stock. Thereafter, proceeds will be distributed pro rata to the holders of the outstanding common stock.
- **Voting Rights** — Holders of preferred stock are generally entitled to vote together with holders of common stock on matters presented for stockholder action, in addition to any other votes as provided by law or other provisions of the restated certificate of incorporation.

Common Stock

During the nine months ended September 30, 2018, the Company issued 10.0 shares of common stock valued at \$20.3 as partial consideration for the acquisition of Acme assets. Refer to Note 4 *Acquisitions* for further detail.

During the nine months ended September 30, 2018, \$3,961.1 of the Company's convertible notes and accrued interest converted to 1,947 shares of common stock as a result of the series B convertible preferred share offering discussed above.

During the year ended December 31, 2017, the Company issued 325.0 shares of common stock valued at \$650.0 in exchange for shares in Haight & Ashbury Corp, a technology company developing the Wayv distribution e-commerce platform.

Common Stock Warrants

During 2018, the Company issued 155 compensatory warrants at \$2.0348 per share to a director of the company in exchange for services rendered. Consulting fees charged to operations were \$87.1 thousand. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value determined using the Black-Scholes option pricing model. As of September 30, 2018, none of the warrants outstanding have been exercised.

During 2016 and 2017, the Company issued warrants to purchase a total of 2.257 million shares of common stock at \$1.0174 price per share in connection with entering into a senior secured loan commitment agreement. These warrants expire 10 years after the issuance date and are fully vested upon issuance. The grant date fair value of the warrants was \$770.1. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: exercise price \$1.0174, volatility 25%, 10 year life, 0% dividend yield, and a risk free interest rate of 1.84%. As of September 28, 2018 and December 31, 2017, none of the warrants outstanding have been exercised.

10. DEBT

Convertible Notes

In 2017 the Company entered into a \$3.7 million Convertible Note Purchase Agreement. The notes bear interest at 8% per annum, compounded annually. During May 2018, the entire principal amount and accrued interest on the notes were automatically converted into shares issued by the Company in its Series B convertible preferred stock offering. Refer to Note 9 *Capitalization and Equity Transactions* for further information.

For the nine-months ended September 30, 2018 and September 30, 2017, the Company recorded accrued interest of \$101.4 and \$147.7 which has been included in interest expense (income), net in the accompanying statement of operations.

Notes Payable

Senior Secured Notes – In 2017 the Company issued \$250 in Senior Secured Notes bearing interest at 12% annually. The notes mature in October 2018 and are secured by certain assets of the company. Interest is paid monthly. For the nine-months ended September 30, 2018, \$125 of the notes were converted into Series B convertible preferred shares. The outstanding balance, \$125, is classified as current.

Promissory Notes Payable – In 2017 the Company issued \$3.0 million in Promissory Notes Payable bearing interest at 18% annually maturing in December 2018. Interest is paid at the maturity of the note. For the nine-months ended September 30, 2018, \$2.75 million of the notes were converted into Series B convertible preferred shares. The remaining balance, \$250, is classified as current.

Bridge Financing – In 2017 the Company issued \$1.05 million in Bridge Financing Notes bearing interest of 16% until February 10, 2018 at which time the interest rate increased to 18%. For the nine-months ended September 30, 2018, \$450 of the notes were converted into Series B convertible preferred shares and \$600 were paid.

Edibles Management Payable – In March 2015, the Company entered into an agreement to pay Edibles Management a fee equal to 2% of gross revenues up to \$2.0 million per year. The management fee is accrued at 2% per month and compensates the co-founders for their providing acquisition, management, product development, and advisory services. The co-founders have deferred payment of the management fee until the fourth quarter of 2018. The amount due is classified as current.

11. SHARE-BASED COMPENSATION

During the nine months ended September 30, 2018, the Company granted shares to certain employees and consultants as compensation for services. These shares were accounted for in accordance with IFRS 2 - *Share-based Payments*. The Company amortizes awards over the service period and until awards are fully vested.

The following table summarizes the status of grants and unvested awards as at September 30, 2018 and changes during the period from December 31, 2017 through September 30, 2018.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

(in thousands except per share amounts, \$US)	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding—December 31, 2017	842	\$1.45	7.7	
Granted	837	2.03		
Exercised	-			
Cancelled	(332)	1.49		
Outstanding—September 30, 2018	1,347	\$1.80	9.5	
Exercisable—September 30, 2018	160	\$1.27	8.4	\$ 160
Vested and Expected to Vest—September 30, 2018	1,347	\$1.77	9.5	\$ 253

Restricted Stock Units — As of September 30, 2018, and December 31, 2017, there were no restricted stock units outstanding and to date no restricted stock units have been granted.

12. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases facilities and certain equipment under operating lease arrangements expiring in various years through fiscal year 2027. The aggregate minimum annual lease payments under operating leases in effect on September 30, 2018, are as follows:

At September 30, 2018

(in thousands, \$US)

Less than 1 year	\$ 2,353
1 - 5 years	8,397
Greater than 5 years	8,337
Total	\$ 19,087

The Company's lease agreements include early termination provisions at the option of the Company. The future obligations table above does not give effect to the exercising of any such provisions.

Rent expense for the nine months ended September 30, 2018 and 2017, was \$348.6 and \$497.6, respectively.

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of September 30, 2018, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of September 30, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

13. FINANCE LEASES

The Company has finance leases for certain equipment used in its operations. Imputed interest ranges from 7% to 16% have been used in determining the minimum lease payments. The aggregate minimum annual lease payments under finance leases in effect on September 30, 2018, are as follows:

At September 30, 2018

(in thousands, \$US)

Less than 1 year	\$	50
1 - 5 years		150
Greater than 5 years		8
Total	\$	208

The current portion of finance lease obligations is recorded in other current liabilities and the non-current portion of finance lease obligations is recorded in other long-term liabilities in the accompanying balance sheets.

14. GENERAL AND ADMINISTRATIVE EXPENSES

For the nine months ended September 30, 2018 and 2017, general and administrative expenses were comprised of:

Nine Months Ended September 30,

(in thousands, \$US)

	2018	2017
Salaries and benefits	\$ 2,219	\$ 1,516
Professional fees	502	402
Rent	334	405
Facility costs	555	216
Insurance	138	181
Travel and entertainment	178	157
Computer, telephone and internet	168	110
Supplies	102	93
Share-based compensation	140	62
Other general and administrative expenses	1,200	515
Total general and administrative expenses	\$ 5,535	\$ 3,658

15. RELATED-PARTY TRANSACTIONS

In April 2015, INDUS entered into a services agreement with Olympic Management Group ("OMG"), for advisory and technology support services, including the access and use of software licensed to OMG to perform certain data processing and enterprise resource planning (ERP) operational services. OMG is owned by one of the Company's co-founders. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by OMG in

INDUS HOLDING GROUP OF COMPANIES

AS AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

performance of its services. Amounts paid to OMG for the nine months ended September 30, 2018 and 2017 were \$0 and \$18.6, respectively.

INDUS receives certain administrative, operational and consulting services through a Management Services Agreement with Edibles Management, LLC ("EM"). EM is a limited liability company owned by the co-founders of INDUS and was formed to provide INDUS with certain administrative functions comprising: cultivation, distribution, and production operations support; general administration; corporate development; human resources; finance and accounting; marketing; sales; legal and compliance. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by EM in performance of its services. Amounts paid to EM for the nine months ended September 30, 2018 and 2017 were \$4.05 million and \$3.76 million, respectively.

16. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assess the impact and likelihood of those risks. These risks include: market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2018 and December 31, 2017 is the carrying amount of cash and cash equivalents and accounts receivable. All cash and cash equivalents are placed with U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as a significant portion of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 12 the Company has the following contractual obligations:

(in thousands, \$US)	Maturity: < 1 Year		Maturity: > 1 Year	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Accounts payable and				
Other accrued liabilities	\$ 3,730	\$ 4,045	\$ -	\$ -

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities. The Company considers interest rate risk to be immaterial.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because adult-use cannabis is a newly commercialized and regulated industry in the State of California, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There can be no assurance that price volatility will be favorable to INDUS or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by the local and state governments, the supply such licensees are able to generate and consumer demand for cannabis. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its valuation.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company, its subsidiaries and investee companies, and leaves their cash holdings vulnerable.

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 1, 2019, the date the financial statements were available to be issued.

Series B Preferred Stock Offering

On October 25, 2018, the Company completed its \$46 million Series B Preferred Stock Offering discussed in Note 9. Proceeds from the offering consisted of the conversion of \$12.4 million in outstanding debt and accrued interest into Series B preferred shares, \$4.0 million of convertible debt and accrued interest into common shares, and the receipt of \$26.4 million in cash and \$3.2 in subscription receivable. Upon closing the offering, the company had \$125 of senior secured notes and \$250 of promissory notes outstanding, of which all were due in the fourth quarter of 2018.

