

Indica Industries Pty Ltd
(t/as MedReleaf Australia)

ACN 611 697 762 | ABN 25 611 697 762



Annual Report

For the year ended 30 June 2022

Chairman's Report

I am pleased to provide Investors with the Annual Report on the activities of Indica Industries Pty Ltd for the Financial Year ending 30 June 2022.

There have been many developments during the last year, and we are pleased to update our shareholders on the maturing of your company. We are seeing a strong growth pattern and sustained profitability, as well as some more general commentary about the ever-changing domestic medical cannabis industry. We are seeing a strong growth pattern and sustained profitability in our trading entity MedReleaf Australia and have provided general commentary about the ever-changing domestic medical cannabis industry.



Russell Harding - CEO

Nathan Davis - Executive Director

Key Financial Highlights of the 2022 Financial Year

- Indica's trading entity, MedReleaf Australia, has maintained quarterly profitability since Jan 2021
- EOFY 2022 Revenue was over \$9 million
- The company generated an EBITDA of over \$1.5 million (16% of sales)
- Year-on-year growth in Revenue was 197%
- Average monthly growth in revenue of over 10% over the past 12 months
- We maintain a strong Balance Sheet of over \$3 million
- Tightly managed SG&A with expenses as a % of Sales reducing from 37% to 23% Year/Year
- Similarly, total employee remuneration as a % of Sales reducing from 20% to 13% Year/Year
- Two of our IndiMed Tempo products reach 'Top 10' products dispensed through pharmacies

Business Overview

Our company's strategy has been to focus on training and educating health professionals on the benefits of medical cannabis to their patients, and this continues to reap rewards. We are seeing continued growth in revenues by recruiting and influencing new Doctors to prescribe our quality products. As a result, we have continued to grow our revenues in a highly competitive market.

Backed by our exclusive Supply and other Agreements with our Canadian partner, Aurora Cannabis Enterprises Inc. (TSX|ACB), and strong relationships with our key Australian warehousing and distribution partners, Symbion (ASX|EBOS) and its subsidiary HCL, we have built a scalable and robust business.

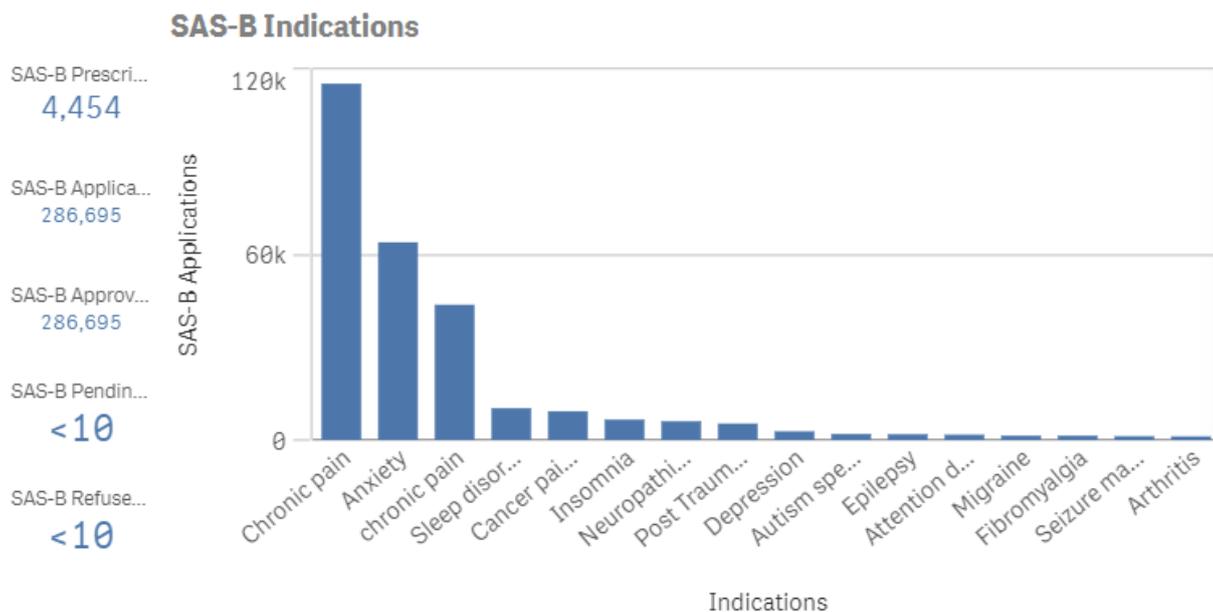
The plan to construct a local facility remains on hold as we closely monitor the global medical cannabis supply chain and developing domestic marketplace. Whilst the Australian domestic production capability continues to emerge, with some companies taking that plunge by deploying substantial capital to the endeavour, the economics remain non-compelling with overseas producers continuing to dominate supply to Australian patients. Approximately 90% of medical cannabis products dispensed in Australia currently are imported from either Canada, Israel or Europe. We remain in an agile position, fully licenced for and when market conditions become economically favourable.

