



INDUS HOLDINGS, INC.

Annual Information Form

For the year ended December 31, 2019

Dated November 9, 2020

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MEANING OF CERTAIN REFERENCES AND CURRENCY INFORMATION

In this annual information form (“**AIF**” or “**Annual Information Form**”), unless the context otherwise requires, the “**Company**” or “**Indus**” refers to Indus Holdings, Inc. together with its subsidiaries and, for periods prior to the completion of the Business Combination (as defined herein) described herein under “Corporate Structure”, refers to Indus Holding Company and its subsidiaries. References to “Mezzotin” refer to the Company prior to completion of the Business Combination.

This AIF applies to the business activities and operation of the Company for the year ended December 31, 2019, as updated to November 9, 2020. Unless otherwise indicated, the information in this AIF is given as of the date hereof.

Unless otherwise indicated, all references to “\$” or “US\$” in this AIF refer to United States dollars and all references to “C\$” in this AIF refer to Canadian dollars.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, the market and industry data contained in the AIF is based upon information from independent industry publications, market research, analyst reports and surveys and other publicly available sources. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of the data, the voluntary nature of the data gather process and other limitation and uncertainties inherent in any survey. The Company has not independently verified any of the data from third party sources referred to in this AIF and accordingly, the accuracy and completeness of such data is not guaranteed.

FORWARD LOOKING STATEMENTS

This AIF 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 Company’s beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company’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 Company’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 Company; the potential size of the adult and medical-use cannabis markets in the jurisdictions in which the Company currently operates in and may in the future

operate; the availability and renewal of requisite licenses and permits on terms acceptable to the Company; the implementation of the Company's remaining construction plans in respect of its cultivation facility, including the timing thereof; anticipated future cultivation, manufacturing and extraction capacity and output, including upon completion of such construction, and the resulting anticipated operational and financial benefits to the Company; expectations as to the development and distribution of the Company's brands and products and the distribution of third-party products; estimated future sales, estimated future operating costs and other prospective financial performance and the resulting effects on the Company's financial position; prospective operational performance; business prospects and objectives and near and long term strategies, including growth strategies; competitive strengths; anticipated trends and challenges in the Company's business and the markets in which it operates; the ability of the Company to satisfy the requirements of its debt obligations, including the terms and conditions of the Convertible Debenture Purchase Agreement (as defined herein), and to repay, renew or refinance such indebtedness upon such indebtedness becoming payable in the event such indebtedness is not converted into equity in accordance with its terms; anticipated cash needs; the Company's ability to raise funds in the capital markets and the resulting effects on the Company's financial position; expectations regarding the schedule for the release, of outstanding shares or other securities of the Company or its subsidiaries, which are currently subject to lock-up arrangements, from such arrangements; expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. By identifying such statements in this manner, the Company 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 Company to be materially different from those expressed or implied by such information and statements.

The forward-looking statements in this AIF are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: development costs remaining consistent with budgets; production and distribution costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance and sustain the business of the Company, including by way of satisfying terms under existing credit arrangements entered into by the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; stability in financial and capital goods markets; favourable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products, including the Company's products; the availability of employees, third party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner. While the Company considers these assumptions to be reasonable, many of the assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

The forward-looking statements in this AIF are as of the date of this AIF. 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 be beyond the Company's ability to predict or control and that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: the fact that cannabis continues to be a controlled substance under the CSA; the enforcement of U.S. federal law and any other relevant law 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; the Rohrabacher-Farr Amendment not being renewed; federal and state forfeiture laws; the illegality of cannabis under U.S. federal law restricts the Company's access to capital; anti-money laundering laws and regulation; restricted access to banking; heightened scrutiny by regulatory authorities; risks associated with travelling across borders; risk of regulatory or political change; the fact that the cannabis industry is a new industry and may not succeed; the Company's management team or other owners could be disqualified from ownership in the Company; public opinion and perception; general regulatory risks and risks related to licensure; California regulatory non-compliance; reclassification of cannabis in the United States; service providers; enforceability of contracts; lack of access to U.S. bankruptcy protections; environmental risk and regulation; COVID-19 risks; risks associated with the loss of foreign private issuer status; risks related to the Super Voting Shares; unpredictability caused by the Company's capital structure; the fact that the convertible debenture purchase agreement carries significant provisions and creditor control; the Company may not be able to refinance, extend or repay its indebtedness; limited operating history; reliance on management; additional financing may be required to fund the Company's continuing operations; lack of profitability of the Company; negative cash flow from operations; competition; future acquisitions or dispositions may present risks; risks inherent in an agricultural business; vulnerability to rising energy costs; product liability; product recalls; results of future clinical research being unfavourable; reliance on key inputs; dependence on suppliers and skilled labour; management of growth; product diversion; internal controls being inadequate; forecasting risks; risks presented by premises being leased; reliance on a single jurisdiction; probable lack of diversification; the fact that reliable data on the medical and adult-use marijuana industry is not available; litigation; intellectual property risks; competition from synthetic production and technological advances; constraints on marketing products; fraudulent or illegal activity by employees, contractors and consultants; information technology systems and cyber-attacks; security breaches; federal tax risks; California state and local taxes; high bonding and insurance coverage costs; global financial conditions; the fact that the Company is a holding company; increased costs as a result of being a public company; certain remedies and rights to indemnification may be limited; difficulty in enforcing judgments and effecting service of process on directors and officers; past performance not indicative of future results; financial projections may prove materially inaccurate or incorrect; market price volatility risks; sales by existing securityholders, including upon expiration of existing lock-up arrangements; limited market for securities and dilution and future sales of Indus securities.

Risks relating to the Company are discussed under the heading "Risk Factors" in this AIF. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors, currently not known to the Company or deemed to be immaterial by the Company, 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 Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements. If the

Company 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.

CORPORATE STRUCTURE

Indus Holding Company entered into a definitive agreement dated as of March 29, 2019 (the “**Business Combination Agreement**”) with Mezzotin Minerals Inc. (“**Mezzotin**”) and certain other parties pursuant to which Mezzotin and Indus Holding Company effected a business combination that resulted in a reverse take-over of Mezzotin by the securityholders of Indus Holding Company (the “**Business Combination**” or the “**RTO**”), the completion of which was announced on April 29, 2019.

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 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 Share Terms Amendment (as defined below) and continued into the Province of British Columbia under the *Business Corporations Act* (British Columbia) under the name “Indus Holdings, Inc.”

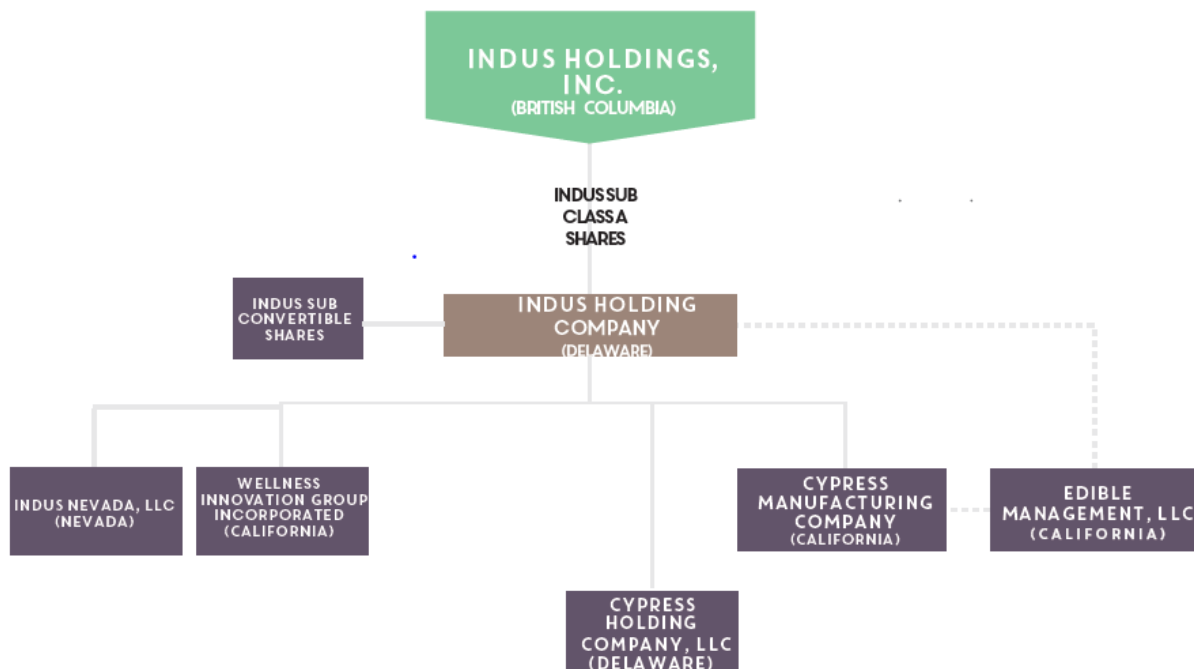
Indus Holding Company was formed as a corporation under the laws of the State of Delaware on January 2, 2015. Its articles of incorporation were amended by way of a seventh amendment and restatement in connection with the completion of the RTO, in order to create the Class A Common Shares and Class B Common Shares, as described in the next paragraph, which articles were further amended by way of an eighth amendment and restatement effective April 16, 2020 in connection with the completion of the Convertible Debenture Offering, in order to create the Class C Common Shares. See “General Development of the Business – Financing Transactions” below for further details as to the Convertible Debenture Offering.

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, on the basis of one Subordinate Voting Share for every 485.3 existing common shares, and the common shares being removed as an authorized class of shares of Mezzotin; and (ii) a new class of non-participating, super voting shares of Mezzotin (“**Super Voting Shares**”) were created (collectively, the “**Share Terms Amendment**”). Additionally, by way of the seventh amended and restated articles of incorporation of Indus Holding Company, a new class of voting Class A Common Shares (“**Indus Sub Class A Shares**”) and a new class of non-voting redeemable Class B Common Shares (such Class B Common Shares and the Class C Common Shares created in connection with the Convertible Debenture Offering, being collectively, the “**Indus Sub Convertible Shares**”) of Indus Holding Company were created. Indus Sub Class A Shares were issued to Mezzotin and the existing outstanding shares of Indus Holding Company at such time were reclassified as Indus Sub Class B Common Shares at a rate of one (1) Indus Sub Class B Common Share for every one (1) existing share held.

Overall, pursuant to the RTO, a series of transactions were completed resulting in a reorganization of Indus Holding Company and Mezzotin, as a result of which Mezzotin became the parent and sole voting shareholder of Indus Holding Company. Upon completion of the RTO, the Company and its subsidiaries continued to carry on the business carried on by Indus

Holding Company prior to the completion of the RTO. The material subsidiaries of Indus Holding Company did not change in connection with the RTO.

The head office of the Company is located at 19 Quail Run Circle – Suite B, Salinas, California 93907 USA. The registered office of the Company is Suite 2200, HSBC Building, 885 West Georgia Street, Vancouver, BC V6C 3E8 Canada. Set forth below is the organization chart of the Company, setting out all material subsidiaries of the Company and their jurisdiction of incorporation, formation or organization. Each of the subsidiaries of Indus Holding Company is wholly-owned by it. Indus Holding Company and Cypress Manufacturing Company are party to certain management agreements with Edible Management, LLC, through which they derive all of the economic value and costs of the operations of Edible Management, LLC.



Although Indus Holding Company and certain of its subsidiaries exist under the laws of Delaware and Nevada, no such company carries on operations in Delaware or Nevada. Indus Nevada, LLC is the holder of a note receivable from a facility sale and has no other operations. See “General Development of the Business – Terminated Acquisition Transaction” below for further details. Indus is presently carrying on active business operations solely in California.

GENERAL DEVELOPMENT OF THE BUSINESS

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 Holding Company 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 is 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. In December 2016, Indus Holding Company commenced distribution activities for third-party brands. 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 May 2019, Indus entered into an asset acquisition transaction pursuant to the W Brand Purchase Agreement (as defined below), as a result of which Indus would have expanded its operations into Nevada and Oregon. In July 2020, with a view of streamlining its operations, Indus terminated this agreement, and presently remains focused on its operations in California. See “– Terminated Acquisition Transaction” below for further details.

Financing Transactions

On or about January 2, 2017 Indus Holding Company completed a non-brokered private placement (the “**Indus Senior Note Offering**”) of US\$4.5 million principal amount of notes of Indus Holding Company (the “**Indus Senior Notes**”) and accompanying warrants of Indus Holding Company (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 Holding Company common stock at an acquisition price of US\$1.0174 per share 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 Holding Company for working capital, including without limitation, to purchase assets. In connection with the RTO, the Indus Warrants were amended to become exercisable for the Company’s Subordinate Voting Shares on economically equivalent terms.

On or about October 30, 2017 Indus Holding Company completed a non-brokered private placement (the “**Indus Convertible Note Offering**”) of US\$3.7 million principal amount of convertible notes of Indus Holding Company (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 Holding Company 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 Holding Company for working capital, including without limitation, to purchase assets.

On or about October 24, 2017 Indus Holding Company 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 Holding Company for working capital, including without limitation, to purchase assets.

On or about February 1, 2018 Indus Holding Company completed a non-brokered private placement (the “**Indus Promissory Note Offering**”) of US\$3.5 million principal amount of convertible notes of Indus Holding Company (the “**Indus Promissory Notes**”). Each Indus Promissory Note accrued 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 were repaid on December 28, 2018. The net proceeds of the Indus Promissory Note Offering were used by Indus Holding Company for working capital, including without limitation, to purchase assets.

On or about October 25, 2018 Indus Holding Company completed a US\$46 million partially-brokered best efforts private placement (the “**Indus Series B Preferred Stock Offering**”) of preferred shares of Indus Holding Company (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 Indus 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 Holding Company, 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, raising aggregate gross proceeds of US\$40 million. Each Subscription Receipt was convertible on certain conditions into one common share of Finco (each, a “**Finco Share**”). Such conditions were satisfied in connection with and prior to the completion of the RTO and as a result such Subscription Receipts converted into Finco Shares on a one-for-one basis, for no additional consideration. 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 Company and holders of Finco Shares exchanging their Finco Shares for Subordinate Voting Shares on a one-for-one basis. The net proceeds from this Subscription Receipt offering were used for general corporate and working capital needs.

As partial consideration for their services, Finco issued to the agents for the Subscription Receipt offering an aggregate of 197,533 broker warrants, each of which was exercisable to acquire one Finco Share at an exercise price of C\$15.65 per share for a period of two years from the completion of the RTO. Upon completion of the RTO, such broker warrants were exchanged for compensation options of the Company (the “**Compensation Options**”) on a one-for-one basis, which are exercisable to acquire Subordinate Voting Shares in lieu of Finco Shares, and otherwise which have the same terms and conditions as the broker warrants.

On April 13, 2020, the Company announced that it and its subsidiary, Indus Holding Company, entered into an approximately US\$15.1 million senior secured convertible debenture and warrant purchase agreement (the “**Convertible Debenture Purchase Agreement**”) in connection with the issuance of convertible debentures (the “**Convertible Debentures**”) by Indus Holding Company in the same aggregate principal amount (the “**Convertible Debenture**”).