Proposed Reverse Takeover

In December 2018, the Company entered into a definitive business combination agreement pursuant to which the Company will complete a reverse takeover of Mezzotin Minerals Inc. ("Mezzotin"), a registered issuer in the Province of Ontario, and the securityholders of the Company will hold substantially all of the outstanding securities of Mezzotin following the proposed transaction. Immediately prior to the transaction, Mezzotin will undertake a number of actions to prepare its share structure for the proposed transaction. An application has been made to list the resulting issuer's subordinate voting shares on the Canadian Securities Exchange. Following the transaction, the former securityholders of Mezzotin will own approximately CDN\$2.25 million in shares of the resulting issuer, which will be renamed "Indus Holdings, Inc."

SCHEDULE "C"
MD&A FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

This management discussion and analysis ("MD&A") of the financial condition and results of operations of the INDUS Group of Companies (the "Company", "we", "our", "us" or "INDUS") is for the years ended December 31, 2017 and 2016. It is supplemental to, and should be read in conjunction with, the Company's audited consolidated financial statements and the accompanying notes for the years ended December 31, 2017 and 2016. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in thousands of United States dollars (" \$" or "US\$"), unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information", located at the beginning of this Listing Statement. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

In this MD&A, reference is made to gross profit before fair value adjustments or adjusted gross profit, adjusted gross margin, and adjusted EBITDA, which are not measures of financial performance under IFRS. The Company calculates each as follows:

- Gross profit before fair value adjustments (adjusted gross profit) is equal to gross profit less the non-cash increase (plus the non-cash decrease) in the fair value adjustments on sale of inventory and on growth of biological assets, if any. Management believes this measure provides useful information as it removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.*
- Adjusted gross margin is gross profit before fair value adjustments divided by revenue. Management believes this measure provides useful information as it represents the gross profit based on the Company's cost to produce inventory sold and removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.*
- Adjusted EBITDA is net income (loss), plus (minus) income taxes (recovery) plus (minus) interest expense, net, plus depreciation and amortization, plus (minus) non-cash fair value adjustments on sale of inventory and on growth of biological assets. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations.*

These measures are not necessarily comparable to similarly titled measures used by other companies.

This MD&A is prepared as of February 1, 2019.

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. OVERVIEW OF THE COMPANY

INDUS is a California-based cannabis company with vertically integrated operations including large scale cultivation, extraction, processing, manufacturing, branding, packaging and wholesale distribution to licensed retail dispensaries statewide. INDUS offers services supporting every step of the supply chain from soil to sale and an extensive portfolio of award-winning brands, including owned brands, such as Altai, Acme, and Moon, and agency brands, such as Dixie, Beboe and Legal.

The Company was founded by Robert Weakley who has played a pioneering role in the emergence of the regulated cannabis market in California. Together with co-founder Mark Ainsworth and the management team, he brought the vision for INDUS to the industry in 2014 by developing Altai as its first brand of edibles. The Company leverages cutting-edge technology and is continuously developing its customer and partner networks of top-tier industry retailers and innovators. INDUS is backed by an experienced team that is deeply in tune and integrated with industry partners and the Company's customers. Together, we are building a new American Industry, creating products that emphasize consumer safety while advancing changing perceptions of cannabis use.

The Company operates a 225,000 square foot cultivation facility in Monterey County and a manufacturing and laboratory facility in Salinas, California for production of extracts and distillates and branded and packaged cannabis flower, concentrates and edible products. The Company also distributes proprietary and third-party brands throughout the State of California and maintains warehouses and distribution vehicles in Central and Southern California.

In addition to owning cultivation, manufacturing and distribution cannabis licenses and operations, the Company also provides manufacturing, extraction and distribution services to third-party cannabis manufacturers and cannabis branding companies.

The "INDUS Group of Companies" is comprised of: INDUS Holding Company and its wholly-owned subsidiaries, Cypress Holding Company, LLC, and Cypress Manufacturing Company, a mutual benefit non-profit entity that converted into a C Corp during fiscal year 2018.

As of early December 2018, the Company had 261 fulltime-equivalent employees, all in California.

High-Yield Cultivation

The Company transforms raw cannabis flower into the INDUS portfolio of products, which are distributed across the State of California, the largest market in the United States. We are focused on growing high yielding, consistent, quality product, and have developed detailed standard operating procedures.

The cannabis cultivation operation is located in Monterey County, California. The cultivation facility ("Zabala") includes four greenhouses totaling 225,000 square feet sited on 10 acres. Farming cannabis at this scale enables us to curate specialized strains and maintain greater control over the quantity and quality of cannabis available for our products, preserving the consistency of its flower and cannabis feedstocks for our extraction laboratory and product manufacturing operations.

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

With the intention to continue improving the yields and scale, the Company has been conducting a series of scheduled renovations of the four greenhouse structures at its Zabala site, including structural upgrades, installation of supplemental lighting, motorized light deprivation shades, and automated nutrient systems and environmental controls. The first greenhouse renovation at Greenhouse #2 was completed in the second quarter of 2017, and we are currently harvesting and replanting clones sequentially in eight segregated rooms in Greenhouse #2, beginning with the initial harvest in July 2017. The renovation of Greenhouse #1 is presently underway and will be completed in the first quarter of 2019, while the renovation of Greenhouse #3 is expected to commence in the fourth quarter of 2018 with an anticipated completion date in the second quarter of 2019. The renovation of Greenhouse #4 is expected to begin in 2019 with a forecasted completion date of 2020. Each greenhouse renovation costs approximately \$2 million and requires approximately 120 days to complete. The Company has invested approximately \$3 million in the greenhouse renovations to date with a planned \$5 million additional investment.

The completion and commissioning of the renovated greenhouses over the ensuing four quarters is expected to further reduce unit costs of cultivation and make available additional cannabis flower and feedstocks for our extraction and processing, packaging and distribution operations.

Start-to-Finish Extraction

Extraction operations consists of a 5,000 square foot licensed laboratory within our Salinas manufacturing facility. The laboratory contains six separate volatile extraction rooms that can each house one independent closed loop volatile extraction machine. INDUS currently owns and operates three ETS machines, each housed in a separate room, and each of which has the capacity to process over 120 pounds of dry product per day yielding over 7.5 kilograms of cannabis concentrates. INDUS expects to eventually employ the remaining four rooms for extraction operations on a going forward basis, increasing the aggregate capacity and unit output of the extraction laboratory. INDUS also currently owns and operates 18 purge ovens in conjunction with the three ETS units in the laboratory and expects to increase the number of ovens at a ratio of six ovens for each new extraction machine.

The extraction operations also include a single unit distillation machine and rotovap to refine extraction output for utilization in vape and food-grade edible products.

INDUS' standard operating procedures and start-to-finish extraction process results in high-yielding extraction at low cost per unit. The extraction operations utilize cannabis feedstocks from INDUS' Zabala cultivations as well as feedstock acquired from other approved cultivations. Concentrate production is packaged as branded extracts, such as crumble and shatter, for distribution, incorporated into its manufactured edible products and sold in bulk to other licensed enterprises. In addition, extraction is provided as a fee-based service on third-party material.

Scaled, Quality Edible Manufacturing

The INDUS manufacturing facility is located in Salinas, California and houses the edible product operations and extraction and distillation operations. The edible product operations utilize internally produced cannabis oil, which can also be supplied from multiple external sources.

The manufacturing operations of INDUS produce a wide variety of cannabis-infused products in its 15,000 square foot manufacturing facility. Its products include chocolate confections, beverages, baked goods, and hard and soft non-chocolate confections. INDUS utilizes modern commercial production equipment and employs food-grade

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

manufacturing protocols, including industry-leading standard operating procedures to ensure that its products meet stringent quality and safety standards. INDUS has implemented updated compliance, packaging and labeling standards to meet the requirements of the *Medical and Adult-Use Cannabis Regulation and Safety Act* (“MAUCRSA”) with the advent of adult use legalization in California.

INDUS has comprehensive inventory management procedures and software systems to ensure consistent and quality production of edibles, compliance with the regulations, and tracking of quantities, and margins throughout the production process.

Distribution

INDUS has a primary distribution center located in Salinas, California and is in the process of developing a distribution center in Los Angeles, California.

Deliveries are made daily, distributing its products to over 80% of the licensed dispensaries in California utilizing a fleet of 14 owned and leased vehicles. Additionally, INDUS distributes third-party branded products to licensed California dispensaries, providing warehousing, delivery, customer service and collection services for the third-party brands. INDUS expects to increase its fleet of vehicles as necessary to meet delivery requirements from increased proprietary and third-party brand sales.