Our driving force and vision as a company remains: To continue to make a difference in people’s lives, to provide a solution to their health challenges and to build a highly profitable 100-year company.

Our multiple and interlinked strategies and resultant market outperformance have positioned Indica Industries well for our future.

Although only a small proportion of the addressable medical market is currently engaged with medical cannabis, at the time of writing there have been over 280,000 TGA Special Access Scheme (SAS) approvals for medical cannabis in Australia in total; see <https://www.tga.gov.au/medicinal-cannabis-special-access-scheme-category-b-data> (Refer **Graph 1** below).

Note, TGA SAS approvals are increasing month-on-month.

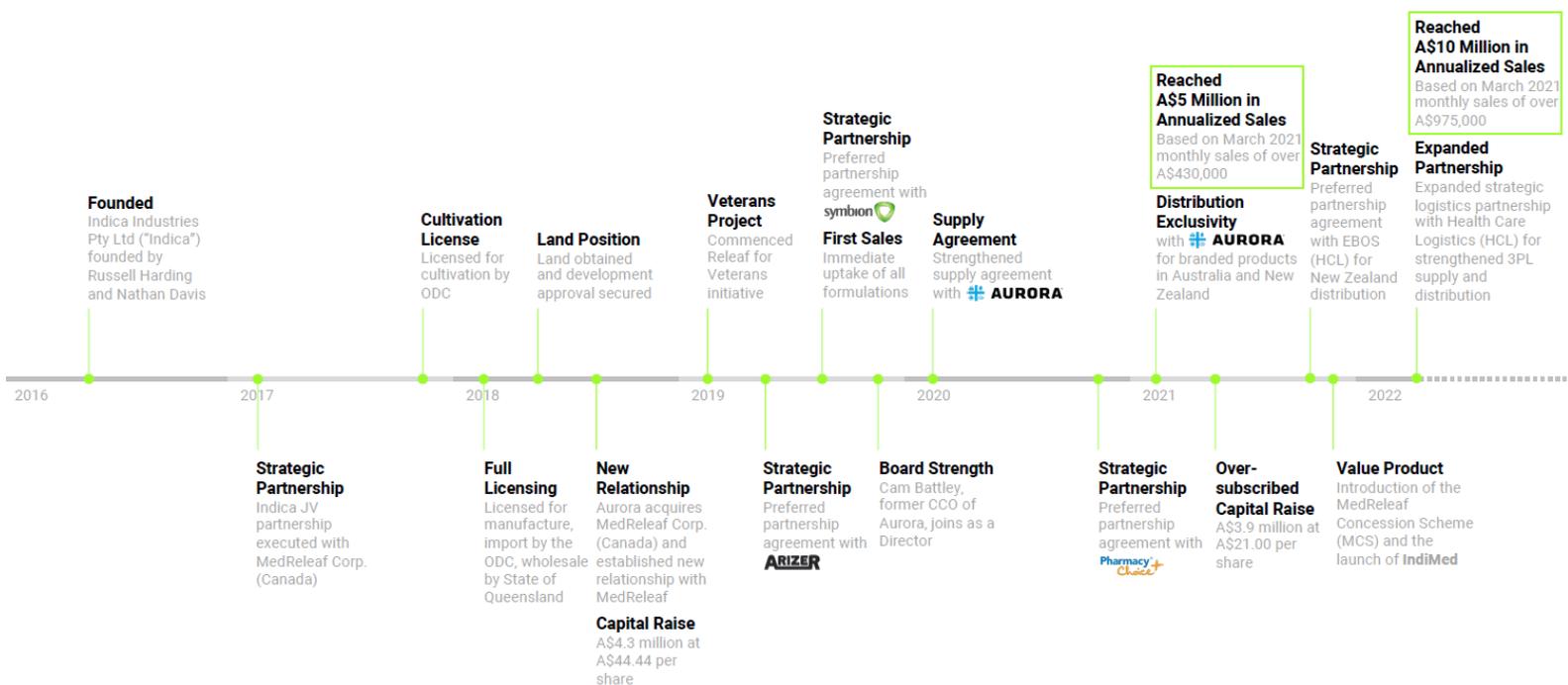


Graph 1: TGA Special Access Scheme Category B data

Australia continues to be the fastest-growing legal medical cannabis market in the world, now with 15% (up from 6% last year) of Australian Doctors having prescribed a medical cannabis product. Our MedReleaf Prescriber Program (MPP), a multi-faceted educational program that assists GPs to start their prescribing journey, has been instrumental in this increase. Australia is now globally recognised as having a superior regulatory system for medical cannabis.

Our Balance Sheet, strengthened since the last capital raise, has enabled us to invest heavily in inventory to ensure that we offer our pharmacies stock reliability, and to deliver extensive medical cannabis educational campaigns such as webinars targeted at rookie prescribers keen to learn about this new therapy. The funds have also allowed us to build our team (now comprising a total of 11 employees) to target our marketing initiatives into prescribers’ key access points. These include virtual and in-person conference attendances, prescribing software, hard-copy and digital medical journals, as well as several other strategies.