Offering”). In April and May 2020, an additional US\$1 million was raised pursuant to the Convertible Debenture Offering by way of issuance by Indus Holding Company of Convertible Debentures in the same aggregate principal amount, to bring the total gross proceeds raised to approximately US\$16.1 million. The offering yielded the Company approximately US\$11.5 million after repayment of US\$3.8 million in bridge financing received by the Company during the first quarter 2020, plus accrued interest thereon, and transaction related expenses of approximately US\$600,000.

The Convertible Debenture Offering was completed to fund the completion of greenhouse renovations and fund working capital needs.

The Convertible Debentures bear a fixed interest rate of 5.5% per annum and will mature on October 13, 2023, being 42 months after the initial closing date. Indus may prepay the Convertible Debentures without penalty or premium anytime after the 24-month anniversary of the closing or in connection with a change of control of the Company. The amounts due under the Convertible Debentures are secured by effectively all assets of the Company.

As described above, in connection with the offering, Indus Holding Company amended its articles of incorporation to create the Class C Common Shares by way of an eighth amendment and restatement effective April 16, 2020. The Convertible Debentures (including all accrued interest thereon) are convertible into such Class C Common Shares of Indus Holding Company at the option of the holder on or after July 1, 2020 at a conversion price of US\$0.20 per Class C Common Share. Each resulting Class C Common Share is redeemable for one Subordinate Voting Share. Indus Holding Company may under certain circumstances force the conversion of the Convertible Debentures into Class C Common Shares as early as the 18-month anniversary of the closing of the Convertible Debenture Offering. There are no material differences between the Class C Common Shares and Class B Common Shares other than, upon redemption by the holder thereof, Indus Holding Company may elect to satisfy such redemption in respect of the Class B Common Share by payment of cash or Subordinate Voting Shares, whereas Indus Holding Company does not have such right to elect to pay cash in respect of the Class C Common Shares upon redemption thereof. See “Description of Capital Structure” below for further details.

In connection with the offering, the Company issued to the Convertible Debenture lenders an aggregate of 80,378,692 warrants (the “**2020 Warrants**”) to purchase the same number of Subordinate Voting Shares at an exercise price of US\$0.28 per Subordinate Voting Share, which will expire on October 13, 2023. The Company may under certain circumstances force the exercise of such warrants as early as the 12-month anniversary of the closing of the Convertible Debenture Offering. In connection with the offering, the Company and the Convertible Debenture lenders entered into the Voting Agreement (as defined below).

Pursuant to the Convertible Debenture Purchase Agreement, without the consent of holders of a majority of the aggregate principal amount outstanding under the Convertible Debentures, among other things, the Company and Indus Holding Company may not (i) incur any additional indebtedness (subject to certain limited exceptions), (ii) prior to the second anniversary of the initial closing of the offering, enter into a transaction or series of transactions which would constitute a change of control of the Company, except for a change of control that is the result of a financing transaction permitted by the Convertible Debenture Purchase Agreement and associated documentation, or constitute a sale, lease or other disposition of all or substantially all of the assets of the Company (on a consolidated basis), (iii) sell, lease, transfer, exclusively license or otherwise dispose of, in a single transaction or series of related transactions, all or

substantially all of the assets of a subsidiary (other than to another subsidiary), (iv) subject to certain limited exceptions, complete an acquisition of a business or assets outside of the ordinary course of business, (v) enter into any line of business in which the Company is not engaged as of the initial closing of the offering and that is not reasonably related to or a reasonable extension of any line of business in which the Company is engaged as of such time, (vi) liquidate, dissolve or wind-up the business and affairs of the Company or any of its subsidiaries, (vii) subject to certain limited exceptions, purchase or redeem (or permit any subsidiary to purchase or redeem), or pay or declare any dividend or make any distribution on, any shares of the Company or any of its subsidiaries, and (viii) allow the liquidity of the Company (on a consolidated basis) to be less than US\$3,000,000 at any time prior to the 18-month anniversary of the initial closing of the offering, where such amount of liquidity is calculated to be equal to the aggregate amount of cash and cash equivalents (other than restricted cash) held at the applicable time by the Company (on a consolidated basis), less the amount of any judgments to which the Company is subject that are not subject to a stay on execution.

A failure by the Company and Indus Holding Company to comply with their obligations under the Convertible Debenture Purchase Agreement could result in a default, which, if not waived, could permit acceleration of the indebtedness thereunder.

Additionally, in connection with the offering, the Company agreed to issue Beacon Securities Limited 250,000 Subordinate Voting Shares for providing financial advisory services to the Company, which we later issued to Beacon Securities Limited on June 10, 2020.

Recent Management Changes

Effective as of January 11, 2020, Sam Tramiel resigned from the board of directors of the Company (the “**Board**”).

Concurrently with the initial closing of the Convertible Debenture Offering, the following management and Board changes occurred: Robert Weakley, Co-Founder of Indus, resigned as Chief Executive Officer and Chairman of the Company, but remained on the Board as a director, Mark Ainsworth, then the Chief Operating Officer of the Company, was appointed Chief Executive Officer of the Company, George Allen was appointed Chairman of the Company, Steve Neil was appointed Chief Financial Officer of the Company, Brian Shure and Kevin McGrath were appointed to the Board, and Arthur Maxwell resigned from the Board.

On June 16, 2020, Jenny Montenegro was appointed Chief Operating Officer of the Company. Additionally, at the annual general meeting of shareholders of the Company held on October 22, 2020, Bruce Gates was elected to the Board taking over the Board seat held by Robert Weakley, who did not stand for re-election.

On November 9, 2020, Brian Shure was appointed Chief Financial Officer of the Company replacing Steve Neil, adding strategic and financial experience to the Indus management team. Steve Neil continues with the Company and will focus on operational finance and accounting initiatives.

Acquisitions and Dispositions

On April 18, 2019, the Company acquired all of the assets, global rights and business interests associated with the brand Humble Flower Co. for a purchase price of US\$472,000 that were to

be paid as and if financial performance targets are met during the period beginning on April 19, 2019 and ending on April 18, 2023. The acquisition marked the Company's expansion into cannabis-infused topical creams, balms, and oils. Effective June 1, 2020 the asset purchase agreement was modified, eliminating payments associated with meeting financial performance targets in exchange for the issuance of 225,000 options to purchase Subordinate Voting Shares at a price of US\$0.51 per share and a note payable of US\$65,000, with payments commencing on January 1, 2021 for 24 months.

On May 1, 2019, the Company acquired all of the assets, global rights and business interests of Kaizen Inc. for a purchase price of US\$556,000 that were to be paid as and if financial performance targets are met during the period beginning on May 1, 2019 and ending on April 30, 2023. Kaizen is a premium brand offering a full spectrum of cannabis concentrates. Effective July 15, 2020 the asset purchase agreement was modified, eliminating payments associated with meeting financial performance targets in exchange for the issuance of 225,000 options to purchase Subordinate Voting Shares at a price of US\$0.70 per share and a note payable of US\$200,000, with payments over two years.

On June 12, 2019, the Company completed the acquisition of 70% of the outstanding capital stock of Shredibles LLC ("**Shredibles**"), a manufacturer of CBD infused health products, from its shareholders. The Company transferred an aggregate consideration of US\$240,000 comprised of 42,600 Subordinate Voting Shares with an acquisition-date fair value of US\$5.64 per share. In February 2020, the Company determined that Shredibles was not a strategic fit for the Company and reached an agreement with the Shredibles co-founders to nullify the investment and the Subordinate Voting Shares were returned to the Company.

Terminated Acquisition Transaction

On May 14, 2019, the Company entered into a definitive agreement (the "**W Brand Purchase Agreement**") to acquire the assets of W The Brand ("**W Vapes**"), a manufacturer and distributor in Nevada and Oregon of cannabis concentrates, cartridges and disposable pens. Under the terms of the agreement, the purchase consideration payable to the W Vapes owners consisted of US\$10 million in cash and US\$10 million in Subordinate Voting Shares (based on a deemed value of C\$15.65 per share). Such cash consideration was placed into escrow by the Company pending completion of the acquisition. In November 2019, the W Brand Purchase Agreement was amended whereby the Company advanced US\$2 million in non-recourse funds to the W Vapes owners in exchange for the release back to the Company of the US\$10 million that was being held in escrow pending completion of the acquisition. In December 2019, the Company, through its subsidiary, Indus Nevada, LLC, purchased the W Vapes Las Vegas, Nevada cultivation and production facility for US\$4.1 million. Title to this property did not form a part of the acquisition transaction under the W Brand Purchase Agreement as the facility was leased by W Vapes.

On July 17, 2020, the Company announced the termination of the W Brand Purchase Agreement, and that it is no longer obligated to acquire the assets of W Vapes. The termination of the agreement coincided with an asset acquisition announcement between W Vapes and Planet 13 Holdings Inc., a vertically integrated provider of cannabis and cannabis products in the State of Nevada ("**Planet 13**"). Additionally, the Company sold the Las Vegas facility to certain affiliates of Planet 13 for a cash payment of approximately US\$500,000, and an additional cash payment of approximately US\$2.8 million to be received upon regulatory approval of the W Vapes and Planet 13 transaction.

DESCRIPTION OF THE BUSINESS

General

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. Indus manufactures extracts and distillates and branded and packaged cannabis flower, concentrates and edible products. Indus distributes proprietary and third-party brands throughout the State of California. Indus operates a 225,000 square foot cultivation facility in Monterey County, a 15,000 square foot manufacturing and laboratory facility in Salinas, California, a separate 20,000 square foot distribution facility in Salinas, California and a warehouse depot and distribution vehicles in Los Angeles, California.

The Company's business is not cyclical or seasonal, although there are seasonal sourcing periods that can impact raw material prices. The Company does not currently expect its business to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts. The Company does not have any pending operations and there are no bankruptcy, receivership or similar proceedings against the Company, or any voluntary bankruptcy, receivership or similar proceedings by the Company, within the three most recently completed financial years or the current financial year. The Company has not implemented any social or environmental policies that are fundamental to the Company's operations.

In addition to cultivating cannabis flower and biomass feedstock, manufacturing and distributing product under its own brands, Indus also provides manufacturing, extraction and distribution services to third-party cannabis and cannabis branding companies. Indus currently has manufacturing and distribution agreements with five (5) companies and distribution agreements with four (4) additional companies. None of these manufacturing or distribution agreements are individually considered material to the operations of the Company 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.

Indus, through a wholly-owned subsidiary, is party to a lease for a premise known as the Zabala property located at 139 Zabala Road in Monterey County, California. 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. In March 2020, two additional rooms were completed in Greenhouse #2 when nursery operations were relocated to Greenhouse #4. The Greenhouse Renovations at Greenhouse #1 were completed in the second quarter of 2020 resulting in ten segregated rooms with the initial room harvested in April 2020. The Greenhouse Renovations at Greenhouse #3 were completed in the third quarter of 2020 resulting in eight segregated rooms with the initial room harvested in August 2020. The Greenhouse Renovation of Greenhouse #4 began in the second quarter of 2020 with a forecasted completion date in the fourth quarter of 2020, resulting in two segregated rooms and a nursery capable of supplying all greenrooms on the site with fully vegetated clones. The final phase of the Greenhouse Renovations is design and renovation of the headhouse which will provide upgraded dry rooms and processing facilities for the site. Construction on the headhouse is expected to begin in the fourth quarter of 2020 and is expected to be completed around the end of the first quarter of

2021. Indus has invested approximately US\$6 million in the Greenhouse Renovations to date with a planned US\$3 million additional investment. The completion and commissioning of the renovated greenhouses and headhouse 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.

Growth Strategy

While the legalization of cannabis throughout the United States continues to expand both recreationally and medically, and the size of the U.S. cannabis market will continue to provide growth opportunities, management believes that focusing on the substantial California market and becoming profitable and self-sustaining is the appropriate near-term growth strategy for the Company.

Indus plans to capitalize on the significant increase in cannabis consumption in California through the sales of its increased cultivation capacity and an expansion of its brand and distribution footprint. Indus will selectively seek opportunities to expand its brands and operations in California through acquisitions or alliances.

Indus may also seek to expand its cultivation footprint within California by either purchasing an existing cultivation business or by entering into a lease arrangement with a suitable property to develop cultivation facilities. Indus currently has no retail facilities within the state of California but continues to evaluate such opportunities and could seek to enter retail at a future date.

Lastly, Indus may consider, but does not currently have definitive plans or timelines for its expansion beyond California as these markets continue to expand.

Distribution and Distribution Services

Indus has a primary distribution center, warehouse and packing facility located in Salinas, California and a service center and distribution depot in Los Angeles, California. Indus provides physical warehousing and delivery to retail dispensary customers throughout the State of California for its manufactured products as well as third party branded products distributed on behalf of third parties. Deliveries are made daily to over 80% of the licensed dispensaries in California utilizing a fleet of 20 owned and leased vehicles. Indus provides warehousing, delivery, customer service and collection services for the third party brands. Indus will increase its fleet of vehicles as necessary to meet delivery requirements from increased proprietary and third-party brand sales.

Technology Platform

Indus maintains an automated, on-demand supply chain logistics platform, utilizing e-commerce, enterprise resource planning and other technology to manage product movement, order taking and logistics needs.

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 quality of the products cultivated, manufactured or distributed.

Cultivation

Indus conducts cannabis cultivation operations located in Monterey County, California. It currently operates a cultivation facility which includes four greenhouses totaling approximately 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 nearing completion of a series of facility upgrades to its greenhouses and supporting infrastructure, which when completed will increase facility output approximately four times from that generated in 2019. These facility improvements include separate grow rooms configured with drop-shades, supplemental lighting, upgraded electrical capability with environmental controls and automated fertigation, raised gutter height in two of the greenhouses and expanded dry room capacity capable of handling the increased output. In 2019, Indus harvested approximately 9,000 pounds of flower and currently expects to harvest up to 22,000 to 27,000 pounds in 2020 and is currently projecting to harvest up to 40,000 to 45,000 pounds in 2021 as a result of these facility upgrades and improvements.

Indus maintains a strict quality control process which facilitates a predictable output yield of pesticide-free products.

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 an efficient and rapid method of extracting cannabis. These resins, oils and concentrates are sold as ingestible products known as "shatter", Butane Honey Oil, rosin, wax, sugar and "crumble".

Indus currently owns and operates five closed loop volatile extraction machines, each housed in a separate room, and each having the capacity to process approximately 100 pounds of dry product per day yielding approximately 5 kilograms of cannabis concentrates. Indus also currently owns and operates 14 purge ovens in conjunction with the five extraction units in the laboratory. Purge ovens, also known as vacuum ovens, are used after the processing by the extraction units to remove the solvents from the end product in a low pressure and high heat environment.

The extraction operations utilize cannabis feedstocks from the Indus cultivation site, supplemented with feedstock acquired from multiple third-party cultivations. Concentrate production is packaged as branded extracts, such as crumble, shatter, wax and sugar for

distribution, incorporated into its manufactured edible products and sold in bulk to other licensed enterprises. In addition, extraction is provided on 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 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, hard and soft non-chocolate confections, and topical lotions and balms. Indus utilizes modern commercial production equipment and employs food grade manufacturing protocols, including industry-leading standard operating procedures designed so that its products meet stringent quality standards. Indus has implemented updated compliance, packaging and labeling standards to meet the requirements of the California Medical and Adult-Use Cannabis Regulation and Safety Act with the advent of adult use legalization in California.