In December 2017, INDUS entered into a long-term lease on a 70,000 square foot facility in Los Angeles. The facility will operate as the Southern California distribution center and will provide additional capacity for manufacturing activities as well as business partner meeting and development activities. INDUS expects facility upgrades for distribution and warehouse activities to be completed in the first quarter of 2019 and manufacturing, development and office activities to be substantially complete by the end of the second quarter of 2019.

The completion and commissioning of the Los Angeles facility will increase facility square footage for distribution and warehouse by 180% and manufacturing by 80%. Additionally, it will enable INDUS to process proprietary and third-party product for state-mandated testing from two locations, taking advantage of strategic laboratory alliances across California.

In 2018 INDUS entered into a distribution collaboration with the creators of an e-commerce platform to develop and implement an automated, on-demand supply chain logistics platform to service California’s growing cannabis industry. The e-commerce platform was operational in the third quarter of 2018. The technology streamlines the traditional business-to-business process, including transport, sales, and payment through a one-stop website that integrates regulatory and compliance checks. It also serves as a transparent, efficient tracking and compliance platform that is creating a new standard and surpasses the fulfillment experience of non-cannabis markets in today’s on-demand world.

Vertical Integration and Product Offerings

Vertical integration allows INDUS to develop broad product offerings with strong gross profit margins. The product offerings include flower, vape pens, oils, extracts, chocolate edibles, mints, gummies, beverages, tinctures and pre-rolls. INDUS sells its products under owned and third-party brands. Owned brands include Altai and Moon edibles, Moon vape pens, Original Pot Cookie baked products, Flavor extracts, Cypress Cannabis flower, House Weed flower

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

and pre-rolls and Acme vape pens and edibles. Third-party brands for which INDUS exclusively manufactures and distributes in California include Beboe vape pens and pastilles, Legal beverages, Dixie beverages and edibles, Canna Stripe edibles and TerpX extracts. INDUS also provides third-party extraction processing, and bulk extraction concentrates and flower to licensed manufacturers and distributors.

Regulatory Overview

INDUS is licensed to operate as medical and adult-use retailers, cultivators and distributors under applicable California and local jurisdictional law. INDUS' licenses permit it to possess, cultivate, process, distribute, and dispense medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by the California Bureau of Cannabis Control ("BCC") under the provision of the California Senate Bill no. 94, *Medicinal and Adult-Use Cannabis Regulations and Safety Act* ("MAUCRSA") and California Assembly Bill No. 133.

INDUS' operations are in full compliance with all applicable state and local laws, regulations and licensing requirements in the State of California where we operate.

California Legal Framework and How it Affects our Business

In the State of California, as in the rest of the country, only cannabis that is grown in state can be sold in that same state. INDUS has the capabilities to cultivate, harvest, process and sell/dispense cannabis and cannabis products. The State of California also allows INDUS to make wholesale purchase of cannabis from, or distribute cannabis and cannabis product to, another licensed entity within the state. Cannabis and cannabis products for sale include but are not limited to: cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral solution, sublingual solution, cannabis edible products and other cannabis-infused products. Types of licenses include:

- **Adult-Use Retailer** – The adult-use retailer license permits the sale of cannabis and cannabis products to any individual age 21 years of age or older who do not possess a physician's recommendation. Under the terms of the license, INDUS is permitted to sell adult-use cannabis and cannabis products to any domestic and international qualified customer, provided that the customer presents a valid government-issued photo identification. The license is not currently used.
- **Medicinal Retailer** – Pursuant to the Compassionate Use Act of 1996 (Proposition 215), the medicinal retailer license permits the sale of medicinal cannabis and cannabis products to medicinal cannabis California based patients who possesses a physician's recommendation. Only certified physicians may provide medicinal cannabis recommendations.
- **Adult-Use and Medicinal Cultivation** – The adult-use and medicinal cultivation licenses that were granted to INDUS permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Licenses further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale of manufacturing purposes.

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

- **Adult-Use and Medicinal Processing** – The adult-use and medicinal processing licenses that were granted to INDUS permit cannabis processing activity which means any cannabis oil extraction and edible manufacturing.
- **Adult-Use and Medicinal Distribution** – The adult-use and medicinal distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities.

2. SELECTED FINANCIAL DATA

The following table presents selected financial data derived from the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2017 and December 31, 2016. The selected consolidated financial information set out below may not be indicative of the Company's future performance.

Years Ended December 31, (in thousands, \$US)			Change	
	2017	2016	\$	%
Net revenue	\$ 15,468	\$ 4,676	\$ 10,792	231%
Cost of goods sold	\$ 13,640	\$ 3,904	\$ 9,736	249%
Net effect of change in fair value of biological assets	\$ (65)	\$ -	\$ (65)	100%
Gross profit	\$ 1,893	\$ 773	\$ 1,120	145%
Adjusted gross profit ⁽¹⁾	\$ 1,828	\$ 773	\$ 1,055	137%
Adjusted gross margin ⁽¹⁾	11.8%	16.5%	-4.7%	
Total operating expenses	\$ 7,803	\$ 4,066	\$ 3,737	92%
Total other income/(expense), net	\$ (1,282)	\$ (146)	\$ (1,136)	780%
Provision for income taxes	\$ 22	\$ -	\$ 22	100%
Net loss	\$ (7,215)	\$ (3,439)	\$ (3,775)	110%
Total assets	\$ 11,586	\$ 6,213	\$ 5,374	86%
Long-term liabilities	\$ 8,979	\$ 3,760	\$ 5,219	139%

⁽¹⁾ Non-GAAP measure

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

We derive our revenue from wholesales of extracts, distillates, branded and packaged cannabis flower, concentrates and edible products to retail dispensaries in the state of California. In addition, we distribute proprietary and third-party brands throughout the state of California. The Company recognizes revenue upon delivery of goods to customers since at this time performance obligations are satisfied.

Revenues for the year ended December 31, 2017 were \$15,468, an increase of \$10,792, or 231%, from the year ended December 31, 2016. The increase was driven by growth in the product portfolio with the addition of Acme, Bebeo, TerpX and Mirth brands and the benefit from expansion of cultivation and manufacturing capacity. Additionally, extension of the Moon brand to non-chocolate confections and launch of Original Pot Cookie contributed to the increase in revenues.

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

INDUS expects to increase proprietary branded product sales in 2018 through the development of new products as well as sales and marketing efforts at existing and newly opened dispensaries. Distribution revenues in 2018 are expected to grow as a result of the implementation of the e-commerce distribution platform and acquisition of distributed brand partners to the platform.

Cost of Sales, Gross Profit and Gross Margin

Cost of goods sold for the year ended December 31, 2017 was \$13,640, an increase of \$9,736, or 246%, from the year ended December 31, 2016, primarily due to the increase in revenues mentioned above and a temporary increase in costs as a result of expansion in cultivation and manufacturing capabilities and increased products costs from lower yields prior to the cultivation and manufacturing expansion being fully operational.

Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Cost of goods sold currently consist of two main categories:

- **Product Costs** – Includes all direct and indirect costs of production and all costs associated with acquiring and preparing for sale products purchased for resale. Cost of goods sold includes amounts paid for direct labor (salaries, benefits, and taxes for all employees at the production facilities), raw materials, packaging, other supplies, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs, and other expenses, such as insurance, employee training, and product testing. For product purchased for resale, the costs also include the purchase price, freight, storage, and other related expenses.
- **Net Effect of the Change in Fair Value of Biological Assets** – These fair value adjustments are part of the Company's cost of sales due to IFRS standards relating to agriculture and biological assets (i.e. living plants or animals). The fair value adjustment on sale of inventory represents the effect of the non-cash fair value adjustment of inventory sold in the period. The fair value adjustment on growth of biological assets represents the effect of the non-cash fair value adjustment of biological assets (cannabis) produced in the period.

Management believes that the use of non-cash IFRS adjustments in calculating gross profit and gross margin can be confusing due to the large value of non-cash fair value metrics required. Accordingly, management believes the use of gross profit before fair value adjustments and adjusted gross margin provides a better representation of performance by excluding non-cash fair value metrics required by IFRS.

Gross profit before fair value adjustments and adjusted gross margin are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

The adjusted gross margin for the years ended December 31, 2017 and 2016 was 11.8% and 16.5%, respectively. The Company recognized a decline in adjusted gross profit and adjusted gross margin for 2017 as a result of a temporary increase in costs as a result of expansion in cultivation and manufacturing capabilities, lower yields prior to the cultivation and manufacturing expansion being fully operational, and product mix.

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Total Operating Expenses

Total operating expenses consist primarily of costs incurred at our corporate offices; personnel costs including salaries, incentive compensation, benefits and incentive compensation; selling, marketing, and other professional service costs including legal and accounting. Sales and marketing expenses consist of selling costs to support our customer relationships and product delivery. It also includes a significant investment in marketing and brand activities and corporate infrastructure required to support our ongoing business. We expect selling costs to remain consistent or slightly decrease as our business continues to grow, due to efficiencies associated with scaling the business. We expect to continue to invest considerably in the general and administrative function to support our aggressive expansion plans and to support the increasing complexity of the cannabis business.