Key Milestones

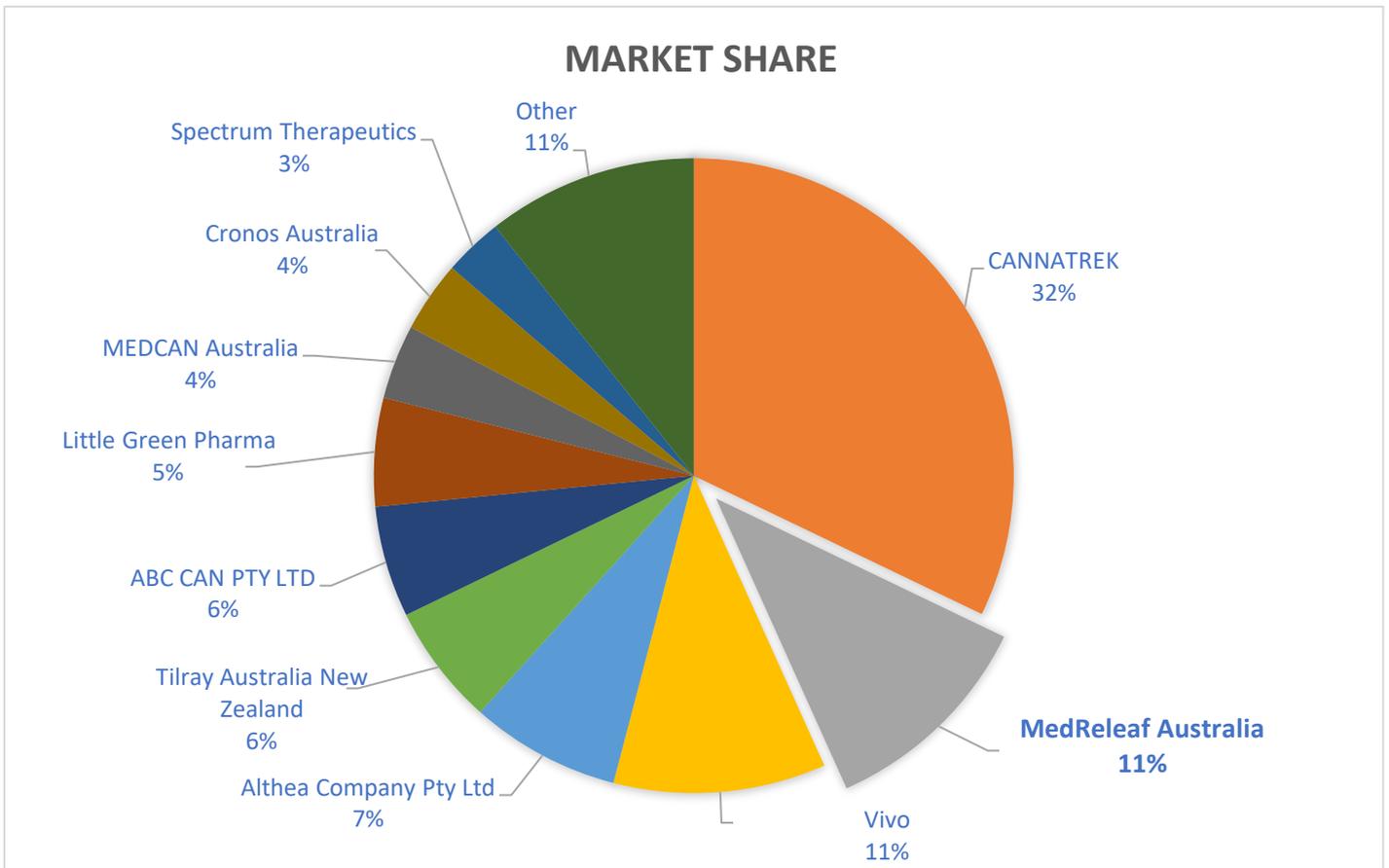


Business Developments

- Rapidly increasing sales and market-share gains (refer **Market Share** pie chart below) – MedReleaf Australia has maintained its position in the top 3 suppliers of packaged medical cannabis – equal 2nd with a Canadian multinational company.
- Laser focused on growing our Doctor prescriber network – welcomed new team members to deliver our MedReleaf Prescriber programme to Doctors.
- Successful Launch of the MedReleaf Concession Scheme (MCS) with two initial dried products sold under our new Company-owned INDIMED TEMPO brand, with a further four products added to the range over recent months, providing affordable medical cannabis for even more disadvantaged Australians and a wider range of options for GPs.
- Extended our Corporate partnership agreement with medical prescriber software company Best Practice, which is one of the top two GP software providers (note: we also have a working relationship with other software providers).
- Executed on several letters of intent with overseas suppliers, with the plan to diversify our supply lines within the boundaries of our exclusive supply agreement with Aurora.
- Continued the development of our GP/Patient APP MyRecord, expecting beta release in H2 2022.

