

Indica Industries Pty Ltd

Trading as MedReleaf Australia

MedReleaf[™]

AUSTRALIA

THE MEDICAL GRADE STANDARD[™]

Financial Statements

For the year ended 30 June 2022



8/718 Gympie Road
Lawnton QLD

Phone: +61 7 3881 3766
Email: admin@gtcorporate.biz

Indica Industries Pty Ltd
Trading as MedReleaf Australia

Contents

Directors' Declaration

Profit and Loss Statement

Trading Account

Detailed Profit and Loss Statement

Balance Sheet

Notes to the Financial Statements

Compilation Report

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies prescribed in Note 1 to the financial statements.

The directors of the company declare that:

1. the financial statements and notes, present fairly the company's financial position as at 30 June 2022 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Russell Harding
Director

Dated: 9/26/2022

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Profit and Loss Statement
For the year ended 30 June 2022

	2022	2021
	\$	\$
Operating profit before income tax	1,555,695	592,192
Income tax attributable to operating profit (loss)	(95,481)	
Operating profit after income tax	1,460,214	592,192
Impairment gain/(loss)	1,297,822	(739,249)
Operating profit and extraordinary items after income tax	2,758,036	(147,057)
Retained profits at the beginning of the financial year	16,776,742	16,923,799
Total available for appropriation	19,534,778	16,776,742
Retained profits at the end of the financial year	19,534,778	16,776,742

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Trading Account
For the year ended 30 June 2022

	2022	2021
	\$	\$
<hr/>		
Trading Income		
Sales - Accessories	266,093	195,370
Sales - Cannabis	9,105,260	2,957,082
Total Trading Income	<u>9,371,353</u>	<u>3,152,452</u>
Cost of Sales		
Add:		
Opening stock	954,916	333,088
Purchases - Domestic stock	259,943	
Purchases - Imported stock	11,046,380	2,152,732
Foreign exchange loss	58,405	1,460
Freight - domestic	8,311	384
Freight - international	689,615	99,173
Clinic supply costs		10,429
Wholesaler distribution fees	25,906	
	<u>13,043,475</u>	<u>2,597,266</u>
Less:		
Closing stock	<u>7,396,414</u>	<u>954,916</u>
	<u>7,396,414</u>	<u>954,916</u>
Cost of Sales	<u>5,647,060</u>	<u>1,642,351</u>
Gross Profit from Trading	<u><u>3,724,293</u></u>	<u><u>1,510,101</u></u>

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Detailed Profit and Loss Statement
For the year ended 30 June 2022

	2022	2021
	\$	\$
<hr/>		
Income		
Trading profit	3,724,293	1,510,101
Clinic income	401	
ATO cashflow boost		50,000
ATO jobkeeper		147,000
QLD Government adaption grant		10,000
Government events grant		21,062
Interest received	582	622
Parental leave payment	138	13,570
Total income	<u>3,725,414</u>	<u>1,752,355</u>
Expenses		
Accounting fees	8,000	7,500
Advertising & promotion	136,881	95,074
Bank fees & charges	1,252	2,111
Clinic expenses	2,164	
Conference/Seminar costs	56,857	43,261
Consultants fees 3	278,556	76,582
Depreciation	588	588
Directors fees		16,500
Donations		6,150
Entertainment		51
Fees & charges	10,566	5,972
Insurance	2,886	2,135
IT support	3,589	6,026
Learning & medical resources	13,295	
Legal fees	284	
Licence costs	30,077	31,060
Low cost equipment	25,009	1,823
Meeting & training costs	10,483	7,361
Professional memberships	42,907	9,038
Rates & land taxes	57,766	55,782
Rent on land & buildings	45,626	34,493
<hr/>		

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Detailed Profit and Loss Statement
For the year ended 30 June 2022

		2022	2021
		\$	\$
Research & development		38,861	17,530
Staff amenities		2,048	1,097
Staff training			1,050
Subscriptions		57,447	29,476
Superannuation		99,148	61,454
Telephone		13,133	6,697
Travel & accommodation		33,957	3,603
Wages	3	1,197,029	635,293
Workcover		1,311	2,456
Total expenses		2,169,719	1,160,163
Profit from Ordinary Activities before income tax		1,555,695	592,192