Total operating expenses for the year ended December 31, 2017 was \$7,803, an increase of \$3,737, or 92%, compared to the year ended December 31, 2016. This was driven by higher operating expenses reflecting the increased volume and complexity of services required as the Company's operations increased over the year, higher compensation expense driven by an increase in headcount from the scaling up of operations and increased spend for branding and promotional initiatives.

Income Taxes

We are subject to income taxes in the jurisdictions in which we operate and, consequently, income tax expense is a function of the allocation of taxable income by jurisdiction and the various activities that impact the timing of taxable events. As the Company operates in the legal cannabis industry, the Company is subject to the limits of IRC Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries. However, the state of California does not conform to IRC Section 280E and, accordingly, the Company deducts all operating expenses on its California Franchise Tax Returns.

Provision for income tax for the year ended December 31, 2017 was \$22 compared to \$0 for the year ended December 31, 2016. Refer to *Note 10 Income Taxes* of the consolidated financial statements for further discussion.

Total other income (expense), net

Total other expense for the year ended December 31, 2017 was \$1,282, an increase of \$1,136 over the year ended December 31, 2016. The increase is primarily driven by higher interest expense as a result of increased borrowings used to finance expansion and working capital and amortization of debt issuance costs related to senior notes warrants. Refer to *Note 8 Debt* of the consolidated financial statements for further discussion.

Net Loss

Net loss for the year ended December 31, 2017 was \$7,215, an increase of \$3,775 or 110%, compared to a net loss of \$3,439 for the year ended December 31, 2016. The increase in net loss was driven by the factors described above.

Adjusted EBITDA

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from operations as net income (loss), plus (minus) income taxes (benefit), plus (minus) interest, net, plus depreciation and amortization, plus (minus) non-cash fair value adjustments on sale of inventory and on growth of biological assets, as follows:

**Years Ended December 31,
(in thousands, \$US)**

	2017	2016
Net loss	\$ (7,215)	\$ (3,439)
Interest expense	1,184	172
Provision for income taxes	22	-
Depreciation in cost of goods sold	221	174
Depreciation and amortization in operating expenses	64	40
Net effect of change in fair value of biological assets	(65)	-
Adjusted EBITDA ⁽¹⁾	\$ (5,788)	\$ (3,053)

⁽¹⁾ Non-GAAP measure

3. LIQUIDITY AND CAPITAL RESOURCES

Our primary need for liquidity is to fund the working capital requirements of our business, capital expenditures, acquisitions, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by financing activities. To date, we have used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions, as well as financial, business and other factors, some of which are beyond our control.

Cash Flows

The following table presents the Company's net cash inflows and outflows and working capital position from the audited annual consolidated financial statements of the Company for the years ended December 31, 2017 and December 31, 2016.

**Years Ended December 31,
(in thousands, \$US)**

	2017	2016	Change	
			\$	%
Net cash used in operating activities	\$ (7,418)	\$ (3,893)	\$ (3,524)	-91%
Net cash used in investing activities	\$ (982)	\$ (117)	\$ (865)	-739%
Net cash provided by financing activities	\$ 7,823	\$ 6,285	\$ 1,538	24%
Change in cash and cash equivalents	\$ (578)	\$ 2,274	\$ (2,852)	-125%
Working capital	\$ 1,120	\$ 3,904	\$ (2,784)	-71%
Cash on hand	\$ 2,229	\$ 2,807	\$ (578)	-21%

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

At December 31, 2017, we had \$2,229 of cash and \$1,120 of working capital surplus (current assets minus current liabilities), compared with \$2,807 of cash and cash equivalents and \$3,904 of working capital surplus at December 31, 2016.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months.

Cash used in operating activities

Net cash used in operating activities was \$7,418 for the year ended December 31, 2017, an increase of \$3,524, or 91%, compared to the year ended December 31, 2016. The increase was primarily driven by the increased net loss, increased inventory and biological assets, partially offset by the lower usage of cash during the year ended December 31, 2017 due to timing of payments.

Cash used in investing activities

Net cash used in investing activities was \$982 for the year ended December 31, 2017, an increase of \$865, or 739%, compared to the year ended December 31, 2016. The outflow for the year ended December 31, 2017 is due to funds disbursed for property and equipment additions, which predominantly relate to the build out of the cultivation facility and expansion of manufacturing.

Cash provided by financing activities

Net cash provided by financing activities was \$7,823 for the year ended December 31, 2017, an increase of \$1,538, or 24%, compared to the year ended December 31, 2016. The inflow for the year ended December 31, 2017 consisted of \$8,012 in proceeds from the issuance of debt, partially offset by \$189 in capital lease payments.

Contractual Obligations

The Company and its subsidiaries, in the normal course of business, have entered into operating lease agreements for corporate offices, a cultivation facility, a manufacturing facility and distribution centers. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

At December 31, 2018

(in thousands, \$US)

2018	\$	2,346
2019		2,355
2020		2,125
2021		2,128
2022		2,016
Thereafter		10,409
Total future minimum operating lease payments	\$	21,379

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The Company is subject to other capital commitments and similar obligations, primarily for the lease of vehicles used in its distribution and sales operations. Future minimum lease payments under non-cancelable finance leases are as follows:

At December 31, 2018

(in thousands, \$US)

2018	\$	50
2019		50
2020		50
2021		41
2022		28
Thereafter		9
Future minimum capital lease payments		229
Less amount representing interest		42
Present value of net minimum lease payments		187
Less current portion		48
Finance lease obligations	\$	139

In addition to the commitments described above, the Company has the following contractual obligations at December 31, 2017:

December 31, (in thousands, \$US)	Maturity: < 1 Year		Maturity: > 1 Year	
	2017	2016	2017	2016
Accounts payable and				
Other accrued liabilities	\$ 4,045	\$ 1,068	\$ -	\$ -

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of the operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

4. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

At December 31, 2017 and 2016, certain directors and officers of INDUS loaned the Company \$2.95 million and \$1.0 million, respectively, which were recorded within the Company's notes payable. The terms under these notes were the same as those for non-related party note holders.

In April 2015, INDUS entered into a services agreement with Olympic Management Group ("OMG"), for advisory and technology support services, including the access and use of software licensed to OMG to perform certain data processing and enterprise resource planning (ERP) operational services. OMG is owned by one of the Company's co-founders. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by OMG in

performance of its services. Amounts paid to OMG for the years ended December 31, 2017 and 2016 were \$78.0 and \$47.6, respectively.

INDUS receives certain administrative, operational and consulting services through a Management Services Agreement with Edibles Management, LLC ("EM"). EM is a limited liability company owned by the co-founders of INDUS and was formed to provide INDUS with certain administrative functions comprising: cultivation, distribution, and production operations support; general administration; corporate development; human resources; finance and accounting; marketing; sales; legal and compliance. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by EM in performance of its services. Amounts paid to EM for the years ended December 31, 2017 and 2016 were \$5,217 and \$3,225, respectively.

5. CHANGES IN OR ADOPTION OF ACCOUNTING PRONOUNCEMENTS

There were no new standards effective December 31, 2017 that had an impact on the Company's consolidated financial statements. The following IFRS standards have been recently issued by the IASB. The Company is assessing the impact of these new standards on future consolidated financial statements. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018.

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company expects the impact on its consolidated financial statements from the adoption of this new standard will be immaterial.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, providing a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with our customers. In April 2016, the IASB issued clarifications to IFRS 15, which provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and intellectual property licenses. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect significant impact on its consolidated financial statements from the adoption of this new standard.

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease

payments. The standard will be effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers*, at or before the date of initial adoption of IFRS 16. The extent of the impact of adoption of the standard has not yet been determined.