Indus also operates an automated flower packaging line and an automated pre-roll assembly line for making finished goods in those respective categories with feedstock grown by the Indus cultivation operations.

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.

Brands owned by Indus include the following:

- Acme Elixirs – provides high quality, lab-tested vaporizing pens.
- Altai – combines confections with high quality cannabis to create delicious hand-crafted and award-winning edibles.
- Cypress Cannabis – strives to produce the highest quality and cleanest EnvirOrganic flower.
 - Cultivated by an experienced team of growers by combining innovative techniques and an Envirocann certified organic grow process, Cypress has curated a premium product for the refined user.
 - Cypress Reserve – a premium flower brand reserved for the Company's highest potency harvests from its greenhouses.
- Flavor Extracts – provides crumble and terp sugar (which is an edible cannabis product with isolated and enhanced flavor and aromas) products that are hand-selected for optimum flavor and premium color.
- House Weed – a value driven flower delivering a flavorful and potent experience with dependable quality.
- Humble Flower – a premium brand offering cannabis-infused topical creams, balms and oils.
- Kaizen – a premium brand offering a full spectrum of cannabis concentrates.
- 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 high quality cannabis.

Third-party brands for which Indus exclusively manufactures and distributes in California include Dixie beverages and edibles, Canna Stripe edibles, Dr. Raw tinctures and topicals, Legal beverages, Her Highness edibles and prerolls and Pantry edibles. Indus also provides third party extraction processing, and bulk extraction concentrates and flower to licensed manufacturers and distributors.

Cultivation Facility Lease

Indus presently leases its facilities, including its Monterey County cultivation facility, through its subsidiaries.

Indus, through its wholly-owned subsidiary Cypress Holding Company, LLC (“**Cypress Holding**”), is a party to a lease agreement dated April 1, 2017, as amended September 26, 2017 and March 21, 2019 (the “**Zabala Lease**”), as the tenant. Each of Indus Holding Company and Edible Management, LLC are guarantors of Cypress Holding’s obligations under the lease. The Zabala Lease relates to real property located at 139 Zabala Road in Monterey County, California which consists of approximately 445,000 square feet of land containing greenhouses of approximately 225,000 square feet and a warehouse/shop/office building of approximately 6,300 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 present minimum monthly rent under the Zabala Lease is US\$173,350 per month. The security deposit under the Zabala Lease is US\$116,865. 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 marijuana commercial activity at the premises is deemed illegal under state and/or local law 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 of the lease. The landlord and its affiliates are indemnified in connection with such matters.

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 process 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, including shatter, wax and crystals, and to utilize the natural terpenes in cannabis to formulate premium vaporizer oils. Terpenes are the oils that give cannabis plants their smell. They come from the same components as tetrahydrocannabinol (“**THC**”) and cannabidiol (“**CBD**”).

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 sales & distribution, Indus recruits employees who retain a high degree of industry awareness and knowledge who can interface with dispensaries state-wide and introduce our products with the intention of retaining and potentially increasing shelf-space and the intention of maintaining or increasing market share. Our sales and distribution teams are important conduits for collecting intelligence on consumer behavior and trends. Our distribution capabilities are critical to building trust with dispensaries that they will receive inventory on a timely and consistent basis.

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

Sources, Pricing and Availability of Raw Materials, Component Parts or Finished Products

Indus presently sources all flower feedstock 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 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

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) trademark application pending.

In addition to its trademarks, Indus owns over 100 website domains, including <http://www.indusholdingsinc.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.

Environmental

Any environmental protection requirements are not expected to have any material financial or operational effects on the capital expenditures, profit or loss and competitive position of the Company in the current financial year or future years.

Employees

As of September 30, 2020, Indus had 186 full-time employees, all of which are located in California. The employees are distributed among several departments including manufacturing, cultivation, distribution and warehousing, quality assurance/control and compliance, sales, marketing, finance, accounting and administration. Additionally, Indus utilizes contract employees in security, cultivation, packaging and warehousing activities. The use of contract employees enables Indus to manage variable staffing needs and in the case of cultivation and security personnel, access to experienced, qualified and readily available human resources. Indus had 322 full-time equivalent employees, inclusive of contract personnel, as of September 30, 2020.

Competitive Conditions

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

Currently, the California cannabis industry is largely comprised of small to medium-sized entities. Indus believes that the vast majority of its competitors are relatively small operations. Over time, it is expected that within California the industry will begin to consolidate as market-share will increasingly favor larger and more sophisticated operators.

Indus expects to face additional competition from new entrants. To remain competitive, Indus expects to invest in scale, people, processes and technology to maintain cost and product leadership over its competitors.

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.

Lastly, Indus expects to face continued competition from the illicit or “black-market” commercial activities that still operate within the state. Despite state-level legalization of cannabis in the United States, such 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 with which Indus must comply in order to conduct business, and accordingly may have significantly lower costs of operation.

UNITED STATES REGULATORY ENVIRONMENT

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where Indus is currently involved, directly or through its subsidiaries in the cannabis industry. Indus is directly engaged in the manufacture, extraction, cultivation, package, sale or distribution of cannabis in the adult-use and/or medical industries in the State of California. **The Company derives all of its**

revenues from the cannabis industry in the State of California, which industry is illegal under U.S. federal law. The Company's cannabis-related activities are compliant with applicable State and local law, and the related licensing framework, and the Company is not aware of any non-compliance with applicable State and local law, and the related licensing framework, by any of the Company's clients to whom the Company renders services. Nonetheless, such activities remain illegal under U.S. federal law. The enforcement of relevant laws is a significant risk.

The Company evaluates, monitors and reassesses this disclosure, and any related risks, on an ongoing basis in accordance with Staff Notice 51-352, and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities or operations will be promptly disclosed by the Company.

United States Federal Overview

The United States federal government regulates drugs through the Controlled Substances Act (the "**CSA**"), which places controlled substances, including cannabis, in one of five different schedules. Cannabis is classified as a Schedule I drug. As a Schedule I drug, the federal Drug Enforcement Agency ("**DEA**") considers marijuana to have a high potential for abuse; no currently accepted medical use in treatment in the United States; and a lack of accepted safety for use of the drug under medical supervision¹. The classification of marijuana as a Schedule I drug is inconsistent with what the Company believes to be many valuable medical uses for marijuana accepted by physicians, researchers, patients, and others. As evidence of this, the U.S. Federal Drug Administration ("**U.S. FDA**"), on June 25, 2018, approved Epidiolex CBD oral solution with an active ingredient derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first U.S. FDA -approved drug that contains a purified drug substance derived from the cannabis plant. In this case, the substance is CBD, a chemical component of marijuana that does not contain the intoxication properties of THC, the primary psychoactive component of marijuana. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered².

¹ 21 U.S.C. 812(b)(1).

² See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AgressiveBehavior.pdf>; and Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

The federal position is also not necessarily consistent with democratic approval of marijuana at the State government level in the United States. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the State level in the United States. State laws regulating cannabis conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. Although the Company's activities are compliant with applicable State and local laws, strict compliance with State and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law nor provide a defense to federal criminal charges that may be brought against the Company. 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, federal law shall apply.

Nonetheless, 33 States in the United States, the District of Columbia and four US Territories have legalized some form cannabis for medical use, while 11 states and the District of Columbia have legalized the adult use of cannabis for recreational purposes. Preliminary November 2020 election results indicate all cannabis initiatives on state ballots were passing, and, if confirmed, an additional four states will have legalized adult-use cannabis and an additional one state will have legalized for medicinal purposes. As more and more states legalized medical and/or adult-use marijuana, the federal government attempted to provide clarity on the incongruity between federal prohibition under the CSA and these State-legal regulatory frameworks. Notwithstanding the foregoing, marijuana remains illegal under U.S. federal law, with marijuana listed as a Schedule I drug under the CSA. Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions through a series of United States Department of Justice ("**DOJ**") memoranda. The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 (the "**Cole Memorandum**")³.

The Cole Memorandum offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all States, and instructed federal law enforcement agencies not to prosecute violations of federal drug laws related to cannabis where the activity is permitted and regulated under cannabis laws of the relevant state.

The Cole Memorandum put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
3. Preventing the diversion of marijuana from states where it is legal under State law in some form to other states;

³ See James M. Cole, *Memorandum for All United States Attorneys* (Aug. 29, 2013), available at <https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf>

4. Preventing the State-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.;

The Cole Memorandum was seen by many State-legal marijuana companies as a safe harbor – albeit an imperfect one – for their licensed operations that were conducted in full compliance with all applicable State and local regulations.

On January 4, 2018, former United States Attorney General Jeff Sessions rescinded the Cole Memorandum by issuing a new memorandum to all United States Attorneys (the "**Sessions Memorandum**"). Rather than establish national enforcement priorities particular to marijuana-related crimes in jurisdictions where certain marijuana activity was legal under State law, the Sessions Memorandum instructs that "[i]n deciding which marijuana activities to prosecute... with the [DOJ's] finite resources, prosecutors should follow the well-established principles that govern all federal prosecutions." Namely, these include the seriousness of the offense, history of criminal activity, deterrent effect of prosecution, the interests of victims, and other principles.

In the absence of a uniform federal policy, as had been established by the Cole Memorandum, numerous United States Attorneys with State-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. For instance, Andrew Lelling, United States Attorney for the District of Massachusetts, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office's marijuana enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other United States attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

Former United States Attorney General Sessions resigned on November 7, 2018. He was replaced by William Barr on February 14, 2019. It is unclear what specific impact this development or any subsequent United States Attorney General appointments by future administrations will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with State law in reliance on the Cole Memorandum."⁴ Nonetheless, 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 CSA with respect to

⁴ *Questions for the Record William P. Barr Nominee to be United States Attorney General*, available at <https://www.judiciary.senate.gov/imo/media/doc/Barr%20Responses%20to%20Booker%20QFRs1.pdf>.

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 U.S. federal law.

The Company does not believe that it is able to determine if any prosecutorial effects will be undertaken by the rescission of the Cole Memorandum, or if Attorney General Barr or any subsequent United States Attorney General will reinstitute the Cole Memorandum or a similar guidance document for United States attorneys. The sheer size of the cannabis industry, in addition to participation by State and local governments and investors, suggests that a largescale enforcement operation would possibly create unwanted political backlash for the DOJ and the Trump and any future administration.

As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company abides by the following standard operating policies and procedures to ensure compliance with the guidance provided by the Cole Memorandum:

1. ensure that its operations are compliant with all licensing requirements as established by the applicable State, county, municipality, town, township, borough, and other political/administrative divisions;
2. ensure that its cannabis related activities adhere to the scope of the licensing obtained (for example: in the States where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the requisite age requirements);
3. implement policies and procedures to ensure that cannabis products are not distributed to minors;
4. implement policies and procedures to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
5. implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those States where cannabis is not permitted by State law, or across any State lines in general;
6. ensure that its State-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes; and
7. ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company conducts background checks to ensure that the principals and management of its operating subsidiaries are of good character, have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Company will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See "*Risk Factors*".

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place: Congress has passed a so-called "rider" provision in the FY 2015, 2016, 2017, 2018, 2019 and 2020 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with State and local law. The rider is known as the "Rohrabacher- Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrabacher- Blumenauer" or "Joyce-Leahy" Amendment, but it is referred to in this AIF as the "**Rohrabacher-Farr Amendment**"). Most recently, the Rohrabacher-Farr Amendment was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. In signing the Act, President Trump issued a signing statement noting that the Act "provides that the DOJ may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. On September 27, 2019 the Rohrabacher-Farr Amendment was temporarily renewed through a stopgap spending bill and was similarly renewed again on November 21, 2019. The FY 2020 omnibus spending bill was ultimately passed on December 20, 2019, making the Rohrabacher-Farr Amendment effective through September 30, 2020. In signing the spending bill, President Trump again released a statement similar to the ones he made May 2017 and February 2019 regarding the Rohrabacher-Farr Amendment.

There is a growing consensus among marijuana businesses and numerous congressmen and congresswomen that guidance is not law and temporary legislative riders, such as the Rohrabacher-Farr Amendment, are an inappropriate way to protect lawful medical marijuana businesses. Numerous bills have been introduced in Congress in recent years to decriminalize aspects of State-legal marijuana trades. For fiscal year 2019, the strategy amongst the bipartisan Congressional Marijuana Working Group in Congress, has been to introduce numerous marijuana-related appropriations amendments in the Appropriations Committee in both the House and Senate, similar to the strategy employed in Fiscal 2018. The amendments included protections for marijuana-related businesses in States with medical and adult-use marijuana laws, as well as protections for financial institutions that provide banking services to State-legal marijuana businesses. The Company also has observed that each year more congressmen and congresswomen sign on and co-sponsor marijuana legalization bills. These include the CARERS Act, REFER Act and others. While there are different perspectives on the most effective route to end federal marijuana prohibition, Congressman Blumenauer and Senator Wyden have introduced the three-bill package, Path to Marijuana Reform, which would fix the so-called Internal Revenue Service 280E provision that provides tax burdens for marijuana businesses, eliminate civil asset forfeiture and federal criminal penalties for marijuana businesses complying with State law, reduce barriers to banking, de-schedule marijuana from the federal list of controlled substances, and tax and regulate marijuana.⁵

⁵ Wyden, Blumenauer. (2017 March 30). Wyden, Blumenauer announce bipartisan path to marijuana reform. Retrieved from <https://blumenauer.house.gov/media-center/press-releases/wyden-blumenauer-announce-bipartisan-path-marijuana-reform>.

Senator Booker has also introduced the Marijuana Justice Act, which would de-schedule marijuana, and in 2018 Congresswoman Barbara Lee introduced the House companion. Colorado Republican Senator Cory Gardner has reportedly secured a probable assurance from President Trump that he would sign a bill to allow States to legalize and regulate marijuana without federal intervention⁶.

In light of all of this, it was anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the States to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as States are free today to decide policies governing the distribution of alcohol or tobacco. Given current political trends, however, the Company considers these developments unlikely in the near-term. For the time being, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission nor the continued passage of the Rohrabacher-Farr Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use marijuana, even if State law sanctions such sale and disbursement. If the United States federal government begins to enforce United States 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 Company's business, results of operations, financial condition and prospects could be materially adversely affected.

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Due to the CSA categorization of marijuana as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the Bank Secrecy Act. Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering or conspiracy. See "*Risk Factors - Anti-Money Laundering Laws and Regulations*".

On September 26, 2019, the U.S. House of Representatives passed the Secure and Fair Enforcement Banking Act of 2019 (commonly known as the "**SAFE Banking Act**"), which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act is currently being reviewed by the U.S. Senate Banking Committee. While the Senate is contemplating the SAFE Banking Act, the passage of which would permit commercial banks to offer services to cannabis companies that are in compliance with State law, if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently. See "*Risk Factors - Restricted Access to Banking*".