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Balance Sheet as at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current Assets			
Cash assets	4	2,995,354	4,130,520
Receivables	5	1,256,023	469,414
Inventories	6	7,396,414	954,916
Current tax assets	7	246,407	(1,708)
Total Current Assets		11,894,199	5,553,142
Non-Current Assets			
Receivables	5	29,080	28,901
Property, plant and equipment	8	1,892,053	1,892,641
Intangible assets	9	19,333,882	18,036,060
Total Non-Current Assets		21,255,014	19,957,601
Total Assets		33,149,213	25,510,743
Liabilities			
Current Liabilities			
Payables	10	5,447,371	683,615
Current tax liabilities	12	124,504	8,555
Provisions	13	17,952	10,317
Total Current Liabilities		5,589,827	702,486
Non-Current Liabilities			
Financial liabilities	11	1,359	6,039
Total Non-Current Liabilities		1,359	6,039
Total Liabilities		5,591,186	708,525
Net Assets		27,558,027	24,802,218

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Balance Sheet as at 30 June 2022

	Note	2022 \$	2021 \$
<hr/>			
Equity			
Issued capital	14	8,023,249	8,025,476
Retained profits		<u>19,534,778</u>	<u>16,776,742</u>
Total Equity		<u>27,558,027</u>	<u>24,802,218</u>

These financial statements are unaudited. They must be read in conjunction with the attached Accountant's Compilation Report and Notes which form part of these financial statements.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The director has prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below, which the director has determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

(a) Income Tax

Current income tax liability is the tax payable on the current period's taxable income based on the applicable income tax rate.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include shipping and custom charges.

(c) Loans and Receivables

Trade receivables are recognised initially at cost and are subsequently measured at cost less any provision for impairment. Most sales are made on the basis of normal credit terms and are not subject to interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

(d) Property, Plant and Equipment (PPE)

All property, plant and equipment except for freehold land and buildings are initially measured at cost and are depreciated over their useful lives on a straight-line basis. Depreciation commences from the time the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The carrying amount of plant and equipment is reviewed annually by the director to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

(e) Intangible Assets

Contractable rights and licences - at directors valuation

The value of contractable rights and licences is solely based on representations made by the directors, given the volatility in the emerging cannabis market and the current marketable value of the underlying shares of the company.

(f) Impairment of Assets

At the end of each reporting period, property, plant and equipment, intangible assets and investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's future cash flows discounted at the expected rate of return. If the estimated recoverable amount is lower, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

(g) Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability. Trade and other payables are subject to normal credit terms (30–60 days) and do not bear interest.

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the nominal amounts expected to be paid when the liability is settled, plus any related on-costs.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

(i) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reasonably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(k) Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. For this purpose, deferred consideration is not discounted to present values when recognising revenue.

Interest revenue is recognised when credited. Dividend revenue is recognised when the right to receive dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

2022**2021****Note 2: Revenue****Operating Activities:**

Non-primary production trading revenue	9,371,353	3,152,452
Interest revenue	582	622
Other operating revenue:		
Clinic income	401	
ATO cashflow boost		50,000
ATO jobkeeper		147,000
QLD Government adaption grant		10,000
Government events grant		21,062
Parental leave payment	138	13,570
	9,372,474	3,394,705

Note 3: Expenses**Remuneration**

Directors wages & bonuses	634,434	213,173
Employee wages	562,595	422,120
	1,197,029	635,293
Directors superannuation	45,273	21,317
Employee superannuation	53,875	40,137
	99,148	61,454

Consultants fees

General consulting	11,792	8,864
Pharmacy services	47,708	56,723
Marketing specialist	2,692	10,995
Contracted medical sales force	216,364	
	278,556	76,582

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

2022**2021****Note 4: Cash assets**

Bank accounts:

Cash at bank - ANZ 6044	1,818,648	3,279,419
Cash at bank - Westpac 9285	125,077	49,070
Cash at bank - Westpac 9293	1,050,606	802,023
Cash at bank - Westpac 8667	8	8
Cash at bank - Clinic Westpac 3583	624	
Paypal account - Clinic	391	
	<u>2,995,354</u>	<u>4,130,520</u>

Note 5: Receivables**Current**

Trade debtors	<u>1,256,023</u>	<u>469,414</u>
	<u>1,256,023</u>	<u>469,414</u>

Non-Current

Amounts receivable from:

Loan - Medreleaf NZ Limited	<u>29,080</u>	<u>28,901</u>
	<u>29,080</u>	<u>28,901</u>

Note 6: Inventories**Current**

Stock on hand	<u>7,396,414</u>	<u>954,916</u>
	<u>7,396,414</u>	<u>954,916</u>

These notes should be read in conjunction with the attached financial statements and compilation report of .