6. CRITICAL ACCOUNTING POLICIES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

- **Estimated Useful Lives and Depreciation of Property and Equipment** – Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- **Estimated Useful Lives and Amortization of Intangible Assets** – Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.
- **Fair Value of Biological Assets and Inventory** – In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.
- **Fair Value of Investments in Private Entities** – The Company uses discounted cash flow model to determine fair value of its investment in private entities. In estimating fair value, management is required to make certain assumptions and estimates such as discount rate, long term growth rate, estimated free cash flows.
- **Share-Based Compensation** – The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and warrants granted. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.
- **Deferred Tax Asset and Valuation Allowance** – Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities; current portion of long-term debt; and long-term debt. The carrying values of these financial instruments approximate their fair values.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 — Quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 — Inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 — Inputs for assets or liabilities that are not based upon observable market data

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assess the impact and likelihood of those risks. These risks include: market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at December 31, 2017 and December 31, 2016 is the carrying amount of cash and cash equivalents and accounts receivable. All cash and cash equivalents are placed with U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as a significant portion of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

In addition to the commitments outlined in Note 14, the Company has the following contractual obligations:

INDUS HOLDING GROUP OF COMPANIES

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

December 31, (in thousands, \$US)	Maturity: < 1 Year		Maturity: > 1 Year	
	2017	2016	2017	2016
Accounts Payable and Other				
Other Accrued Liabilities	\$ 4,045	\$ 1,068	\$ -	\$ -

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities. The Company considers interest rate risk to be immaterial.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because adult-use cannabis is a newly commercialized and regulated industry in the state of California, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There can be no assurance that price volatility will be favorable to INDUS or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by the state and local governments, the supply such licensees are able to generate and consumer demand for cannabis. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its valuation.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical and/or adult-use marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking

system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and its subsidiaries and leaves their cash holdings vulnerable.

8. SUBSEQUENT EVENTS

Series B Convertible Preferred Stock Offering

In March 2018, the Company initiated a \$15.0 million Series B Preferred Stock Agreement, which was subsequently increased to \$46.0 million, whereby the convertible preferred shares could be purchased for approximately \$4.5057 per share, or existing debt could be exchanged at a 20% discount from the offering price, or approximately \$3.6046 per share. As a result of the stock offering, the Company's convertible notes automatically converted in May 2018. On October 25, 2018 the Company completed its \$46 million Series B Preferred Stock Offering. Proceeds from the offering consisted of the conversion of \$12.1 million in outstanding debt and accrued interest into Series B preferred shares, \$4.0 million of convertible debt and accrued interest into common shares, and the receipt of \$26.7 million in cash and \$3.2 in subscription receivable. Upon closing the offering, the company had \$125 of senior secured notes and \$250 of promissory notes outstanding, of which all were due in the fourth quarter of 2018.

Acquisitions

In July 2018, the Company acquired all of the assets of Acme Inc. for total consideration of \$571, which includes seller's notes and stock. Acme is a leading name in cannabis extraction using the latest extraction technology to create oil derived from organically grown cannabis without harmful solvents or additives. The acquisition broadens and strengthens INDUS' brand portfolio and product offerings. The Company accounted for the acquisition of Acme assets as a business combination in accordance with IFRS 3 *Business Combinations*.

Proposed Reverse Takeover

In December 2018, the Company entered into a definitive business combination agreement pursuant to which the Company will complete a reverse takeover of Mezzotin Minerals Inc. ("Mezzotin"), a registered issuer in the Province of Ontario, and the securityholders of the Company will hold substantially all of the outstanding securities of Mezzotin following the proposed transaction. Immediately prior to the transaction, Mezzotin will undertake a number of actions to prepare its share structure for the proposed transaction. An application has been made to list the resulting issuer's subordinate voting shares on the Canadian Securities Exchange. Following the transaction, the former securityholders of Mezzotin will own approximately CDN\$2,250 in shares of the resulting issuer, which will be renamed "INDUS Holdings, Inc."

SCHEDULE "D"
MD&A FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

This management discussion and analysis ("MD&A") of the financial condition and results of operations of the INDUS Group of Companies (the "Company", "we", "our", "us" or "INDUS") is for the three and nine months ended September 30, 2018 and 2017. It is supplemental to, and should be read in conjunction with, the Company's unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended September 30, 2018 and 2017. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are expressed in thousands of United States dollars (" \$" or "US\$"), unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators.

This MD&A contains certain "forward-looking statements" and certain "forward-looking information" as defined under applicable United States securities laws and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading "Cautionary Note Regarding Forward-Looking Information", located at the beginning of this Listing Statement. As a result of many factors, the Company's actual results may differ materially from those anticipated in these forward-looking statements and information.

In this MD&A, reference is made to gross profit before fair value adjustments or adjusted gross profit, adjusted gross margin, and adjusted EBITDA, which are not measures of financial performance under IFRS. The Company calculates each as follows:

- Gross profit before fair value adjustments (adjusted gross profit) is equal to gross profit less the non-cash increase (plus the non-cash decrease) in the fair value adjustments on sale of inventory and on growth of biological assets, if any. Management believes this measure provides useful information as it removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.*
- Adjusted gross margin is gross profit before fair value adjustments divided by revenue. Management believes this measure provides useful information as it represents the gross profit based on the Company's cost to produce inventory sold and removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.*
- Adjusted EBITDA is net income (loss), plus (minus) income taxes (recovery) plus (minus) interest expense, net, plus depreciation and amortization, plus (minus) non-cash fair value adjustments on sale of inventory and on growth of biological assets. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations.*

These measures are not necessarily comparable to similarly titled measures used by other companies.

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

This MD&A is prepared as of February 1, 2019.

1. OVERVIEW OF THE COMPANY

INDUS is a California-based cannabis company with vertically integrated operations including large scale cultivation, extraction, processing, manufacturing, branding, packaging and wholesale distribution to licensed retail dispensaries statewide. INDUS offers services supporting every step of the supply chain from soil to sale and an extensive portfolio of award-winning brands, including owned brands, such as Altai, Acme, and Moon, and agency brands, such as Dixie, Beboe and Legal.

The Company was founded by Robert Weakley who has played a pioneering role in the emergence of the regulated cannabis market in California. Together with co-founder Mark Ainsworth and the management team, he brought the vision for INDUS to the industry in 2014 by developing Altai as its first brand of edibles. The Company leverages cutting-edge technology and is continuously developing its customer and partner networks of top-tier industry retailers and innovators. INDUS is backed by an experienced team that is deeply in tune and integrated with industry partners and the Company's customers. Together, we are building a new American Industry, creating products that emphasize consumer safety while advancing changing perceptions of cannabis use.

The Company operates a 225,000 square foot cultivation facility in Monterey County and a manufacturing and laboratory facility in Salinas, California for production of extracts and distillates and branded and packaged cannabis flower, concentrates and edible products. The Company also distributes proprietary and third-party brands throughout the State of California and maintains warehouses and distribution vehicles in Central and Southern California.

In addition to owning cultivation, manufacturing and distribution cannabis licenses and operations, the Company also provides manufacturing, extraction and distribution services to third-party cannabis manufacturers and cannabis branding companies.

The "INDUS Group of Companies" is comprised of: INDUS Holding Company and its wholly-owned subsidiaries, Cypress Holding Company, LLC, and Cypress Manufacturing Company, a mutual benefit non-profit entity that converted into a C Corp during fiscal year 2018.

As of early December 2018, the Company had 261 fulltime-equivalent employees, all in California.

High-Yield Cultivation

The Company transforms raw cannabis flower into the INDUS portfolio of products, which are distributed across the State of California, the largest market in the United States. We are focused on growing high yielding, consistent, quality product, and have developed detailed standard operating procedures.

The cannabis cultivation operation is located in Monterey County, California. The cultivation facility ("Zabala") includes four greenhouses totaling 225,000 square feet sited on 10 acres. Farming cannabis at this scale enables us to curate specialized strains and maintain greater control over the quantity and quality of cannabis available for our products,

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

preserving the consistency of its flower and cannabis feedstocks for our extraction laboratory and product manufacturing operations.

With the intention to continue improving the yields and scale, the Company has been conducting a series of scheduled renovations of the four greenhouse structures at its Zabala site, including structural upgrades, installation of supplemental lighting, motorized light deprivation shades, and automated nutrient systems and environmental controls. The first greenhouse renovation at Greenhouse #2 was completed in the second quarter of 2017, and we are currently harvesting and replanting clones sequentially in eight segregated rooms in Greenhouse #2, beginning with the initial harvest in July 2017. The renovation of Greenhouse #1 is presently underway and will be completed in the first quarter of 2019, while the renovation of Greenhouse #3 is expected to commence in the fourth quarter of 2018 with an anticipated completion date in the second quarter of 2019. The renovation of Greenhouse #4 is expected to begin in 2019 with a forecasted completion date of 2020. Each greenhouse renovation costs approximately \$2 million and requires approximately 120 days to complete. The Company has invested approximately \$3 million in the greenhouse renovations to date with a planned \$5 million additional investment.

The completion and commissioning of the renovated greenhouses over the ensuing four quarters is expected to further reduce unit costs of cultivation and make available additional cannabis flower and feedstocks for our extraction and processing, packaging and distribution operations.