⁶ Mark. K. Matthews, *Donald Trump would "probably" support legalizing Colorado's marijuana industry – through bid by Cory Gardner and Elizabeth Warren*, THE DENVER POST (June 8, 2018), available at <https://www.denverpost.com/2018/06/08/coloradamarijuana-industry-sanctioning-donald-trump/>.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. States that have legalized medical and/or adult-use marijuana, in 2014, the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") issued guidance to prosecutors of money laundering and other financial crimes (the "**FinCEN Guidance**") and notified banks that it would not seek enforcement of money laundering laws against banks that service cannabis companies operating under State law, provided that strict due diligence and reporting standards are met. The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their State and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate State authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a State license to operate its marijuana-related business;
3. Requesting from State licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus adult use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding State licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by State licensing authorities, where States make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to marijuana businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not increased banks' willingness to provide services to marijuana businesses, and most banks continue to decline to operate under the strict requirements provided under the FinCEN Guidance. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they accept as a customer.

The few State-chartered banks and/or credit unions that have agreed to work with marijuana businesses are limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those State-chartered banks and credit unions that do have customers in the marijuana industry charge marijuana businesses high fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded.

The current Secretary of the U.S. Department of the Treasury, Stephen Mnuchin, has publicly stated that the Department was not informed of any plans to rescind the Cole Memorandum. Secretary Mnuchin stated that he does not have a desire to rescind the FinCEN Guidance.⁷ As an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

An additional challenge to marijuana-related businesses is that the provisions of Internal Revenue Code Section 280E are being applied by the IRS to businesses operating in the medical and adult-use marijuana industry. Section 280E prohibits marijuana businesses from deducting ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be. See "*Risk Factors*".

CBD is a product that often is derived from hemp, which contains only trace amounts of THC, the psychoactive substance found in marijuana. On December 20, 2018, President Trump signed the Agriculture Improvement Act of 2018 (popularly known as the "**2018 Farm Bill**") into law.⁸ Until the 2018 Farm Bill became law, hemp and products derived from it, such as CBD, fell within the definition of "marijuana" under the CSA and the DEA classified hemp as a Schedule I controlled substance because hemp is part of the cannabis plant.⁹

The 2018 Farm Bill defines hemp as the plant *Cannabis sativa* L. and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight and removes hemp from the CSA. The 2018 Farm Bill also allows States to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products

⁷ Angell, Tom. (2018 February 6). Trump Treasury Secretary Wants Marijuana Money In Banks, *available at* <https://www.forbes.com/sites/tomangell/2018/02/06/trump-treasury-secretary-wants-marijuana-money-in-banks/#2848046a3a53>;

see also Mnuchin: Treasury is reviewing cannabis policies. (2018 February 7), *available at* <http://www.scotsmanguide.com/News/2018/02/Mnuchin--Treasury-is-reviewing-cannabis-policies/>.

⁸ H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), <https://www.congress.gov/bills/115th-congress/house-bill/2/text>.

⁹ See, e.g., 21 C.F.R. § 1308.35.

derived from it, such as CBD, may then be sold into commerce and transported across State lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized State program approved by the U.S. Department of Agriculture and otherwise meets the definition of hemp removed from the CSA. The introduction of hemp and products derived from it, such as CBD, in foods, beverages, and dietary supplements has not been approved by the U.S. FDA. The U.S. FDA expects to engage in rulemaking on this subject.

State Level Overview and Compliance Summary

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, 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 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 in California (“**Local Jurisdictions**”) are allowed to determine the number of licenses they will issue to marijuana operators, or Local Jurisdictions can choose to outright ban marijuana in such Local Jurisdictions. 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 conducts business only 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’ licenses in respect of its operations in California.

The following licenses are held by Cypress Manufacturing Company:

Agency	License	City/County	Type of License
CDFA	CCL18-0003496	Monterey County	Nursery
CDFA	CCL18-0003514	Monterey County	Processor
CDFA	CCL18-0003504 – CCL 18-0003513	Monterey County	Cultivation: Small Mixed-Light Tier 1
CDFA	CCL18-0001803 – CCL 18-0001804	Monterey County	Cultivation: Small Mixed-Light Tier 2
CDFA	CCL18-0003497 – CCL 18-0003503	Monterey County	Cultivation: Small Mixed-Light Tier 2
BCC	C11 0000816 LIC	Salinas	Distributor Provisional (Salinas)
BCC	C11 0000685	Los Angeles	Distributor Provisional (Los Angeles)
CDPH	CDPH-10002196	Salinas	Manufacturing Type 7: Volatile Extraction
CDPH	CDPH-T00002047	Salinas	Manufacturing Type N: Infusion

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 no 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.

California 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, THC, 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 Indus to complete 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 California 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. Under manufacturing, distribution and cultivation licenses, the State of California 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 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:

- maintain fully operational security alarm systems;
- contract for state-certified security guard services;
- maintain video surveillance systems that records continuously 24 hours a day and maintains those recordings for at least 90 days;
- ensure that the facility's outdoor premises have sufficient lighting;
- store cannabis and cannabis product only in areas per the premises diagram submitted to the State of California during the licensing process;
- store all cannabis and cannabis products in a secured, locked room or a vault;
- report to local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and
- 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 of California 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 U.S. 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 to and comply with required laws, regulations and legally compliant standard operating procedures.

Ability to Access Capital

The Company has historically had access to equity and debt financing from the private markets in Canada and private markets in the United States and internationally and, subject to market conditions, may access the public markets in Canada and the United States in the future. While the Company is not able to obtain bank financing in the United States or financing from other U.S. federally regulated entities, subject to market conditions, it has the ability to access such equity and debt financing in Canada, the United States and internationally, both on a brokered and non-brokered basis.

The Company's executive team and Board have extensive relationships with sources of private capital (such as funds, high net worth individuals and family offices), which has facilitated its ability to complete non-brokered financing transactions. There are increasing numbers of high net worth individuals, family offices, private equity and venture capital firms and other funds that have made meaningful investments in cannabis companies, including those with U.S. operations. Although there has been an increase in the amount of private financing available to cannabis companies over the last several years, there can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable.

The Company's inability to raise financing to fund operating or capital expenditures or acquisitions could limit its ability to operate or its growth and may have a material adverse effect upon the Company's business, financial condition, results of operations or prospects.

UNITED STATES INDUSTRY BACKGROUND AND TRENDS

Current U.S. Cannabis Market

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.¹⁰ 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 favor of cannabis use. A review of the research, published in 2015 in the *Journal of the American Medical Association* found evidence that cannabis can treat pain and muscle spasms.¹¹ 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.¹² 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.¹³ In addition, 64% of the U.S. public supports legalizing cannabis for adult recreational use.¹⁴

On the recreational side, there are currently 11 States, plus the District of Columbia and four U.S. territories, in which the recreational sale of cannabis has been approved. These States include Oregon, Washington, Nevada, California, Colorado, Massachusetts, Michigan, Vermont, Alaska, Illinois and Maine. Preliminary November 2020 election results indicate all cannabis initiatives on state ballots were passing, and, if confirmed, an additional four states will have legalized adult-use cannabis, such states being New Jersey, Arizona, South Dakota and Montana. 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.

¹⁰ 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-statesmarijuana-legalization/>.

¹¹ Grant, Igor MD (2015). Medical Use of Cannabinoids. *Journal of American Medical Association*, 314: 16, 1750-1751. doi: 10.1001/jama.2015.11429.

¹² 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.

¹³ 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).

¹⁴ Record-High Support for Legalizing Marijuana Use in U.S. Retrieved from <http://news.gallup.com/poll/221018/record-high-support-legalizing-marijuana.aspx>.

Notwithstanding that 33 States (and an additional 5 States on a preliminary basis, pending final 2020 election results) 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 CSA.

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. According to Fortune Business Insights, the global legal marijuana market is anticipated to reach a value of US\$97.35 billion by the end of 2026 from US\$10.60 billion in 2018. The market is predicted to rise at a compounded annual growth rate of 32.6% during the forecast period of 2019 to 2026. The current California legal market is approximately US\$3-\$4 billion and is projected to exceed US\$5 billion by 2022.¹⁵

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The following are certain factors relating to the Company and its business that may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, or the trading price of the Subordinate Voting Shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the operations of the Company. If any such risks actually occur, security holders of the Company could lose all or part of their investment and the business, financial condition, liquidity, cash flows, results of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

RISKS RELATED TO THE COMPANY'S BUSINESS AND CANNABIS INDUSTRY

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to AIF
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 least one of the direct, indirect and ancillary industry involvement types noted in this table.	Description of the Business United States Regulatory Environment
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	United States Regulatory Environment <i>Risk Factors – Cannabis Continues to be a Controlled Substance under the United States Federal CSA</i>

¹⁵ Cannabis/Marijuana Market Size. (August 2019) Retrieved from <http://www.fortunebusinessinsights.com/industry-reports/cannabis-marijuana-market-100219>.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to AIF
		Risk Factors – <i>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.</i>
	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.	United States Regulatory Environment – <i>United States Federal Overview</i>
	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.	<p>Risk Factors – <i>Cannabis Continues to be a Controlled Substance under the United States Federal CSA</i></p> <p><i>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</i></p> <p>Risk Factors – <i>Federal and State Forfeiture Laws</i></p> <p>Risk Factors – <i>Anti-Money Laundering Laws and Regulations</i></p> <p>Risk Factors – <i>Restricted Access to Banking</i></p> <p>Risk Factors – <i>Heightened Scrutiny by Regulatory Authorities</i></p> <p>Risk Factors – <i>Risks Associated with Travelling Across Borders</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to AIF
		<p>Risk Factors – <i>Risk of Regulatory or Political Change</i></p> <p>Risk Factors – <i>General Regulatory Risks; Risks Related to Licensure</i></p> <p>Risk Factors – <i>California Regulatory Non-Compliance</i></p> <p>Risk Factors – <i>Re-Classification of Cannabis in the United States</i></p> <p>Risk Factors – <i>Service Providers</i></p> <p>Risk Factors – <i>Enforceability of Contracts</i></p> <p>Risk Factors – <i>Lack of Access to U.S. Bankruptcy Protections</i></p> <p>Risk Factors – <i>Constraints on Marketing Products</i></p> <p>Risk Factors – <i>Intellectual Property Risks</i></p> <p>Risk Factors – <i>Limited Operating History</i></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>United States Regulatory Environment – <i>State Level Overview and Compliance Summary – Ability to Access Capital</i></p> <p>Risk Factors – <i>The illegality of cannabis under U.S. Federal law restricts the Company's access to capital</i></p> <p>Risk Factors – <i>Anti-Money Laundering Laws and Regulations</i></p> <p>Risk Factors – <i>Restricted Access to Banking</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to AIF
		Risk Factors – <i>Heightened Scrutiny by Regulatory Authorities</i>
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	Note: At the time of this AIF, all material operations of the Company are in the United States and are U.S. marijuana-related activities. Risk Factors – <i>Cannabis Continues to be a Controlled Substance under the United States Federal CSA</i>
	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.	Legal advice has been obtained. United States Regulatory Environment – <i>State Level Overview and Compliance Summary</i>
U.S. Marijuana Issuers with direct involvement in cultivation or distribution	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.	United States Regulatory Environment – <i>State Level Overview and Compliance Summary</i> Risk Factors – <i>General Regulatory Risks; Risks Related to Licensure</i>
	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.	General Development of the Business United States Regulatory Environment – <i>United States Federal Overview</i> United States Regulatory Environment – <i>California Regulatory Landscape</i>
U.S. Marijuana Issuers with Indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	Not applicable.
	Provide reasonable assurance, through either positive or	

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Cross Reference to AIF
	negative statements, that the investee's business is in compliance with applicable licensing requirements and the 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.	
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.	Indus is not aware of any non-compliance.

Cannabis Continues to be a Controlled Substance under the CSA

The Company is engaged directly in the medical and adult-use cannabis industry in the U.S. where local and State laws permit such activities. Investors are cautioned that in the U.S. cannabis is largely regulated at the State level. To the knowledge of the Company, as of the date of this AIF, 33 States, the District of Columbia and four US Territories have legalized medical cannabis in some form. Of these States, 11 States, including California, have legalized cannabis for adult use and an additional 15 States have legalized high-CBD, low THC oils for a limited class of patients for medical use. Only four States continue to prohibit cannabis entirely. Preliminary November 2020 election results indicate all cannabis initiatives on State ballots were passing, and, if confirmed, an additional four States will have legalized adult-use cannabis and an additional one State will have legalized for medicinal purposes. Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, the cultivation, distribution, sale and possession of cannabis violates federal law in the U.S. Although the Company believes its business is compliant with applicable U.S. State and local law, strict compliance with State and local laws with respect to cannabis may not absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company.

Since the cultivation, distribution, sale and possession of cannabis is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities. Under these circumstances, the U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis, may seek to bring an action or actions against the Company, including, but not

limited to, a claim regarding the possession and sale of cannabis, and/or aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the DOJ, under the current administration, could allege that the Indus has "aided and abetted" violations of federal law by providing financing and services to its subsidiaries. Under these circumstances, the federal prosecutor could seek to seize the assets of the Company, and to recover any "illicit profits" previously distributed as of such time to shareholders resulting from any of the foregoing. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on the Company. See "*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*" and "*Risk Factors - Federal and State Forfeiture Laws*".

U.S. Customs and Border Protection ("CBP") enforces the laws of the United States. Crossing the border while in violation of the CSA and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the Immigration and Nationality Act to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Company, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission. See "*Risk Factors - Risks Associated with Travelling Across Borders*".

The Company derives all of its revenues from the cannabis industry in the State of California, which industry is illegal under U.S. federal law. Even though the Company's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under U.S. federal law. **The enforcement of relevant laws is a significant risk.**

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 the Rohrabacher-Blumenauer Amendment. For now, the Rohrabacher-Blumenauer Amendment, as discussed above, 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, has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. On December 20, 2019, the amendment was renewed by the signing of the Fiscal Year 2020 omnibus spending bill, effective through September 30, 2020. As of the date of this AIF, it may or may not be included in the next omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes. 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 CSA, 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 CSA's five-year statute of limitations applicable to non-capital CSA violations. The Company may be irreparably harmed by any change in enforcement policies by the federal or applicable State governments, which could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation.

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 Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses 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 Company 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.

As a result of the conflicting views between States and the U.S. 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 Cole Memorandum, 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. The Cole Memorandum outlined certain enforcement priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats. States where cannabis had been legalized were not characterized as a high priority. 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 principals 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. As a result of the Sessions Memorandum, federal prosecutors are free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities. While some U.S. Attorneys expressed support for the rescission of the Cole Memorandum, 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 Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition, as well as the Company's reputation and prospects, even if such proceedings were concluded successfully in favor of the Company. Such proceedings could involve the prosecution of key executives of the Company or the seizure of corporate assets.

Depending upon the results of the upcoming November 2020 U.S. federal election, it is possible that additional changes could occur. There can be no assurance as to the position any new administration may take on marijuana and a new administration could decide to take a stronger approach to the enforcement of U.S. federal laws. Any enforcement of current U.S. federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the U.S. federal laws more aggressively.

Risks Associated with the Rohrabacher-Farr Amendment Not Being Renewed

The Rohrabacher-Farr Amendment, as discussed above, prohibits the DOJ from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in States which have legalized such activity. Should the Rohrabacher-Farr Amendment language not be included in the final Fiscal Year 2021 appropriations package, there can be no assurance that the U.S. federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company, even if such proceedings were concluded successfully in favour of the Company.