Strengthened Supply Agreements with Aurora

We have further strengthened our Supply Agreement with Aurora Cannabis Enterprises Inc., retaining exclusivity for their three main Brands, CanniMed, Aurora and MedReleaf, and adding several products to our range. This includes Resin cartridges, a novel administration method rapidly gaining popularity among GPs. We continue to explore market-leading product options to remain at the forefront of doctors' choice for patients.



Australia’s Widest Range of Products Now Active in the Market

We currently import and supply 30 products, including pharmaceutical-grade medical cannabis oils, capsules and dried flower, with new additions including Resin cartridges and the four INDIMED additions. We also have two brands of vaporisers and accessories that complement our medicines range.

Continuing diversification of our supply lines and the creation of company-owned brands, together with local manufacture of our own products, will add value to our company and insulate our business against any future international market disruptions.



Figure 1: Products within the MedReleaf Concession Scheme



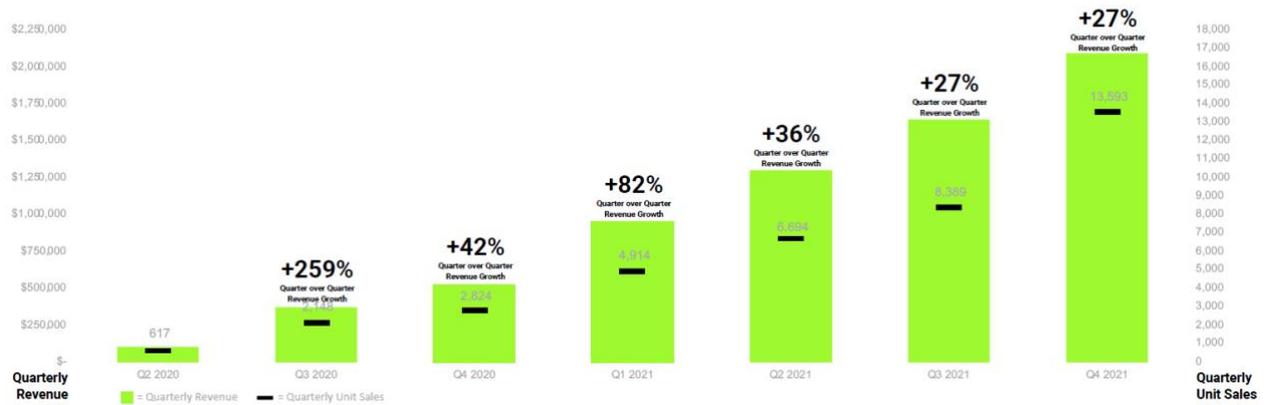
Figure 2: New products – MedReleaf Cannabis Resin Cartridges