Start-to-Finish Extraction

Extraction operations consists of a 5,000 square foot licensed laboratory within our Salinas manufacturing facility. The laboratory contains six separate volatile extraction rooms that can each house one independent closed loop volatile extraction machine. INDUS currently owns and operates three ETS machines, each housed in a separate room, and each of which has the capacity to process over 120 pounds of dry product per day yielding over 7.5 kilograms of cannabis concentrates. INDUS expects to eventually employ the remaining four rooms for extraction operations on a going forward basis, increasing the aggregate capacity and unit output of the extraction laboratory. INDUS also currently owns and operates 18 purge ovens in conjunction with the three ETS units in the laboratory and expects to increase the number of ovens at a ratio of six ovens for each new extraction machine.

The extraction operations also include a single unit distillation machine and rotovap to refine extraction output for utilization in vape and food-grade edible products.

INDUS' standard operating procedures and start-to-finish extraction process results in high-yielding extraction at low cost per unit. The extraction operations utilize cannabis feedstocks from INDUS' Zabala cultivations as well as feedstock acquired from other approved cultivations. Concentrate production is packaged as branded extracts, such as crumble and shatter, for distribution, incorporated into its manufactured edible products and sold in bulk to other licensed enterprises. In addition, extraction is provided as a fee-based service on third-party material.

Scaled, Quality Edible Manufacturing

The INDUS manufacturing facility is located in Salinas, California and houses the edible product operations and extraction and distillation operations. The edible product operations utilize internally produced cannabis oil, which can also be supplied from multiple external sources.

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

The manufacturing operations of INDUS produce a wide variety of cannabis-infused products in its 15,000 square foot manufacturing facility. Its products include chocolate confections, beverages, baked goods, and hard and soft non-chocolate confections. INDUS utilizes modern commercial production equipment and employs food-grade manufacturing protocols, including industry-leading standard operating procedures to ensure that its products meet stringent quality and safety standards. INDUS has implemented updated compliance, packaging and labeling standards to meet the requirements of the *Medical and Adult-Use Cannabis Regulation and Safety Act* (“MAUCRSA”) with the advent of adult use legalization in California.

INDUS has comprehensive inventory management procedures and software systems to ensure consistent and quality production of edibles, compliance with the regulations, and tracking of quantities, and margins throughout the production process.

Distribution

INDUS has a primary distribution center located in Salinas, California and is in the process of developing a distribution center in Los Angeles, California.

Deliveries are made daily, distributing its products to over 80% of the licensed dispensaries in California utilizing a fleet of 14 owned and leased vehicles. Additionally, INDUS distributes third-party branded products to licensed California dispensaries, providing warehousing, delivery, customer service and collection services for the third-party brands. INDUS expects to increase its fleet of vehicles as necessary to meet delivery requirements from increased proprietary and third-party brand sales.

In December 2017, INDUS entered into a long-term lease on a 70,000 square foot facility in Los Angeles. The facility will operate as the Southern California distribution center and will provide additional capacity for manufacturing activities as well as business partner meeting and development activities. INDUS expects facility upgrades for distribution and warehouse activities to be completed in the first quarter of 2019 and manufacturing, development and office activities to be substantially complete by the end of the second quarter of 2019.

The completion and commissioning of the Los Angeles facility will increase facility square footage for distribution and warehouse by 180% and manufacturing by 80%. Additionally, it will enable INDUS to process proprietary and third-party product for state-mandated testing from two locations, taking advantage of strategic laboratory alliances across California.

In 2018 INDUS entered into a distribution collaboration with the creators of an e-commerce platform to develop and implement an automated, on-demand supply chain logistics platform to service California’s growing cannabis industry. The e-commerce platform was operational in the third quarter of 2018. The technology streamlines the traditional business-to-business process, including transport, sales, and payment through a one-stop website that integrates regulatory and compliance checks. It also serves as a transparent, efficient tracking and compliance platform that is creating a new standard and surpasses the fulfillment experience of non-cannabis markets in today’s on-demand world.

Vertical Integration and Product Offerings

Vertical integration allows INDUS to develop broad product offerings with strong gross profit margins. The product offerings include flower, vape pens, oils, extracts, chocolate edibles, mints, gummies, beverages, tinctures and pre-rolls. INDUS sells its products under owned and third-party brands. Owned brands include Altai and Moon edibles, Moon vape pens, Original Pot Cookie baked products, Flavor extracts, Cypress Cannabis flower, House Weed flower and pre-rolls and Acme vape pens and edibles. Third-party brands for which INDUS exclusively manufactures and distributes in California include Beboe vape pens and pastilles, Legal beverages, Dixie beverages and edibles, Canna Stripe edibles and TerpX extracts. INDUS also provides third-party extraction processing, and bulk extraction concentrates and flower to licensed manufacturers and distributors.

Regulatory Overview

INDUS is licensed to operate as medical and adult-use retailers, cultivators and distributors under applicable California and local jurisdictional law. INDUS' licenses permit it to possess, cultivate, process, distribute, and dispense medical and adult-use cannabis in the State of California pursuant to the terms of the various licenses issued by the California Bureau of Cannabis Control ("BCC") under the provision of the California Senate Bill no. 94, *Medicinal and Adult-Use Cannabis Regulations and Safety Act* ("MAUCRSA") and California Assembly Bill No. 133.

INDUS' operations are in full compliance with all applicable state and local laws, regulations and licensing requirements in the State of California where we operate.

California Legal Framework and How it Affects our Business

In the State of California, as in the rest of the country, only cannabis that is grown in state can be sold in that same state. INDUS has the capabilities to cultivate, harvest, process and sell/dispense cannabis and cannabis products. The State of California also allows INDUS to make wholesale purchase of cannabis from, or distribute cannabis and cannabis product to, another licensed entity within the state. Cannabis and cannabis products for sale include but are not limited to: cannabis dry flower, vaporizer forms of cannabis, cannabis oil in capsule, oral solution, sublingual solution, cannabis edible products and other cannabis-infused products. Types of licenses include:

- **Adult-Use Retailer** – The adult-use retailer license permits the sale of cannabis and cannabis products to any individual age 21 years of age or older who do not possess a physician's recommendation. Under the terms of the license, INDUS is permitted to sell adult-use cannabis and cannabis products to any domestic and international qualified customer, provided that the customer presents a valid government-issued photo identification. The license is not currently used.
- **Medicinal Retailer** – Pursuant to the Compassionate Use Act of 1996 (Proposition 215), the medicinal retailer license permits the sale of medicinal cannabis and cannabis products to medicinal cannabis California based patients who possesses a physician's recommendation. Only certified physicians may provide medicinal cannabis recommendations.
- **Adult-Use and Medicinal Cultivation** – The adult-use and medicinal cultivation licenses that were granted to INDUS permit cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Licenses further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale of manufacturing purposes.

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

- **Adult-Use and Medicinal Processing** – The adult-use and medicinal processing licenses that were granted to INDUS permit cannabis processing activity which means any cannabis oil extraction and edible manufacturing.
- **Adult-Use and Medicinal Distribution** – The adult-use and medicinal distribution licenses permit cannabis related distribution activity which means the procurement, sale, and transportation of cannabis and cannabis products between licensed entities.

2. SELECTED FINANCIAL DATA

The following table presents selected financial data derived from the unaudited consolidated interim financial statements of the Company as at and for the three and nine months ended September 30, 2018 and September 30, 2017. The selected consolidated financial information set out below may not be indicative of the Company's future performance.

Periods Ended September 30, (in thousands, \$US)	Three Months		Change		Nine Months		Change	
	2018	2017	\$	%	2018	2017	\$	%
Net revenue	\$ 5,217	\$ 4,316	\$ 901	21%	\$ 10,940	\$ 9,655	\$ 1,285	13%
Cost of goods sold	\$ 4,143	\$ 3,251	\$ 892	27%	\$ 8,520	\$ 7,750	\$ 770	10%
Net effect of change in fair value of biological assets	\$ (1,336)	\$ 1,132	\$ (2,469)	-218%	\$ (2,290)	\$ 1,355	\$ (3,645)	-269%
Gross profit	\$ 2,411	\$ (67)	\$ 2,478	-3677%	\$ 4,710	\$ 550	\$ 4,160	756%
Adjusted gross profit ⁽¹⁾	\$ 1,074	\$ 1,065	\$ 9	1%	\$ 2,420	\$ 1,905	\$ 515	27%
Adjusted gross margin ⁽¹⁾	20.6%	24.7%	-4.1%	n/a	22.1%	19.7%	2.4%	n/a
Total operating expenses	\$ 2,948	\$ 2,000	\$ 948	47%	\$ 7,127	\$ 5,392	\$ 1,735	32%
Total other income/(expense), net	\$ (311)	\$ (334)	\$ 23	-7%	\$ (1,254)	\$ (936)	\$ (318)	34%
Provision for income taxes	\$ 3	\$ -	\$ 3	100%	\$ 67	\$ -	\$ 67	100%
Net loss	\$ (852)	\$ (2,402)	\$ 1,550	-65%	\$ (3,738)	\$ (5,777)	\$ 2,039	-35%
Total assets	\$ 17,635	\$ 11,586	\$ 6,049	52%	\$ 17,635	\$ 11,586	\$ 6,049	52%
Long-term liabilities	\$ 344	\$ 8,979	\$ (8,635)	-96%	\$ 344	\$ 8,979	\$ (8,635)	-96%

⁽¹⁾ Non-GAAP measure

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

Revenue

We derive our revenue from wholesales of extracts, distillates, branded and packaged cannabis flower, concentrates and edible products to retail dispensaries in the state of California. In addition, we distribute proprietary and third-party brands throughout the state of California. The Company recognizes revenue upon delivery of goods to customers since at this time performance obligations are satisfied.