Federal and State Forfeiture Laws

As an entity that conducts business in the cannabis industry, the Company is 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 Company 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. Current and prospective securityholders of the Company or any entity related thereto should be aware of these potentially relevant federal and State laws in considering whether to remain invested or invest in the Company or any entity related thereto.

The illegality of cannabis under U.S. federal law restricts the Company's access to capital

Because the Company cultivates, processes, possesses, and distributes cannabis products in violation of the CSA, a significant proportion of providers of debt and equity capital are unwilling or unable to enter into financing transactions with the Company. As a result, the Company's access to capital is and may continue to be extremely limited, which inhibits the ability of the Company to fund operations and investments in growth initiatives. The Company's financial results, financial condition, business and prospects are and may continue to be materially adversely affected by its inability to access capital.

Anti-Money Laundering Laws and Regulations

The Company is 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. Further, under U.S. federal law, banks or other financial institutions often refuse to provide a checking account, debit or credit card, small business loan, or any banking services that could be found guilty of money-laundering, aiding and abetting or conspiracy 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 U.S. 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 U.S. cannabis companies, and which could conceivably impact the Company, by the unavailability of traditional banking and financial services.

Despite these laws, FinCEN issued the FinCEN Guidance in 2014, which as described above, outlines the pathways for financial institutions to bank State sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Guidance echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("**SAR**") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority,

and cannabis terminated - based on the financial institution's belief that the business in question follows State law, is operating outside of compliance with State law, or where the banking relationship has been terminated, respectively.

The FinCEN Guidance states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance included in the Cole Memorandum. The revocation of the Cole Memorandum has not yet affected the status of the FinCEN Guidance, nor has the United States Department of the Treasury given any indication that it intends to rescind the FinCEN Guidance itself. Although the FinCEN Guidance remains intact, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Guidance. The DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any State including States that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the DOJ's prosecuting banks and financial institutions for crimes that were not previously prosecuted.

In the event that any of the Company'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. Apart from the consequences of any prosecution in connection with such violation, among other things, this could restrict or otherwise jeopardize the Company's ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Restricted Access to Banking

The FinCEN Guidance, as further described above, remains effective to this day, in spite of the fact that the Cole Memorandum was rescinded and replaced by the Sessions Memorandum. The FinCEN Guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators, though. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the current or future federal administrations. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

On September 26, 2019, the U.S. House of Representatives passed the SAFE Banking Act, which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act is currently being reviewed by the U.S. Senate Banking Committee. While the Senate is contemplating the SAFE Banking Act, the passage of which would permit commercial banks to offer services to cannabis companies that are in compliance with State law, if Congress fails to pass the SAFE Banking Act, the Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other

banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Heightened Scrutiny by Regulatory Authorities

The Company's business activities 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 Company's profitability or cause it to cease operations entirely. The Company'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 Company 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 Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein. The Company'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, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, CDS signed the CDS Memorandum of Understanding ("**MOU**") with The Aequis NEO Exchange Inc., the Canadian Securities Exchange (the "**CSE**"), the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The 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 United States. However, if CDS were to proceed in the manner suggested by these publications, and apply such a ban on the clearing of securities of the Company, it would have a material adverse effect on the ability of the Company's shareholders to effect trades of shares through the facilities of a stock exchange in Canada, as a result of which such shares could 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 CBP. 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 Company traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the individual not being permitted to enter the United States for a specified period of time. If this happens to the Company’s directors, officers or employees, then this may reduce the Company’s ability to manage its business effectively in the United States.

Risk of Regulatory or Political Change

The success of the Company’s business strategy depends on the legality of the cannabis industry in the States in which the Company operates, 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 Company’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 Company’s ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Company 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 Company’s ability to achieve its growth targets, and thus, the return on investor capital, could be adversely affected. The Company 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 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. 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 Company’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 Company. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis related legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The medical and adult-use cannabis industries are in their infancy and the Company anticipates that the current California regulations will be subject to change as California's regulation of the cannabis industry matures. The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and other inventory from cultivation to sale or disposal. Additionally, Indus 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 Company 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 Company 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 cannabis industry is a new industry and may not succeed

Should the U.S. federal government change course and decide to prosecute those dealing in medical or adult-use cannabis under applicable law, there may not be any market for Indus' products. It is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit Indus to succeed. Indus is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its products and services and may adjust its future operations, product mix and market strategy as the industry develops and matures.

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

The Company's business is in a highly regulated industry in which many States have enacted extensive rules for ownership of a participant company. Investors in the Company could become disqualified from having an ownership stake in the Company 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 Company.

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 Company 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 Company's growth prospects and number of new State jurisdictions into which the Company could expand. Any inability to fully implement the Company'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 Company's business is 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 Company'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 Company may cause adverse effects to the Company.

The Company will be required to obtain or renew government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses 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 Company may not be able to obtain, amend or renew permits or licenses 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 Company. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company 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 Company's business, financial condition, results of operations or prospects. California State licenses, and some local licenses, are renewed annually. Each year, licensees are required to submit a renewal application per guidelines published by the Bureau for Cannabis Control (for State licenses) or the applicable local regulatory body (for local licenses). 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 license, the Company would expect to receive the applicable renewed license in the ordinary course of business. Under MAUCRSA, after January 1, 2018, only license holders are permitted to engage in commercial cannabis activities. A prerequisite to obtaining a California State license is obtaining a valid license, permit or authorization from a local municipality. The process associated with acquiring a permanent State license is onerous and there are no assurances that the Company, or any subsidiary or entity to which the Company will provide or intends to provide services, will be granted any licenses or any renewals thereof. Because there are different licenses for different types of commercial cannabis activities, even if the Company, any subsidiary and/or any such entity to which the Company will provide services or intends to provide services is granted one or more licenses, there are no assurances that they will be granted all of the licenses they will need to effectuate the Company'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 Company is 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 licenses, 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 license it holds arising, there is no assurance that the Company's licenses 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 licenses held or to be held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company 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 Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company 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 Company'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 had not fully implemented its MAUCRSA compliance programs and the Company, as successor to Indus, could be determined by governmental authorities to have violated certain California regulations relating to cannabis operations. Neither Indus nor the Company has received any citation or notice of violation and is unable to assess what impact, if any, this may have on the Company'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 licenses, any of which may have a material adverse effect on the Company's business, results of operations, financial condition or prospects. Changes to such regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company.

Reclassification 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. FDA approval if medical claims are made for the Company'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 DEA. In that case, the Company 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 Company'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 Company'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 Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company 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 Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

Enforceability of Contracts

Due to the nature of the Company's business and the fact that its contracts involve cannabis and other activities that are not legal under U.S. federal law and the Company may face difficulties in enforcing its contracts in federal and certain State courts. The inability to enforce any of the Company's contracts could have a material adverse effect on the Company'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 U.S. 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 Indus' United States operations, which could have a material adverse effect on the business, capital, financial condition and prospects of Indus and on the rights of lenders to and securityholders of Indus.

Environmental Risk and Regulation

The Company's operations are 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 Company'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 Company 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 COMPANY

COVID-19 Risks

The novel coronavirus commonly referred to as "COVID-19" was identified in December 2019 in Wuhan, China. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, and on March 11, 2020, the spread of COVID-19 was declared a pandemic by the World Health Organization. On March 13, 2020, the spread of COVID-19 was declared a national emergency by President Donald Trump. The outbreak has spread throughout Europe, the Middle East and North America, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

The rapid development of the COVID-19 pandemic and the measures being taken by governments and private parties to respond to it are extremely fluid. While the Company has continuously sought to assess the potential impact of the pandemic on its financial condition and operating results, any assessment is subject to extreme uncertainty as to probability, severity and duration. The Company has attempted to assess the impact of the pandemic by identifying risks in the following principle areas.

- Price Volatility. The COVID-19 outbreak, and the response of governmental authorities to try to limit it, are having a significant impact on the securities markets in the U.S. and Canada. Since the COVID-19 outbreak commenced, the securities markets in the U.S. and Canada have experienced a high level of price and volume volatility and wide fluctuations in the market prices of securities of many companies, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration may adversely impact the price of the Subordinate Voting Shares.
- Mandatory Closure. In response to the pandemic, many States and localities have implemented mandatory closure of business to prevent spread of COVID-19. In California, the Company's business has been deemed an "essential service", permitting the Company to stay open despite the mandatory closure of non-essential businesses. The Company continues to work closely with State and local regulators to remain operational, but there is no guarantee further measures may nevertheless require it to shut operations.
- Customer Impact. While the Company has not experienced an overall downturn in demand for its products in connection with the pandemic, if its customers become ill with COVID-19, are forced to quarantine, decide to self-quarantine or not to visit distribution

points to observe “social distancing”, it may have material negative impact on demand for its products while the pandemic continues. Certain of the Company’s customers have also altered operating procedures as a result of the outbreak and the impact of such changes is being monitored by the Company.

- Supply Chain Disruption. The Company relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Company has not experienced any failure to secure critical supplies or services. However, disruptions in our supply chain may affect our ability to continue certain aspects of the Company’s operations or may significantly increase the cost of operating its business and significantly reduce its margins.
- Staffing Disruption. The Company is, for the time being, implementing among its staff where feasible “social distancing” measures recommended by such bodies as the Center of Disease Control, the Presidential Administration, as well as State and local governments. The Company has cancelled non-essential travel by employees, implemented remote meetings where possible, and permitted all staff who can work remotely to do so. For those whose duties require them to work on-site, measures have been implemented to reduce infection risk, mandating additional cleaning of workspaces and hand disinfection, providing masks and gloves to certain personnel. Nevertheless, despite such measures, the Company may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to work on their own volition to avoid infection. At certain locations, the Company has experienced increased absenteeism due to the pandemic. If such absenteeism increases, the Company may not be able, including through replacement and temporary staff, to continue to operate in some or all locations. In addition, the Company may incur increased medical costs/insurance premiums as a result of these health risks to its personnel.
- Regulatory Backlog. Regulatory authorities, including those that oversee the cannabis industry on the State level, are heavily occupied with their response to the pandemic. These regulators as well as other executive and legislative bodies in California may not be able to provide the level of support and attention to day-to-day regulatory functions as well as to needed regulatory development and reform that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Company’s business by delaying such activities as product launches, facility openings and approval of any future business acquisitions, thus materially impeding development of its business.

The Company is actively addressing the risk to business continuity represented by each of the above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Company’s ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in or increase losses. While the Company is not currently in financial distress, if the Company’s financial situation materially deteriorates as a result of the impact of the pandemic, the Company could eventually be unable to meet its obligations to third parties, which in turn could lead to insolvency and bankruptcy of the Company.

Risks Associated with the Loss of Foreign Private Issuer Status

The Company has determined that it will be considered a “domestic issuer,” and will no longer be eligible to use forms and rules designated for a “foreign private issuer”, beginning on January 1, 2021. Securities issued by a domestic issuer may bear a U.S. securities legend following a resale that is not registered under the United States Securities Act of 1933 (the “**U.S. Securities Act**”). Because legended shares are not able to settle on many securities exchanges, including the CSE, where the Subordinate Voting Shares are traded, the Company’s opportunities to raise funds through an offering of its securities may be more limited from and after January 1, 2021.

An issuer with a class of securities held of record by 2,000 persons, or by 500 persons who are not accredited investors, that has total assets exceeding US\$10 million on the last day of its fiscal year and that has 300 U.S. resident holders generally must register that class of securities under the United States Securities Exchange Act of 1934 (the “**Exchange Act**”). An issuer that wishes to conduct a public offering of its securities under the U.S. Securities Act and list the publicly offered securities on a national securities exchange in the United States also must register the class of securities offered under the Exchange Act, even if it would not be required to do so under the holders of record and asset tests described above. If the Company is required to register its securities under the Exchange Act, it will incur significant legal, accounting and other expenses, and management will be required to devote substantial additional time to new compliance initiatives and corporate governance matters. Because it will no longer be a foreign private issuer, if the Company registers its securities under the Exchange Act, the Company would be required to comply with all reporting requirements of a domestic U.S. filer, including filing annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and would also be required to comply with certain other laws and regulations of the United States Securities and Exchange Commission (the “**SEC**”) from which foreign private issuers are exempt, including the proxy rules and certain governance requirements, such as independent director oversight of the nomination of directors and executive compensation. In addition, the Company would be required to prepare its financial statements in accordance with generally accepted accounting principles in the United States rather than International Financial Reporting Standards. The Company also would no longer be exempt from the requirements of Regulation FD promulgated by the SEC under the Exchange Act. The Company’s “insiders” would be subject to the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

The regulatory and compliance costs associated with the reporting and governance requirements applicable to U.S. domestic filers are significantly higher than the costs the Company would have incurred as a foreign private issuer. If the Company elects to register its securities under the Exchange Act, which it may do in the course of accessing the capital markets, particularly in the United States, or if the Company is required to register under the Exchange Act as described above, the Company will bear all of the compliance costs and management burdens of a domestic U.S. filer.

Risks Related to the Super Voting Shares

As described below under “Description of Capital Structure”, the outstanding Super Voting Shares, represent approximately 92% of the voting power in respect of the Company’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, the holders of the Super Voting Shares are expected to have the ability to control the

outcome of matters submitted to the Company'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 Company, fundamental change or change of business of Indus. The concentrated control through the Super Voting Shares could delay, defer, or prevent a change of control of the Company, arrangement involving the Company, sale of all or substantially all of the assets of the Company, a fundamental change of Indus or a change of business of Indus that its other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to approve the consummation of such a transaction that the Company's other shareholders do not support.

Robert Weakley, a Co-Founder of Indus Holding Company, is currently the holder of the outstanding Super Voting Shares. Pursuant to the Voting Agreement among Mr. Weakley, certain other securityholders of the Company and the Company, and the Letter Agreement between Mr. Weakley and the Company, summarized below under "Description of Capital Structure – Voting Agreements", Mr. Weakley is required to vote the Super Voting Shares (i) for the election of directors in accordance with the Voting Agreement, and (ii) as directed by the Board in all other instances, which may not always be in the interests of some or all of the other securityholders of the Company.

Unpredictability Caused by the Company's Capital Structure

Although other Canadian-listed companies have dual class or multiple voting and exchangeable share structures, given the other unique features of the capital structure of the Company, including the existence of a significant amount of redeemable equity securities that have been issued by, and are issuable pursuant to the exercise, conversion or exchange of the applicable convertible and exchangeable securities of, Indus Holding Company, which equity securities are redeemable from time to time for Subordinate Voting Shares in accordance with their terms, the Company is not able to predict whether this structure will result in a lower trading price for or greater fluctuations in the trading price of the Subordinate Voting Shares or will result in adverse publicity to the Company or other adverse consequences.

Convertible Debenture Purchase Agreement Carries Significant Provisions and Creditor Control

As described under "General Development of the Business – Financing Transactions", Indus Holding Company has outstanding indebtedness under the Convertible Debentures. The amounts due under the Convertible Debentures are secured by effectively all assets of the Company.