Increasing Sales – Prescription/Approval numbers

MedReleaf Australia has had over 16,000 of our cannabis products dispensed in the last Quarter. There is ongoing strong growth in your company, a pattern that continues as we progress our plan of market activation of as many Doctors as possible on the benefits of prescribing our products to their patients. We have seen consistent quarter-on-quarter growth both in units sold and revenues since we started trading (Refer to **Graph 2** and **Graph 3** below).

Graph 2: Total unit sales quarterly (by volume and quarterly revenue): Q2 2020 – Q2 2021.

— Average quarterly sales growth of nearly 80% since enhanced supply agreement with Aurora signed March 2020



Graph 3: Monthly Revenue



Differentiation

There are a number of key points of difference between MedReleaf Australia and our competitors:

Highly Skilled Personnel – Experienced and Focused Team

At the time of writing, our we have 11 full-time employees, with our Pharmacy Services Director engaged on a contractor basis. Our international Director, Cam Battley, continues his important Board Advisory role of interlocutor with our current and potential global partners, astutely navigating strategic alliances for our company.

Our local team is primarily head-office based in Brisbane and provides targeted outreach to GPs and Pharmacies Australia-wide. We are also building our representation in other States, with Victoria and NSW already established. We drive Telehealth consultations through our MedReleaf Clinic in Brisbane, which provides open access to any Australian seeking advice about medical cannabis. Our Medical Engagement Coordinator and Medical Development Specialist personnel are activating GPs in increasing numbers every week, further boosting our prescriptions and revenues.

We remain a lean operation utilising technology and skilled third-party organisations wherever possible to build sales. We also have a focus on diversity, with a good gender and country-of-origin balance currently apparent within the operational team.



The MedReleaf Prescriber Programme

This programme is now sought after by GPs and is seen as the leading entry point for GPs into medical cannabis prescribing. Doctors are now referring their colleagues to MedReleaf to assist them to get started on their journey. The barriers are coming down as wider recognition of the utility and effectiveness of this new therapy becomes more readily apparent. Doctors are becoming more motivated to prescribe medical cannabis to their patients to avoid losing them to third-party clinics. Our medical engagement personnel as the primary point of contact are well supported by our wider clinical support team, comprising clinical Pharmacists and Doctor advisors, and is a key plank to our business success. Doctor engagement and education often includes after-hours sessions to suit practice needs.

Our wider strategy is to provide endocannabinoid system education and clinical support for traditional Doctors within existing GP clinics as they commence their prescribing journey. Our head-office team also assists new Doctors to familiarise themselves with cannabis prescribing of our wide range of imported and locally manufactured medical cannabis products. Most of our products are whole-plant extracts and are the most-prescribed medical cannabis medicines in Canada. This is seen as highly attractive to Australian doctors.

Direct Patient Acquisition – MedReleaf Telehealth Clinic

We have established a head-office-based MedReleaf Telehealth clinic, with patients accessing the service via referrals from other GPs, as well as from direct patient enquiries. MedReleaf Telehealth will shortly be supported by an extensive social media campaign across several platforms. Management sees this as one of the next growth phases of the business.

Regulatory Activities – Submissions to Government Enquiries

MedReleaf Australia regularly provides input into the various submissions made by the Medicinal Cannabis Industry Australia (MCIA), the peak industry organisation for Australia's licensed medicinal cannabis industry. When necessary, we also make our own company submissions. We have contributed to submissions on GMP requirements for importers and on issues around compounding pharmacies. We have also made a submission into the Royal Commission into Defence and Veteran Suicide.