Revenues increased by \$901, or 21%, to \$5,217 and \$1,285, or 13%, to \$10,940 in the three and nine months ended September 30, 2018, respectively. The increase was driven by continued customer onboarding, increased wholesale orders, the benefit of leveraging owned and third-party brands (Acme, Bebeo, Moon, and OPC) for the full period compared to the prior year. The Company also launched its e-commerce platform in August 2018 for sales of distributed brands. Revenues in 2018 were adversely impacted by delays in dispensary licensing under MAUCRSA as the number of licensed dispensaries dropped by approximately 90% from December 2017 to January 2018 when

MAUCRSA regulations became effective and as of September 30, 2018, the number of licensed dispensaries were less than 50% of the number pre-MAUCRSA regulations.

INDUS expects to increase proprietary branded product sales in 2019 through the development of new products as well as sales and marketing efforts at existing and newly opened dispensaries. Distribution revenues in the fourth quarter 2018 and for 2019 are expected to grow as a result of the implementation of the e-commerce distribution platform and attracting additional distributed brand partners to the platform.

Cost of Sales, Gross Profit and Gross Margin

Cost of goods sold increased by \$892, or 27%, to \$4,143 and \$770, or 10%, to \$8,520 in the three and nine months ended September 30, 2018, respectively. Gross profit was primarily impacted by the increase in revenues mentioned above and negatively affected by a one-time liquidation of inventory when the industry was legally required to stop selling existing inventories due to California's change in cannabis regulations as it moved from the medical to adult use market.

Cannabis costs are affected by various state regulations that limits the sourcing and procurement of cannabis product, which may create fluctuations in gross profit over comparative periods as the regulatory environment changes. Cost of goods sold currently consist of two main categories:

- **Product Costs** – Includes all direct and indirect costs of production and all costs associated with acquiring and preparing for sale products purchased for resale. Cost of goods sold includes amounts paid for direct labor (salaries, benefits, and taxes for all employees at the production facilities), raw materials, packaging, other supplies, allocated overhead which includes allocations of rent, administrative salaries, utilities, and related costs, and other expenses, such as insurance, employee training, and product testing. For product purchased for resale, the costs also include the purchase price, freight, storage, and other related expenses.
- **Net Effect of the Change in Fair Value of Biological Assets** – These fair value adjustments are part of the Company's cost of sales due to IFRS standards relating to agriculture and biological assets (i.e. living plants or animals). The fair value adjustment on sale of inventory represents the effect of the non-cash fair value adjustment of inventory sold in the period. The fair value adjustment on growth of biological assets represents the effect of the non-cash fair value adjustment of biological assets (cannabis) produced in the period.

Management believes that the use of non-cash IFRS adjustments in calculating gross profit and gross margin can be confusing due to the large value of non-cash fair value metrics required. Accordingly, management believes the use of gross profit before fair value adjustments and adjusted gross margin provides a better representation of performance by excluding non-cash fair value metrics required by IFRS.

Gross profit before fair value adjustments and adjusted gross margin are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

The adjusted gross margin for the nine-months ended September 30, 2018 and 2017 was 22.1% and 19.7%, respectively. The Company recognized an increase in adjusted gross profit and adjusted gross margin for 2018 as a result of improved yields in cultivation and the manufacturing expansion begun in 2017 being fully operational.

Total Operating Expenses

Total operating expenses consist primarily of costs incurred at our corporate offices; personnel costs including salaries, benefits and incentive compensation; selling, marketing, and other professional service costs including legal and accounting. Sales and marketing expenses consist of selling costs to support our customer relationships and product delivery. It also includes a significant investment in marketing and brand activities and corporate infrastructure required to support our ongoing business. We expect selling costs as a percentage of revenue to remain consistent or slightly decrease as our business continues to grow, due to efficiencies associated with scaling the business. We expect to continue to invest considerably in the general and administrative function to support our aggressive expansion plans and to support the increasing complexity of the cannabis business.

Total operating expenses increased by \$948, or 47%, to \$2,948 and \$1,735, or 32%, to \$7,127 in the three and nine months ended September 30, 2018. The increases were driven by higher expenses reflecting the increased volume and complexity of services required as the Company's operations increased over the year, higher compensation expense driven by an increase in headcount from the scaling up of operations and increased spending for branding and promotional initiatives.

Total other income (expense), net

Total other expense decreased by \$23, or 7%, to \$311 for the three months ended September 30, 2018 and increased \$318, or 34%, to \$1,254 for the nine months ended September 30, 2018. The increase is primarily driven by higher interest expense as a result of increased borrowings used to finance expansion and working capital in the first half of the year, and amortization of debt issuance costs related to senior notes warrants. Refer to *Note 8 Debt* of the unaudited consolidated interim financial statements for further detail.

Net Loss

Net loss decreased by \$1,550, or 65%, to \$852 for the three months ended September 30, 2018 and \$2,039, or 35%, to \$3,738 for the nine months ended September 30, 2018. The decrease in net loss was driven by the factors described above.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA from operations as net income (loss), plus (minus) income taxes (benefit), plus (minus) interest expense, net, plus depreciation and amortization, plus (minus) non-cash fair value adjustments on sale of inventory and on growth of biological assets, as follows:

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Periods Ended September 30, (in thousands, \$US)	Three Months		Nine Months	
	2018	2017	2018	2017
Net loss	\$ (852)	\$ (2,402)	\$ (3,738)	\$ (5,777)
Interest expense	310	325	1,257	815
Provision for income taxes	3	-	67	-
Depreciation in cost of goods sold	86	69	247	196
Depreciation and amortization in operating expenses	23	18	65	46
Net effect of change in fair value of biological assets	(1,336)	1,132	(2,290)	1,355
Adjusted EBITDA ⁽¹⁾	\$ (1,765)	\$ (857)	\$ (4,391)	\$ (3,365)

⁽¹⁾ Non-GAAP measure

3. LIQUIDITY AND CAPITAL RESOURCES

Our primary need for liquidity is to fund the working capital requirements of our business, capital expenditures, acquisitions, debt service and for general corporate purposes. Our primary source of liquidity is funds generated by financing activities. To date, we have used private financing as a source of liquidity for short-term working capital needs and general corporate purposes. Our ability to fund our operations, to make planned capital expenditures, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions, as well as financial, business and other factors, some of which are beyond our control.

Cash Flows

The following table presents the Company's net cash inflows and outflows and working capital position from the audited annual consolidated financial statements of the Company for the nine-month periods ended September 30, 2018 and September 30, 2017.

Nine Months Ended September 30, (in thousands, \$US)	2018	2017	Change	
			\$	%
Net cash used in operating activities	\$ (9,574)	\$ (5,590)	\$ (3,983)	-71%
Net cash used in investing activities	\$ (726)	\$ (729)	\$ 3	0%
Net cash provided by financing activities	\$ 8,718	\$ 3,956	\$ 4,762	120%
Change in cash and cash equivalents	\$ (1,582)	\$ (2,363)	\$ 782	33%
Working capital	\$ 9,417	\$ 1,120	\$ 8,297	741%
Cash on hand	\$ 646	\$ 2,229	\$ (1,583)	-71%

At September 30, 2018, we had \$646 of cash and \$9,417 of working capital surplus (current assets minus current liabilities), compared with \$2,229 of cash and cash equivalents and \$1,120 of working capital surplus at September 30, 2017. The improvement in working capital was primarily due to an increase in inventories and a decrease in short-term debt. Refer to Note 10 *Debt* for further detail.

We expect that our cash on hand and cash flows from operations, along with private and/or public financing, will be adequate to meet our capital requirements and operational needs for the next 12 months.

Cash used in operating activities

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Net cash used in operating activities was \$9,574 for the nine months ended September 30, 2018, an increase of \$3,983, or 71%, compared to the nine months ended September 30, 2017. The increase was primarily driven by higher usage of cash in current periods' accounts payable due to timing of payments, increased inventory and biological assets, higher accounts receivable due to extension of credit terms to dispensary partners, partially offset by increased other long-term liabilities.