The outstanding indebtedness under the Convertible Debentures could have important consequences to Indus securityholders due to the following potential factors affecting the Company, among others: (i) difficulties and costs (including diversion of management resources) in satisfying obligations and covenants with respect to indebtedness, (ii) limitations on the ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements and increased cost of any additional borrowing, (iii) requirements that a substantial portion of the Company's cash flows be dedicated to debt service payments under the Convertible Debentures instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes, (iv) increased vulnerability to general adverse economic and industry conditions, (v) decreased flexibility in planning for and reacting to changes in the industry in which it competes, and (vi) placing the Company at a disadvantage compared to its less leveraged competitors.

The Company's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of Indus Holding Company and other subsidiaries of the Company, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond the Company's control.

The terms and conditions of the Convertible Debenture Purchase Agreement contain restrictive covenants that limit the Company's ability to engage in activities that may be in the Company's long-term best interest and may make it difficult for it to execute its business strategy successfully or effectively compete with businesses that are not subject to the same restrictions. In addition, the terms and conditions thereof contain financial and operational covenants, and compliance with the covenants by the Company may increase the Company's legal and financial costs, make certain activities, such as the payment of dividends or other distributions, more difficult or restricted, time-consuming or costly and increase demand on the Company's systems and resources. The Company's failure to comply with any such covenants, which may be affected by events beyond the Company's control, including economic, financial and industry conditions, could result in an event of default which, if not cured or waived, could result in the acceleration of repayment of the Company's debt or realization on the security granted or trigger cross-default or cross-acceleration provisions in any other agreements, any of which could have a material adverse effect on the Company's business, capital, financial condition, results of operations, cash flows and prospects.

Additionally, should the Convertible Debentures and associated 2020 Warrants held and/or controlled by the lead lender under the Convertible Debenture Offering, Geronimo Capital, LLC, be converted into or exercised for Subordinate Voting Shares, this lender could control a majority of the outstanding Subordinate Voting Shares upon such conversion and exercise. As of the date of this AIF, to the knowledge of the Company, US\$11,428,361 Convertible Debentures and 57,141,803 2020 Warrants are held and/or controlled by Geronimo Capital, LLC. Actions taken by this lender may not always be in the interest of Indus or the other securityholders of Indus.

The Company may not be able to Refinance, Extend or Repay its Indebtedness

In the event that the Convertible Debentures are not converted by the holders thereof, or forced converted by Indus Holding Company, in exchange for Indus Sub Convertible Shares in accordance with their terms, the Company anticipates needing to raise additional debt or equity capital in the future in order to repay the outstanding debt obligations owed under the Convertible Debentures when they mature on October 13, 2023.

If the Company is unable to raise sufficient capital to repay these obligations at maturity (if not converted) and is otherwise unable to extend the maturity date or refinance these obligations, the Company would be in default. The Company cannot provide any assurances that it will be able to raise the necessary amount of capital to repay these obligations, that the obligations will be converted into equity or that it will be able to extend the maturity date or otherwise refinance these obligations. Upon a default, the lenders under such debt would have the right to exercise their rights and remedies to collect, which would include the ability to foreclose on the Company's assets. Accordingly, a default by the Company would have a material adverse effect on the Company's business, capital, financial condition and prospects.

Limited Operating History

The Company has 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 Company's lack of extensive operating history makes it difficult for prospective shareholders to evaluate the Company's prospects for success. There is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its relatively early stage of operations.

Reliance on Management

The Company's future success will depend substantially on the continued services of its and its subsidiaries' executive officers and 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 Company 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 Company 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 Company, 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 Company's business, operating results, financial condition or prospects, and the Company may be unable to find adequate replacements on a timely basis, or at all.

Additional Financing

The Company 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 Company intends to fund its future business expansion, such as undertaking capital expenditures, renovations or acquisition transactions, through additional equity and/or debt financing as well as through any 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 Company when needed or on terms which are acceptable or favorable to the Company.

The Company'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 Company'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 Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Profitability of the Company

The Company 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 Company 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 Company's business, prospects, results of operations and financial condition.

Negative Cash Flow from Operations

During the financial year ended December 31, 2019, the Company had negative operating cash flows. The Company is currently incurring expenditures related to its operating activities that have generated negative operating cash flows. Operating cash flows may decline in certain circumstances, many of which are beyond the Company's control. There is no assurance that the Company will generate sufficient revenues in the near future, and it may continue to incur negative operating cash flows. The Company expects to continue to have negative operating cash flows for the foreseeable future. The Company may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding.

Competition

The Company competes with other branded manufacturers and distributors, and with other licensed manufacturers offering similar services within California, some of which have longer operating histories and more financial resources and experience than the Company.

Currently, the California cannabis industry is largely comprised of small to medium-sized entities. Over time, it is expected that within California the industry will begin to consolidate as market-share will increasingly favor larger, better financed and more sophisticated operators. The Company expects to face additional competition from new entrants. To remain competitive, Indus expects to invest in scale, people, processes and technology to maintain cost and product leadership over its competitors. The Company 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 Company operates, the Company 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.

The Company expects to face continued competition from the illicit or "black-market" forces that still operate within California. Despite state-level legalization of cannabis in the United States, such 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.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company 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 Company's operations; and (vi) loss or reduction of control over certain of the Company'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 Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations. If the Company encounters additional transaction and integration related costs or other factors that result in the Company failing to realize all of the benefits from an acquisition, this could cause dilution on a per share basis to any earnings realized by the Company or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the shares of the Company or its affiliates, as applicable. While the Company 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 Company at the time of acquisition, including unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified, could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company.

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 Company's products.

Vulnerability to Rising Energy Costs

Adult-use and medical cannabis growing operations consume considerable amounts of energy, making the Company 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 Company.

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 Company 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 Company 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 Company could result in increased costs, could adversely affect the Company'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 Company. 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 Company's products or processes and legal costs could materially and adversely affect the Company's product sales, financial condition and operating results.

There can be no assurances that the Company 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 Company.

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 Company has 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 Company's brands were subject to recall, the image of that brand and the Company 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 licenses.

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 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 Company 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 Company does not make any product claims regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, some of the products the Company 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 Company's products with the potential to lead to a material adverse effect on the Company'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 Company. 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 Company 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 Company to cultivate, manufacture, process and distribute cannabis products on a competitive basis is 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 Company 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 Company's capital expenditure plans may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company in which circumstance the Company 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 Company.

Management of Growth

The Company 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 Company 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 Company 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 Company's business, financial condition, results of operations or prospects.

Product Diversion

As licensed operators within California, all of our cannabis products are produced explicitly and exclusively for distribution via the legal cannabis market structure implemented within that state. It is possible however that certain of our products may eventually be diverted onto the black market as a result of certain illegal activities that occur without our knowledge.

From time to time, the Company will sell flower or concentrate products to other manufacturers and distributors in bulk quantities. Such sales will be made to entities that hold current California licenses for such activities; however, the Company cannot reasonably ensure that future owners of such products will not engage in illegal diversion of such products. The Company is fully compliant with California's track and trace system known as METRC and takes further steps in an effort to prevent its products from being sold to entities that have historically engaged in diversion or made it known that they intend to do so.

Internal Controls

Effective internal controls are necessary for the Company 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 Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the price of its shares.

Forecasting Risks

The Company 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 Company.

Leased Premises

The Company currently leases its facilities. Each of the leases specifically contemplates carrying on cannabis and cannabis-related activities pursued by the Company. While the Company currently has a good relationship with each of its landlords, a termination of any of the leases could have a significant impact on the Company's business and financial condition.

Reliance on a Single Jurisdiction

To date, the Company's activities and resources have been primarily focused within the State of California. California is the largest legal cannabis market in the world and the Company expects to continue the focus on this State as it reviews further expansion opportunities into other jurisdictions in the United States. Adverse changes or developments within California could have a material and adverse effect on the Company's ability to continue its business, financial condition, results of operations and prospects.

Probable Lack of Diversification

Because the Company is focused solely on developing its cannabis business, the prospects for the Company's success will be dependent upon the future performance and market acceptance of the Company's products, processes and services. The Company does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses.

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 Company 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 Company's management team.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business, or otherwise be named as a defendant in a lawsuit or regulatory action, either of which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for its or its affiliates, as applicable, shares. Even if the Company is involved in litigation and prevailed, litigation can redirect significant company resources. Further, the Company 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 Company may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes and know-how. The Company 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 Company 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 Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Moreover, the Company may be unable to adequately protect its proprietary and intellectual property rights. The Company'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 Company is able to do so, in order to protect any proprietary rights of the Company, the Company 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 Company's intellectual property:

- The market for the Company'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;
- Patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for any products;
- The Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- Issued patents, trademarks and registered copyrights may not provide the Company with any competitive advantages;
- The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- The Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops; or

- Another party may obtain a blocking patent and the Company would need to either obtain a license 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 CSA, 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 Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain or continue to hold any protection of its intellectual property, whether on a federal, State or local level.

Further, the Company 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 Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some State jurisdictions or under federal law, the Company 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 Company to secure long-term profitability and success through the sustainable and profitable operation of its business.

Constraints on Marketing Products

The development of the Company'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 Company operates. 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 Company 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 Company's sales and results of operations could be adversely affected.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company is 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 Company 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 Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company 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 Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished revenues and any future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Company'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 Company'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 Company's connectivity to and the functionality of its track and trace software, adversely impact the Company's reputation and results of operations.

Security Breaches

Given the nature of the Company'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 Company's facilities could expose the Company to loss, 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 licenses.

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 CSA). 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 US\$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 Company could be determined by the IRS to have violated such requirement to file Form 8300 in connection with certain cash transactions that exceeded US\$10,000. The Company 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 licenses, any of which may have a material adverse effect on the Company’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 Company. If the Company’s tax structure and/or tax positions are challenged or invalidated, any tax advantages contemplated by the Company with respect to any future profits or otherwise, may not be available, and this may result in adverse tax consequences to the Company and investors. Based on anecdotal information, the Company believes that there is a greater likelihood that the IRS will audit cannabis-related businesses such as the Company. Any such audit could result in the Company paying additional tax, interest and penalties, as well as incremental accounting and legal expenses, and the diversion of management attention.

California State and Local 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 Company is also subject to local city manufacturing, distribution and gross receipts taxes based on revenue generated in certain jurisdictions. The taxes are generally a fixed amount and can be increased or decreased by changes in local ordinances.

The Company is subject to a canopy tax based on the amount of cultivation canopy square footage for its greenhouses in Monterey County. The tax on the Company’s greenhouses is presently US\$5 per square foot of canopy. Beginning July 1, 2021, the rate is presently scheduled to go up US\$1 per square foot of canopy annually until June 30, 2030, at which time the rate will be increased by the change in the average Consumer Price Index (CPI).

The tax regimes that are applicable to the Company’s business will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Company’s expected business plan uneconomic.

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 license or renewal as a guarantee of payment of sales and franchise tax. The Company 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 Company's business.

The Company'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 Company 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 Company to bear substantial costs resulting from risks and uncertainties of its business. It may not be possible for the Company to obtain insurance to protect against all operational risks and liabilities. In particular, the Company 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 Company may not generally be available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Further, the Company does 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 Company, or at all, could have a material adverse effect on the business, financial condition and results of operations of the Company 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 Company's ability to obtain equity or debt financing in the future on terms favorable to the Company 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 Company'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 Company's operating environment and its operating costs and margins, profitability and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is a Holding Company

The Company is a holding company and its material assets consist entirely of the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to the Company's subsidiaries. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of the Company's subsidiaries and the distribution of those earnings to the Company.

RISKS RELATED TO THE COMPANY AS A PUBLIC COMPANY

Increased Costs as a result of being a Public Company

As a public issuer, the Company is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company'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 Company'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 Company will work with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Company'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. The Company has made, and the Company will continue to make, changes in these and other areas, including the Company's internal controls over financial reporting. However, the Company cannot assure investors that these and other measures that the Company might take will be sufficient to allow the Company to satisfy its obligations as a public company on a timely basis.

Certain Remedies and Rights to Indemnification may be Limited

Indus' 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, Indus and the shareholders of Indus may be prevented from recovering damages for alleged errors or omissions made by the members of its board of directors and its officers. Indus' governing documents also provide that Indus 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 Indus.

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

All of the directors and officers of Indus currently reside and some or all of them may continue 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 is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company or its affiliates will be achieved by the Company, and the Company's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Company'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 Company 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 Company might achieve.

Market Price Volatility Risks

The market price of the Indus 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 Company'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 Indus shares.

Sales by Existing Shareholders

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

A Significant Portion of the Company's Outstanding Securities are Subject to a Lock-Up Arrangement

In connection with the Convertible Debenture Offering, each purchaser thereunder agreed that it will not, without the prior consent of holders of a majority of the aggregate outstanding principal amount of Convertible Debentures, during the one-year period commencing on the initial closing of the offering, being from April 13, 2020 until but not including April 13, 2021 (i) sell, offer to sell, pledge, mortgage, hypothecate, encumber, dispose of or engage in any similar transaction in respect of, the Convertible Debentures, the 2020 Warrants or the securities issuable upon exercise, conversion or exchange thereof, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Convertible Debentures, the 2020 Warrants or the securities issuable upon exercise, conversion or exchange thereof.

The sale of a substantial number of Subordinate Voting Shares upon a conversion of the Convertible Debentures (and subsequent redemption of the resulting Indus Sub Convertible Shares for Subordinate Voting Shares) or upon an exercise of the 2020 Warrants after the

expiry of such lock-up arrangement, or the perception in the market that holders of a large number of securities may or intend to sell securities, could reduce the market price of the Subordinate Voting Shares and could impair the Company's ability to raise capital through the sale of additional equity or convertible securities. The effect of any such sales on the prevailing market price of the Subordinate Voting Shares is not predictable.

Dividends

The Company has no earnings or dividend record, and does not anticipate that it will pay any dividends on the Subordinate Voting Shares in the foreseeable future. Dividends paid by Indus would be subject to tax including, potentially, withholding tax.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Subordinate Voting Shares will develop or be maintained and an investor may find it difficult to resell any securities of Indus.

Dilution and future sales of Indus Shares

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

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends and current intends to reinvest any future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on the Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board deems relevant. Apart from the requirement to comply with applicable corporate law in connection with the declaration of any dividend, Indus is restricted from declaring any dividends or other distributions pursuant to the terms and conditions of the Convertible Debenture Purchase Agreement.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company is comprised of Super Voting Shares and Subordinate Voting Shares. As of the date of this AIF, there were 202,590 Super Voting Shares, 16,918,066 Subordinate Voting Shares and 16,584,834 Indus Sub Convertible Shares.

As of the date of this AIF, the outstanding Convertible Debentures issued pursuant to the Convertible Debenture Offering are convertible into 80,325,687 Indus Sub Convertible Shares (excluding any accrued interest thereon, which is also convertible into Indus Sub Convertible Shares at a price of US\$0.20 per share) and the outstanding 2020 Warrants issued pursuant to the Convertible Debenture Offering are exercisable for 80,271,692 Subordinate Voting Shares at an exercise price of US\$0.28 per share.

In addition, as of the date of this AIF, Indus Holding Company has 2,571,314 warrants to purchase the same number of Indus Sub Convertible Shares outstanding and the Company has 197,533 Compensation Options to acquire the same number of Subordinate Voting Shares, 5,722,250 options to acquire the same number of Subordinate Voting Shares and 737,366 restricted stock units convertible into the same number of Subordinate Voting Shares outstanding under its incentive compensation plan and 937,000 options to acquire the same number of Subordinate Voting Shares outstanding under a legacy 2016 stock incentive plan assumed by the Company in connection with the completion of the RTO.