International Activities: Underway – Launch into New Zealand Planned for 2022/3

In conjunction with the regulatory and international team at Aurora, we have succeeded in having our first three products registered in New Zealand, an onerous process with the New Zealand Ministry of Health. The regulations are considerably tougher than those in Australia, but we are hopeful of market activity for MedReleaf in New Zealand before the end of this calendar year.

Marketing Initiatives & Medicinal Cannabis Industry Australia

We have ramped up our marketing initiatives and targeted our resources directly into GP practices. The last financial year also saw MedReleaf Australia sponsor major Australian GP and Pharmacy conferences as we continue to influence and educate Doctors and their staff, including the RACGP Practice Owners' Conference, Pharmacy Guild's APP, Pain Specialists' conference in Tasmania, and GPCE in Sydney and Brisbane. We were also a major sponsor of the second ACannabis Industry Conference (www.acannabis.com.au/) convened by the MCIA, with Nathan acting as one of the Programme organisers.

Russell is an active and influential member of the Board of the MCIA, and Nathan and Gordon Chan are regular contributors to associated working groups such as the Standards and the Policy Working Groups. Russell often acts as MCIA Deputy Chairman when requested and as well as a member of the membership sub-committee. While MedReleaf engages directly with Governments and the regulators to address our company's specific concerns, advocacy is most effective when coordinated via an industry association. This is why MedReleaf has invested much time and energy in being involved in the early development of the MCIA, and in becoming influential on the Board and in working groups to build trust and personal relationships with key Government officials at the TGA and ODC, as well as influential politicians. This allows the MCIA to speak with an industry voice and authority on issues affecting the entire sector.

Logistics

Navigating the pandemic-related logistics challenges has been difficult; however, the company's increasing skills in logistics and inventory management are further improving our bottom-line performance.

The introduction of major 3rd party logistics (3PL) supplier HCL has streamlined national distribution after Symbion was struggling to manage the volume of products coming into their warehouses. This was always expected as the increase in volume is now managed similar to how other big pharma PBS product ranges are managed in the national supply chain.

Research

Research initiatives are challenging with cannabis since the plant contains hundreds of cannabinoids, flavonoids and terpenes with varied efficacy from patient to patient. Unlike traditional single-molecule pharma medicines, maintaining formulation consistency of plant-based product is fraught with challenges. Consequently, standardised randomly controlled trials are difficult to design and expensive to implement. The industry has been provided with an opportunity to demonstrate CBD efficacy, with the TGA amending regulations during 2021 to allow for the sale of over-the-counter low-dose CBD through the Pharmacy channel. We believe, however, that before too long CBD could well become openly available, and any resources allocated to expensive clinical trials would be futile. We are keeping an open mind on this matter.

Our executed phased agreement with medical software company OnTracka will soon see the launch of the beta version of our new Research Management and Patient Reporting app, another point of differentiation.

Historical Financial Performance

The unaudited Financial Report for FY 2021 provided by GTCorporate is additional to this Report.

Summary

MedReleaf Australia has enjoyed another successful year thanks to the untiring efforts of our Board of Directors, comprising Nathan Davis, Cam Battley, and our highly enthusiastic and motivated MedReleaf team. Whilst there is much work still to do, we are confident that our company value will continue to grow substantially as we continue to strategically scale the business steadily by:

- Extending our Australian prescriber network.
- Attracting patients directly to our Telehealth clinic; and
- Commencing sales into New Zealand and other export channels

We continue to build the value of the company by revenue growth and sustained profitability, and have positioned MedReleaf for a potential IPO, merger or as a takeover target. An accretive acquisition may well be considered but our key focus remains revenue growth which will accelerate the market capitalisation of the company. Our unique medically targeted programs will continue to activate new prescribers and as we launch new own-brand and Aurora products both domestically and to New Zealand in 2023, our future looks bright.

We have built a successful model, unique in the industry, that is engineered to outperform as the industry continues to grow.

Finally, and most importantly, I would like to sincerely thank our investors for your support and patience. Without your belief in our vision and tangible support, this exciting venture would not be possible. Thanks to you, our balance sheet is strong and our business secure.

Signed on behalf of the Board of Directors,

Russell Harding

Chairman

A handwritten signature in black ink, appearing to read 'R. Harding', written in a cursive style.