Cash used in investing activities

Net cash used in investing activities was \$726 for the nine months ended September 30, 2018, a decrease of \$3, compared to the same period in the prior year. The outflow is for funds disbursed for property and equipment additions, which predominantly relate to the improvements to the cultivation greenhouses and manufacturing equipment.

Cash provided by financing activities

Net cash provided by financing activities was \$8,718 for the nine months ended September 30, 2018, an increase of \$4,762, or 120%, compared to the nine-months ended September 30, 2017. The inflow for the year consisted of \$9,350 in proceeds from promissory note borrowings and the Series B offering discussed in Note 9 of the consolidated interim financial statements, partially offset by \$32 in capital lease payments and \$600K in debt payments.

Contractual Obligations

The Company and its subsidiaries, in the normal course of business, have entered into operating lease agreements for corporate offices, a cultivation facility, a manufacturing facility and distribution centers. Future minimum lease payments under non-cancelable operating leases having an initial or remaining term of more than one year are as follows:

At September 30, 2018

(in thousands, \$US)

Less than 1 year	\$ 2,353
1 - 5 years	8,397
Greater than 5 years	8,337
Total	<u>\$ 19,087</u>

The Company is subject to other capital commitments and similar obligations, primarily for the lease of vehicles used in its distribution and sales operations. Future minimum lease payments under non-cancelable finance leases are as follows:

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

At September 30, 2018

(in thousands, \$US)

Less than 1 year	\$	50
1 - 5 years		150
Greater than 5 years		8
Total	\$	208

In addition to the commitments described above, the Company has the following contractual obligations at September 30, 2018:

(in thousands, \$US)	Maturity: < 1 Year		Maturity: > 1 Year	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Accounts payable and				
Other accrued liabilities	\$ 3,730	\$ 4,045	\$ -	\$ -

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of the operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

4. RELATED PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

In April 2015, INDUS entered into a services agreement with Olympic Management Group ("OMG"), for advisory and technology support services, including the access and use of software licensed to OMG to perform certain data processing and enterprise resource planning (ERP) operational services. OMG is owned by one of the Company's co-founders. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by OMG in performance of its services. Amounts paid to OMG for the nine months ended September 30, 2018 and 2017 were \$0 and \$18.6, respectively.

INDUS receives certain administrative, operational and consulting services through a Management Services Agreement with Edibles Management, LLC ("EM"). EM is a limited liability company owned by the co-founders of INDUS and was formed to provide INDUS with certain administrative functions comprising: cultivation, distribution, and production operations support; general administration; corporate development; human resources; finance and accounting; marketing; sales; legal and compliance. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by EM in performance of its services. Amounts paid to EM for the nine months ended September 30, 2018 and 2017 were \$4.05 million and \$3.76 million, respectively.

5. CHANGES IN OR ADOPTION OF ACCOUNTING PRONOUNCEMENTS

There were no new standards effective September 30, 2018 that had an impact on the Company's consolidated financial statements. The Company's condensed interim consolidated financial statements have been prepared

following substantially the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2017, except as noted below.

IFRS 7, *Financial instruments: Disclosure*, was amended to require additional disclosures on transition from IAS 39 to IFRS 9. IFRS 7 is effective on adoption of IFRS 9, which is effective for annual periods commencing on or after January 1, 2018. Effective January 1, 2018, the Company adopted the standard and IFRS 9. The adoption of the standards has no impact on the Company's combined financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement under IAS 39, *Financial Instruments: Recognition and Measurement*, to the new measurement categories under IFRS 9

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Effective January 1, 2018, the Company adopted the standard. The adoption of IFRS 9 has no impact on the Company's combined financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement under IAS 39, *Financial Instruments: Recognition and Measurement*, to the new measurement categories under IFRS 9.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which replaces the existing standards for revenue recognition. The new standard establishes a framework for the recognition and measurement of revenues generated from contracts with customers, providing a principles-based approach for revenue recognition, and introduces the concept of recognizing revenue for performance obligations as they are satisfied. The standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenues and cash flows arising from transactions with our customers. In April 2016, the IASB issued clarifications to IFRS 15, which provide additional clarity on revenue recognition related to identifying performance obligations, application guidance on principal versus agent and intellectual property licenses. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Effective January 1, 2018, the Company has adopted the standard. There is no material impact. The Company continues to recognize revenue upon delivery of goods to customers since at this time performance obligations are satisfied.

6. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

- Estimated Useful Lives and Depreciation of Property and Equipment – Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of

judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- **Estimated Useful Lives and Amortization of Intangible Assets** – Amortization of intangible assets is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any.
- **Fair Value of Biological Assets and Inventory** – In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, expected yields for the cannabis plants. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost to estimated net realizable value.
- **Fair Value of Investments in Private Entities** – The Company uses discounted cash flow model to determine fair value of its investment in private entities. In estimating fair value, management is required to make certain assumptions and estimates such as discount rate, long term growth rate, estimated free cash flows.
- **Share-Based Compensation** – The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options and warrants granted. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.
- **Deferred Tax Asset and Valuation Allowance** – Deferred tax assets, including those arising from tax loss carry-forwards, requires management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.
- **Business Combinations** – A business combination is defined as an acquisition of assets and liabilities that constitute a business. A business consists of inputs, including non-current assets and processes, including operational processes, that when applied to those inputs have the ability to create outputs that provide a return to the Company. Business combinations are accounted for using the acquisition method of accounting. The consideration of each acquisition is measured at the aggregate of the fair values of tangible and intangible assets obtained, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Company at the date of acquisition. Key assumptions routinely utilized in allocation of purchase price to intangible assets include projected financial information such as revenue projections for companies acquired. As of the acquisition date, goodwill is measured as the excess of consideration given, generally measured at fair value, and the net of the acquisition date fair values of the identifiable assets acquired and the liabilities assumed.
- **Goodwill** – Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in

circumstances indicate that goodwill might be impaired. Any goodwill impairment loss is recognized in the consolidated statements of operations in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities; current portion of long-term debt; and long-term debt. The carrying values of these financial instruments approximate their fair values.

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used to make the measurements. The hierarchy is summarized as follows:

- Level 1 — Quoted prices (unadjusted) that are in active markets for identical assets or liabilities
- Level 2 — Inputs that are observable for the asset or liability, either directly (prices) for similar assets or liabilities in active markets or indirectly (derived from prices) for identical assets or liabilities in markets with insufficient volume or infrequent transactions
- Level 3 — Inputs for assets or liabilities that are not based upon observable market data

The Company has exposure to the following risks from its use of financial instruments and other risks to which it is exposed and assess the impact and likelihood of those risks. These risks include: market, credit, liquidity, asset forfeiture, banking and interest rate risk.

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2018 and September 30, 2017 is the carrying amount of cash and cash equivalents and accounts receivable. All cash and cash equivalents are placed with U.S. financial institutions.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk but has limited risk as a significant portion of its sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

Market Risk

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest-bearing loans and borrowings are all at fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities. The Company considers interest rate risk to be immaterial.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because adult-use cannabis is a newly commercialized and regulated industry in the state of California, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There can be no assurance that price volatility will be favorable to INDUS or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by the state and local governments, the supply such licensees are able to generate and consumer demand for cannabis. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its valuation.

Asset forfeiture risk

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Banking risk

Notwithstanding that a majority of states have legalized medical and/or adult-use marijuana, there has been no change in U.S. federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that U.S. federal law provides that the production and possession of cannabis is illegal, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty accessing the U.S. banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the Company and its subsidiaries and leaves their cash holdings vulnerable.

8. SUBSEQUENT EVENTS

Series B Convertible Preferred Stock Offering

INDUS HOLDING GROUP OF COMPANIES

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

On October 25, 2018, the Company completed its \$46 million Series B Preferred Stock Offering discussed in Note 9. Proceeds from the offering consisted of the conversion of \$12.4 million in outstanding debt and accrued interest into Series B preferred shares, \$4.0 million of convertible debt and accrued interest into common shares, and the receipt of \$26.4 million in cash and \$3.2 in subscription receivable. Upon closing the offering, the company had \$125 of senior secured notes and \$250 of promissory notes outstanding, of which all were due in the fourth quarter of 2018.

Proposed Reverse Takeover

In December 2018, the Company entered into a definitive business combination agreement pursuant to which the Company will complete a reverse takeover of Mezzotin Minerals Inc. ("Mezzotin"), a registered issuer in the Province of Ontario, and the securityholders of the Company will hold substantially all of the outstanding securities of Mezzotin following the proposed transaction. Immediately prior to the transaction, Mezzotin will undertake a number of actions to prepare its share structure for the proposed transaction. An application has been made to list the resulting issuer's subordinate voting shares on the Canadian Securities Exchange. Following the transaction, the former securityholders of Mezzotin will own approximately CDN\$2,250 in shares of the resulting issuer, which will be renamed "INDUS Holdings, Inc."