The Subordinate Voting Shares are “restricted securities” within the meaning of such term under applicable Canadian securities laws. The Company has complied with the requirements of Part 12 of National Instrument 41-101 – *General Prospectus Requirements* (“**NI 41-101**”) to be able to file a prospectus under which the Subordinate Voting Shares or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, the Subordinate Voting Shares are distributed, as the Company received the requisite prior majority approval of shareholders of Indus, at the special meeting of shareholders held on January 16, 2019, in accordance with applicable law, including Section 12.3 of NI 41-101, to, among other things, effect the Share Terms Amendment. The Share Terms Amendment constituted a “restricted security reorganization” within the meaning of such term under applicable Canadian securities laws.

As of the date of this AIF, the Subordinate Voting Shares represent approximately 7.7% of the voting rights attached to outstanding securities of the Company and the Super Voting Shares represent approximately 92.3% of the voting rights attached to outstanding securities of the Company.

The following is a summary of the rights, privileges, restrictions and conditions attached to the Super Voting Shares and the Subordinate Voting Shares but does not purport to be complete. Reference should be made to the articles of the Company and the full text of their provisions for a complete description thereof.

Super Voting Shares

Holders of Super Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company 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 held. Holders of Super Voting Shares are not entitled to receive dividends. In the event of the liquidation, dissolution or winding-up of the Company, the Company will distribute its assets in priority to the rights of holders of any other class of shares of the Company (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 Company and their sole rights in respect of assets or property of the Company 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 Company and Robert Weakley. The investment agreement provides that Super Voting Shares may be transferred only among Mr. Weakley and the other members of a permitted transferee group or otherwise with the consent of the Company. The investment agreement prohibits the Company 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 Company has the right to redeem (i) any or all of the Super Voting Shares for their original purchase price in the event Mr. Weakley resigns all of his positions with the Company and its subsidiaries other than for “Good Reason”, as defined in the investment agreement, or if Mr. Weakley and the other members of the permitted transferee group hold less than 50% of the total number of Indus Sub Convertible Shares and Subordinate Voting Shares held by Mr. 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 Company’s consent. Mr. Weakley and the Company agreed that his resignation as Chief Executive Officer of the Company in April 2020 was for Good Reason. In addition, the Company is required to redeem the Super Voting Shares in connection with a change of control transaction, as defined in the investment agreement, for their original purchase price. **The holders of Subordinate Voting Shares will not be entitled to participate in any such redemption under the terms of the Subordinate Voting Shares or under any coattail or similar agreement.**

As of the date of this AIF, all outstanding Super Voting Shares are held by Mr. Weakley.

Subordinate Voting Shares

Holders of Subordinate Voting Shares are entitled to receive as and when declared by the Board, dividends in cash or property of the Company. Holders of Subordinate Voting Shares are also entitled to notice of and to attend at any meeting of the shareholders of the Company, except a meeting of which only holders of another particular class or series of shares of the Company will have the right to vote. At each such meeting, holders of Subordinate Voting Shares will 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 Company, the holders of Subordinate Voting Shares will, subject to the prior rights of the holders of any shares of the Company 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.

Voting Agreements

The Company entered into a voting agreement (the “**Voting Agreement**”) as of April 10, 2020 with Mr. Weakley and the lenders (the “**Lenders**”) under the Convertible Debenture Offering. Pursuant to the Voting Agreement, among other things, the Lenders have three director nominees, the directors of the Company immediately prior to the closing of the Convertible Debenture Offering which continue to be on the Board have three director nominees and a seventh nominee is required to be mutually selected by the three Lender nominees and the three Indus board nominees. Additionally, Mr. Weakley and the Lenders are required to vote, or cause to be voted, all shares of the Company owed by them or over which they have voting control, from time to time, at each annual or special meeting of the shareholders of the Company at which an election of directors is held to elect the individuals nominated for election to the Board under the foregoing process. The Company has also entered into a letter agreement (the “**Letter Agreement**”) as of April 10, 2020 with Mr. Weakley pursuant to which, among other things, Mr. Weakley is required to vote his Super Voting Shares (i) in accordance with the Voting Agreement, and (ii) as directed by the Board in all other instances. The

foregoing is a summary of certain terms of the Voting Agreement and the Letter Agreement but does not purport to be complete. Reference should be made to the full text of their provisions for a complete description thereof.

Indus Sub Class A Shares and Indus Sub Convertible Shares

The following is a summary of the rights, privileges, restrictions and conditions attached to the Indus Sub Class A Shares and the Indus Sub Convertible Shares but does not purport to be complete. The share capital of Indus Holding Company consists of Indus Sub Class A Shares and Indus Sub Convertible Shares.

In connection with the RTO, Indus Holding Company created the Indus Sub Class A Shares and the Class B Common Shares. In connection with the Convertible Debenture Offering, Indus Holding Company created the Class C Common Shares (the Class B and C Common Shares are collectively referred to herein as the Indus Sub Convertible Shares).

The Indus Sub Class A Shares are held solely by the Company.

Holders of Indus Sub Class A Shares are entitled to receive notice of and vote at meetings of the shareholders of Indus Holding Company. Each Indus Sub Class A Share entitles the holder thereof to one vote on all matters upon which holders of Indus Sub Class A Shares are entitled to vote. Except as otherwise provided by applicable law, the Indus Sub Convertible Shares do not entitle the holders thereof to vote at meetings of the shareholders of Indus Holding Company.

The holders of Indus Sub Class A Shares and the Indus Sub Convertible Shares are entitled to receive dividends when and as declared by the board of directors of Indus Holding Company, on a pro-rata basis. Upon the dissolution or liquidation of Indus Holding Company, whether voluntary or involuntary, holders of Indus Sub Class A Shares and Indus Sub Convertible Shares on a pro-rata basis, will be entitled to receive all assets of Indus Holding Company available for distribution to its stockholders.

Holders of Indus Sub Convertible Shares may elect, from time to time, to cause their Indus Sub Convertible Shares to be redeemed by Indus Holding Company in exchange for Subordinate Voting Shares at a rate of one (1) Subordinate Voting Share for every one (1) Indus Sub Convertible Share redeemed (or, in the case of the Class B Common Shares, if elected by Indus Holding Company, in exchange for the cash value of such shares as provided in the articles of incorporation of Indus Holding Company). Indus Holding Company must issue Subordinate Voting Shares upon a redemption of Class C Common Shares and does not have such right to elect to pay the cash value upon a redemption thereof.

A third party may offer to purchase some or all of the Indus Sub Convertible Shares. Any such third party offer to purchase Indus Sub Convertible Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares. However, in the event any holder or group of holders of Indus Sub Convertible Shares propose to enter into any transaction or related transactions (collectively, an “**Indus Sub Convertible Share Acquisition**”) pursuant to which a number of outstanding Indus Sub Convertible Shares in excess of 20% of the number of Indus Sub Convertible Shares outstanding as of April 16, 2020 (being the effective time of the eighth amended and restated articles of incorporation of Indus Holding Company) would be acquired by a purchaser or group of purchasers (other than the Company or any of its subsidiaries), such holder or group of holders are required, as a condition to completing such

Indus Sub Convertible Share Acquisition, to offer or cause to be offered to the holders of Subordinate Voting Shares the opportunity to participate in the Indus Sub Convertible Share Acquisition by selling their Subordinate Voting Shares for the same type (or the same choice between types) and per share amount of consideration as is paid to the holders of the Indus Sub Convertible Shares to be sold in the Indus Sub Convertible Share Acquisition, except and solely to the extent prohibited by applicable law.

Support Agreement

The following is a summary of certain terms of the support agreement dated as of April 26, 2019, as amended and restated as of April 10, 2020 (the “**Support Agreement**”) entered into between Indus and Indus Holding Company, but does not purport to be complete. Reference should be made to the Support Agreement and the full text of its provisions for a complete description thereof.

Pursuant to the Support Agreement, Indus agreed that, so long as any Indus Sub Convertible Shares not owned by Indus or its affiliates are outstanding or any Indus Sub Convertible Shares are issuable pursuant to the exercise, conversion or exchange of any outstanding securities of Indus Holding Company, Indus shall:

- take all such actions and do all such things as are reasonably necessary or desirable to enable and permit Indus Holding Company, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of a redemption of Indus Sub Convertible Shares by a holder thereof in respect of each issued and outstanding Indus Sub Convertible Share upon a redemption of such Indus Sub Convertible Shares by Indus Holding Company and, without limiting the generality of the foregoing, take all such actions and do all such things as are necessary or desirable to enable and permit Indus Holding Company to cause to be delivered Subordinate Voting Shares and/or amounts in cash, as applicable, to the holders of Indus Sub Convertible Shares in accordance with the provisions of the articles of incorporation of Indus Holding Company, together with an amount in cash sufficient to pay any amount to be paid in respect of unpaid distributions with respect to such Indus Sub Convertible Shares (if any); and
- in the event any Subordinate Voting Shares are issued (whether upon a redemption of Indus Sub Convertible Shares by Indus Holding Company, upon an exchange of Indus Sub Convertible Shares for Subordinate Voting Shares, in accordance with the terms of Indus securities that are exercisable or exchangeable for or convertible into Subordinate Voting Shares, upon a primary issuance of Subordinate Voting Shares or otherwise), subscribe for a number of Indus Sub Class A Shares equal to the number of Subordinate Voting Shares so issued (with the consideration therefor payable by Indus (i) in connection with a redemption of Indus Sub Convertible Shares by Indus Holding Company, in (A) Subordinate Voting Shares delivered to the holder of such Indus Sub Convertible Shares, or, in the case of Indus Sub Class B Common Shares, (B) cash in amount equal to the cash value of such Indus Sub Convertible Shares as provided in the articles of incorporation of Indus Holding Company, if Indus Holding Company elects to pay the redemption price for such Indus Sub Convertible Shares in cash and (ii) in connection with a primary issuance of Subordinate Voting Shares, in cash to Indus Holding Company).

Without limiting the scope of the above provision, the net proceeds, if any, received by Indus from the issuance of Subordinate Voting Shares may be contributed by Indus to Indus Holding Company in exchange for a number of Indus Sub Class A Shares equal to the number of Subordinate Voting Shares issued by Indus.

The Support Agreement provides that in the event that a tender offer, share exchange offer, issuer bid, take-over bid, arrangement, business combination, or similar transaction with respect to Subordinate Voting Shares is proposed by Indus or is proposed to Indus or its shareholders and is recommended by the Board, or is otherwise effected or to be effected with the consent or approval of the Board, Indus will use its reasonable efforts in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit holders of Indus Sub Convertible Shares (other than Indus and its affiliates) to participate in such offer to the same extent and on an economically equivalent basis as the holders of Subordinate Voting Shares, without discrimination. Without limiting the generality of the foregoing, Indus will use its reasonable efforts in good faith to ensure that holders of Indus Sub Convertible Shares may participate in each such offer without being required to redeem Indus Sub Convertible Shares as against Indus Holding Company (or, if so required, to ensure that any such redemption, shall be effective only upon, and shall be conditional upon, the closing of such offer and only to the extent necessary to tender or deposit to the offer).

Nothing in the Support Agreement limits the ability of Indus (or any of its subsidiaries including, without limitation, Indus Holding Company) to make ordinary market purchases of Subordinate Voting Shares in accordance with applicable laws and regulatory and stock exchange requirements.

The Support Agreement provides that while any Indus Sub Convertible Shares (or other rights pursuant to which Indus Sub Convertible Shares may be acquired upon the exercise, conversion or exchange thereof) other than Indus Sub Convertible Shares held by Indus Holding Company or its affiliates are outstanding, Indus will authorize for issuance such number of Subordinate Voting Shares (or other shares or securities into which Subordinate Voting Shares may be reclassified or changed) without duplication equal to the sum of (i) the number of Indus Sub Convertible Shares issued and outstanding from time to time; and (ii) the number of Indus Sub Convertible Shares issuable upon the exercise, conversion or exchange of all rights to acquire Indus Sub Convertible Shares outstanding from time to time.

As long as any outstanding Indus Sub Convertible Shares are owned by any person other than Indus or any of its affiliates, Indus shall not consummate any transaction (whether by way of reconstruction, recapitalization, reorganization, consolidation, arrangement, merger, amalgamation, transfer, sale, lease or otherwise) whereby all or substantially all of its property and assets would become the property of any other person or of the continuing corporation resulting therefrom unless: (i) such other person or continuing corporation (the “**Indus Successor**”) by operation of law, becomes, without more, bound by the terms and provisions of the Support Agreement or, if not so bound, executes, before or contemporaneously with the consummation of such transaction, an agreement supplemental to the Support Agreement and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by Indus Successor of liability for all moneys payable and property deliverable under the Support Agreement and the covenant of such Indus Successor to pay and deliver or cause to be paid and delivered the same and its agreement to observe and perform all the covenants and obligations of Indus under the Support Agreement; and (ii) such transaction shall be upon such terms and conditions as to substantially preserve and not to impair in any material

respect any of the rights and duties of the other parties under the Support Agreement or the holders of the Indus Sub Convertible Shares.

In the event of a reclassification, consolidation, split, dividend of securities or other recapitalization of Subordinate Voting Shares, Indus Sub Class A Shares or Indus Sub Convertible Shares, Indus and Indus Holding Company, as applicable, are required to undertake all actions necessary and appropriate to maintain the same ratios between the number of Subordinate Voting Shares and Indus Sub Convertible Shares issued and outstanding immediately prior to any such reclassification, consolidation, split, dividend of securities or other recapitalization, including, without limitation, also effecting a reclassification, consolidation, split, dividend of securities or other recapitalization with respect to, as applicable, the Subordinate Voting Shares and Indus Sub Convertible Shares. At all times after the occurrence of any event as a result of which Subordinate Voting Shares or Indus Sub Convertible Shares (or any combination of the foregoing) are changed, the Support Agreement is required to be amended and modified as necessary in order that it shall apply, mutatis mutandis, to all new securities into which Subordinate Voting Shares or Indus Sub Convertible Shares (or any combination of the foregoing) are so changed.

With the exception of changes for the purpose of (i) adding to the covenants of any or all of the parties, (ii) curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error (provided, in the case of (i) or (ii) that the board of directors of each of Indus and Indus Holding Company are of the good faith opinion that such amendments are not prejudicial to the rights or interests of the holders of Indus Sub Convertible Shares as a whole), the Support Agreement may not be amended except by agreement in writing executed by Indus Holding Company and Indus and, if such amendment would materially and adversely affect the Indus Sub Convertible Shares, approved by the holders of a majority of the outstanding Indus Sub Convertible Shares.

MARKET FOR SECURITIES

Trading Price and Volume

The Subordinate Voting Shares are listed and posted for trading on the CSE under the symbol "INDS". The Subordinate Voting Shares commenced trading on the CSE effective April 30, 2019. The following indicates the high and low values and volume with respect to trading activity for the Subordinate Voting Shares on the CSE on a monthly basis for the Company's financial year ended December 31, 2019 (Source: www.stockwatch.com and www.finance.yahoo.com).

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
2019			
April	\$15.95	\$14.77	516,278
May	\$15.40	\$ 7.80	1,548,018
June	\$ 8.70	\$ 5.80	919,465
July	\$ 9.15	\$ 5.60	470,471
August	\$ 6.15	\$ 3.65	412,367
September	\$ 4.15	\$ 2.80	637,170
October	\$ 3.84	\$ 1.82	409,846
November	\$ 2.29	\$ 0.87	1,215,214
December	\$ 1.18	\$ 0.51	1,542,833

The price of the Subordinate Voting Shares as quoted by the CSE at the close of business on November 9, 2020 was C\$1.75.

Prior Sales

The Company and Indus Holding Company issued the following securities in the financial year ended December 31, 2019 and during the current financial year since the completion of the RTO up to the date of this AIF that are not listed or quoted on a marketplace:

Company Securities Issuances

Date	Type of Security Issued	Issuance/Exercise/ Conversion Price per Security	Number of Securities Issued
April 26, 2019	Super Voting Shares	US\$0.005	202,590
April 26, 2019	Compensation Options	C\$15.65	197,533
June 7, 2019	Options	C\$8.10	200,000
June 7, 2019	Restricted Stock Units	N/A	610,000
October 9, 2019	Options	C\$3.25	15,500
December 10, 2019	Options	C\$0.89	200,000
January 2, 2020	Restricted Stock Units	N/A	347,750
January 2, 2020	Options	US\$0.85	465,000
January 22, 2020	Restricted Stock Units	N/A	40,000
March 13, 2020	Bridge Convertible Loan	US\$0.20	US\$2.3 million aggregate principal amount
April 13, 2020	2020 Warrants	US\$0.28	75,378,692
April 15, 2020	Options	US\$0.35	2,885,000
April 24, 2020	Restricted Stock Units	N/A	450,000
May 11, 2020	2020 Warrants	US\$0.28	625,000
May 14, 2020	2020 Warrants	US\$0.28	1,250,000
May 20, 2020	2020 Warrants	US\$0.28	1,125,000
May 22, 2020	2020 Warrants	US\$0.28	2,000,000
June 29, 2020	Options	US\$0.51	225,000
July 15, 2020	Options	US\$0.70	575,000
August 14, 2020	Restricted Stock Units	N/A	66,666
September 3, 2020	Options	US\$1.18	200,000
October 28, 2020	Restricted Stock Units	N/A	8,200
October 28, 2020	Options	US\$1.20	500,000
November 9, 2020	Options	US\$1.35	300,000

Indus Holding Company Securities Issuances

Date	Type of Security Issued	Issuance/Exercise/ Conversion Price per Security	Number of Securities Issued
January 1, 2019	Options	US\$4.50	85,000
January 2, 2019	Options	US\$4.50	75,000
January 14, 2019	Options	US\$4.50	300,000
April 18, 2019	Options	US\$4.50	100,000
April 26, 2019	Indus Sub Class B Common Shares	N/A	28,459,245
January 3, 2020	Indus Sub Class B Common Shares	N/A	557,605 ⁽¹⁾
April 13, 2020	Convertible Debentures	US\$0.20	US\$15,075,738.46 aggregate principal amount
May 11, 2020	Convertible Debentures	US\$0.20	US\$125,000 aggregate principal amount
May 14, 2020	Convertible Debentures	US\$0.20	US\$250,000 aggregate principal amount
May 20, 2020	Convertible Debentures	US\$0.20	US\$225,000 aggregate principal amount
May 22, 2020	Convertible Debentures	US\$0.20	US\$400,000 aggregate principal amount
June 25, 2020	Indus Sub Class B Common Shares	N/A	124,249 ⁽¹⁾
July 23, 2020	Indus Sub Class B Common Shares	N/A	104,420 ⁽¹⁾
August 31, 2020	Indus Sub Class C Common Shares	US\$0.20	53,500 ⁽²⁾

Notes:

- (1) Issued by Indus Holding Company in connection with the vesting of certain Restricted Stock Units, in lieu of Subordinate Voting Shares being issued by the Company.
- (2) Issued on conversion of certain Convertible Debentures (including accrued interest thereon).
- (3) Since the completion of the RTO, from time to time upon an issuance by the Company of Subordinate Voting Shares, the Company has subscribed for and Indus Holding Company has issued to the Company a corresponding amount of additional Indus Sub Class A Shares, such that the number of outstanding Indus Sub Class A Shares equals the number of outstanding Subordinate Voting Shares.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

In connection with the Convertible Debenture Offering, each purchaser thereunder agreed that it will not, without the prior consent of holders of a majority of the aggregate outstanding principal amount of Convertible Debentures, during the one-year period commencing on the initial closing of the offering, being from April 13, 2020 until but not including April 13, 2021 (i) sell, offer to sell, pledge, mortgage, hypothecate, encumber, dispose of or engage in any similar transaction in respect of, the Convertible Debentures, the 2020 Warrants or the securities issuable upon exercise, conversion or exchange thereof, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Convertible Debentures, the 2020 Warrants or the securities issuable upon exercise, conversion or exchange thereof.

Pursuant to their rights, privileges, restrictions and conditions, all outstanding Super Voting Shares are subject to certain restrictions on transfer. See “Description of Capital Structure” above, for additional details as to such restrictions.

DIRECTORS AND OFFICERS

The following table sets forth, for each of Indus’ directors and executive officers, the person’s name, state and country of residence, position(s) held with the Company, principal occupation(s) for the five preceding years and number of securities of the Company or its subsidiary beneficially owned or over which control or direction is exercised, directly or indirectly, by such person. The information below as to securities beneficially owned, controlled or directed, directly or indirectly, by the directors and executive officers is in each instance based upon information furnished by the person concerned and is at the date hereof.

Name and State and Country of Residence	Position(s) with the Company	Principal Occupation(s) in Last Five Years	Number of Securities of the Company and Indus Holding Company Directly or Indirectly Beneficially Owned or Controlled or Directed
George Allen ⁽¹⁾ New York, United States	Chairman (since April 2020)	Founder of Geronimo Capital, LLC, a privately held investment fund (April 2019 to present), President of Acreage Holdings, Inc., a U.S. cannabis company (May 2017 to April 2019), Chief Investment Officer of Cambridge Information Group, a privately held management and investment firm (July 2015 to May 2017)	US\$11,428,361 Convertible Debentures ⁽³⁾ 57,141,803 2020 Warrants ⁽³⁾
Mark Ainsworth California, United States	Director (since April 2019) Chief Executive Officer	Chief Executive Officer of the Company (April 2020 to present), Chief Operating Officer of the Company (November 2019 to April 2020), Executive Vice President of the Company (April 2019 to April 2020), Executive Vice President of Indus Holding Company (2015 to April 2019)	1,432,567 Indus Sub Convertible Shares 550,000 Options 45,000 RSUs
Stephanie Harkness ⁽²⁾ California, United States	Director (since April 2019)	Managing General Partner of OPES Holdings, LLC, a venture capital and private	10,000 Subordinate Voting Shares 1,001,335 Indus Sub Convertible Shares

		equity firm (2005 to present)	10,000 Options 50,000 RSUs 423,224 Indus Holding Company warrants
William Anton ⁽¹⁾⁽²⁾ Nevada, United States	Director (since April 2019)	Chairman & Chief Executive Officer of Anton Enterprises, Inc., a business services firm (2005 to present)	10,000 Subordinate Voting Shares 632,917 Indus Sub Convertible Shares 10,000 Options 50,000 RSUs 245,724 Indus Holding Company warrants US\$205,219 Convertible Debentures 1,026,094 2020 Warrants
Kevin McGrath ⁽¹⁾ Commonwealth of Puerto Rico, United States Territory	Director (since April 2020)	Private investor (April 2015 to present)	33,333 RSUs US\$1,003,196 Convertible Debentures 5,015,983 2020 Warrants
Brian Shure District of Columbia, United States	Director (since April 2020) Chief Financial Officer	Chief Financial Officer of the Company (November 2020 to present), President of Ambrose Capital Partners (2008 to November 2020)	33,333 RSUs 300,000 Options US\$985,003 Convertible Debentures 4,925,017 2020 Warrants
Bruce Gates Montana, United States	Director (since October 2020)	Founder and President of Three Oaks Strategies, LLC, a multi-disciplined consultancy firm, and of Three Oaks Asset Management, LLC, a family office and venture capital firm (November 2017 to present), Senior Vice President, External Affairs of Altria Group, Inc., a producer and marketer of tobacco products (2008 to October 2017)	8,200 RSUs
Jenny Montenegro California, United States	Chief Operating Officer	Chief Operating Officer of the Company (June 2020 to present), Vice President – Commercialization of the Company (August 2019 to June 2020), Vice President – Operations and Marketing of The	355,000 Options

Organic Coop (April 2016 to August 2019),
Regional Buyer of
Costco (2012 to April 2016)

Notes:

- (1) Member of the Audit Committee of the Board.
- (2) Member of the Compensation and Corporate Governance Committee of the Board.
- (3) Mr. Allen exercises control and direction over these Convertible Debentures and 2020 Warrants as the Founder of Geronimo Capital, LLC

The directors of the Company are elected by the shareholders of the Company at each annual general meeting and expected hold office until the next annual general meeting at which time they may be re-elected or replaced, unless they resign or are removed by the shareholders of the Company prior thereto.

The directors and executive officers of the Company, as a group, beneficially own or exercise control or direction over, directly or indirectly (i) 20,000 Subordinate Voting Shares, and (ii) 3,066,819 Indus Sub Convertible Shares (which Indus Sub Convertible Shares represent 18.5% of the outstanding Indus Sub Convertible Shares and would represent 9.2% of the outstanding Subordinate Voting Shares assuming that all outstanding Indus Sub Convertible Shares were exchanged for Subordinate Voting Shares in accordance with their terms).

Cease Trade Orders

To the best of the Company's knowledge, none of the Company's directors and executive officers has, within the 10 years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity), was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, 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 likely be considered important to a reasonable investor in making an investment decision.

Bankruptcies and Insolvencies

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, has, within the 10 years before the date of this AIF, 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, executive officer or shareholder.

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is as of the date of this AIF or has been, within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, 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.

Conflicts

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company or a subsidiary of the Company and a director or officer of the Company or a subsidiary of the Company except as disclosed elsewhere herein and that certain of the Company's or its subsidiaries' directors and officers may serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings material to the Company to which the Company 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 Company to be contemplated, and there have been no such legal proceedings during the Company's most recently completed financial year.

Regulatory Actions

The Company has not been subject to any penalties or sanctions imposed by any court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, nor has the Company been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor has the Company entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and elsewhere in this AIF, no director, executive officer or, to the best of Indus' knowledge, shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class of outstanding voting securities of Indus, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three most recently completed financial years before the date of this AIF or during the current financial year which has materially affected or is reasonably expected to materially affect Indus or a subsidiary of Indus.

Edible Management, LLC, a California limited liability company ("**Edible**"), is controlled by Robert Weakley, Co-Founder of the Company and the holder of the Super Voting Shares, and Mark Ainsworth, Chief Executive Officer and Co-Founder of the Company. Pursuant to the terms of the Brand Management and Sales Services Agreement between Edible and Indus Holding Company 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, the development and marketing of Indus' brands, the development of standard operating procedures for the sale of Indus' products" in California, industry specific strategic marketing advice, quarterly reporting for each of Indus' brands, sales, legal and human resources support services and coordination efforts with licensees of Indus (collectively, 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) reimburse Edible for all out-of-pocket expenses, and (iii) provide rent free office space to Edible. 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 Manufacturing Company ("**Cypress Manufacturing**"), a subsidiary of the Company, dated March 31, 2015 (as may be amended from time to time, the "**Association Management Agreement**"), Edible provides various management services to Cypress Manufacturing's, including, among other things, managing Cypress Manufacturing's day to day general business operations, acquiring all necessary equipment, supplies and intangible properties, supervising Cypress Manufacturing's employees and independent contractors, maintaining Cypress Manufacturing's income and payroll tax withholding and reporting, ensuring Cypress Manufacturing's compliance with applicable law and additional business support services (collectively, the "**Association Management Services**"). In exchange for the Association Management Services, Cypress Manufacturing will (i) reimburse Edible for its actual monthly payroll for the prior month, (ii) reimburse Edible for all out-of-pocket expenses, and (iii) provide rent free office space to Edible. Cypress Manufacturing paid Edible a monthly incentive commission of 2% of gross sales through June 30, 2018, which amounted to a payment of US\$650,000 in the aggregate. The Association Management Agreement may be terminated by either party within 90 days written notice to the other party.

Amounts paid to Edible pursuant to the Brand Management Agreement and the Association Management Agreement, collectively, were US\$5.2 million, US\$6.1 million and US\$15.9 million for the financial years ended December 31, 2017, 2018 and 2019. respectively.

Such management arrangements with Edible are similar to those historically created by other cannabis companies operating in California. Overall, under such management agreements with Edible, Indus Holding Company and Cypress Manufacturing derive all of the economic value and costs of the operations of Edible and since June 30, 2018 (and therefore since prior to the completion of the RTO), Messrs. Weakley and Ainsworth have not derived any benefit as a result of their ownership interests in Edible. Messrs. Weakley and Ainsworth have agreed to convey their interests in Edible to the Company for nominal consideration at any time upon request. Alternatively, it is currently contemplated by the Company and Edible that, effective as of January 1, 2021, Edible will assign all of its existing assets, liabilities, rights and obligations to Wellness Innovation Group Incorporated, a subsidiary of Indus Holding Company, in return for nominal consideration.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company has been appointed as the registrar and transfer agent of the Subordinate Voting Shares. The office of Odyssey Trust Company (where the securities register and register of transfers are maintained) is located in Vancouver, British Columbia.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company or one of its subsidiaries has entered into within the last financial year or before the last financial year, but which are still in effect:

- Zabala Lease. See “Description of the Business” above for further details.
- Investment Agreement. See “Description of Capital Structure” above for further details.
- Voting Agreement. See “Description of Capital Structure” above for further details.
- Letter Agreement. See “Description of Capital Structure” above for further details.
- Support Agreement. See “Description of Capital Structure” above for further details.
- Convertible Debenture Purchase Agreement. See “General Development of the Business” above for further details.
- W Brand Purchase Agreement. See “General Development of the Business” above for further details.
- Business Combination Agreement. See “Corporate Structure” above for further details.

INTEREST OF EXPERTS

The consolidated financial statements of Indus for the financial year ended December 31, 2019 have been audited by GreenGrowth CPAs. GreenGrowth CPAs has confirmed that it is independent with respect to the Company in accordance with the rules of professional conduct that are relevant to its audit of the Company's consolidated financial statements. GreenGrowth CPAs is located in Los Angeles, California.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.indusholdingsinc.com. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Company dated September 22, 2020 for its annual general meeting of shareholders held on October 22, 2020.

Additional financial information is contained in the Company's audited financial statements and MD&A for its most recently completed financial year, and financial statements and MD&A for

interim financial periods completed since its most recently completed financial year. Such documents, as well as additional information about the Company, may be found under the Company's profile on SEDAR at www.sedar.com.