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

2022**2021**

Note 7: Tax Assets

Current

GST collected	(114,617)	(44,833)
GST credits	361,024	43,125
	<u>246,407</u>	<u>(1,708)</u>

Note 8: Property, Plant and Equipment

Freehold land:

- At cost	1,891,738	1,891,738
	<u>1,891,738</u>	<u>1,891,738</u>

Website development:

- At cost	2,940	2,940
- Less: Accumulated depreciation	(2,625)	(2,037)
	<u>315</u>	<u>903</u>
	<u>1,892,053</u>	<u>1,892,641</u>

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

2022**2021**

Note 9: Intangible Assets

Contractable rights and licences

- At directors valuation

19,251,675

17,953,853

19,251,675

17,953,853

Patents and trademarks:

- At cost

1,725

1,725

1,725

1,725

Other intangibles:

- Business valuation costs

78,940

78,940

- Legal fees capital raising

1,542

1,542

80,482

80,482

19,333,882**18,036,060**

Note 10: Payables

Unsecured:

- Trade creditors

5,441,211

680,848

- Credit cards

6,161

2,766

5,447,371

683,615

5,447,371**683,615**

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

2022**2021****Note 11: Financial Liabilities****Non-Current****Unsecured:**

Phone - purchase plan	971	5,651
Directors loan - Russell Harding	388	388
	1,359	6,039
	1,359	6,039

Note 12: Tax Liabilities**Current**

Income tax payable	95,481	
Amounts withheld from salary & wages	29,023	8,555
	124,504	8,555

Income tax reconciliation

Accounting profit	1,555,695	592,192
Non-deductible expenses		52
Non-taxable income		(50,000)
Provisions movement	7,635	(5,447)
Tax losses from prior years	(1,181,406)	(1,718,203)
Taxable income	381,924	(1,081,406)
Income tax on profit @ 25%	95,481	

Note 13: Provisions**Current**

Superannuation payable	10,452	3,317
Accounting fees	7,500	7,000
	17,952	10,317

These notes should be read in conjunction with the attached financial statements and compilation report of .

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Notes to the Financial Statements
For the year ended 30 June 2022

	2022	2021
<hr/>		
Note 14: Contributed Capital		
Ordinary shares 1,312,287 each fully paid	<u>8,023,249</u>	<u>8,025,476</u>

The company's implied value as at 30 June 2022 is in accordance with directors' instructions and remains at \$21.00 per share. This is based off the prior year capital raising offer price. There was an increase of 131,229 ordinary shares issued during the 2022 financial year. These adjustments have been reflected in the value of net assets and the resulting \$1,297,822 gain in the contractable rights and licences.

Indica Industries Pty Ltd
Trading as MedReleaf Australia
Compilation Report to Indica Industries Pty Ltd

We have compiled the accompanying special purpose financial statements of Indica Industries Pty Ltd, which comprise the balance sheet as at 30 June 2022, the Statement of Profit and Loss for the year then ended, a summary of significant accounting policies and other explanatory notes. The specific purpose for which the special purpose financial statements have been prepared is set out in Note 1 to the financial statements.

The Responsibility of the Directors

The directors of Indica Industries Pty Ltd are solely responsible for the information contained in the special purpose financial statements, the reliability, accuracy and completeness of the information and for the determination that the significant accounting policies used are appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by the directors, we have compiled the accompanying special purpose financial statements in accordance with the significant accounting policies as described in Note 1 to the financial statements and APES 315 Compilation of Financial Information.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the significant accounting policies described in Note 1 to the financial statements. We have complied with the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the reliability, accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.

The special purpose financial statements were compiled exclusively for the benefit of the director who is responsible for the reliability, accuracy and completeness of the information used to compile them. Accordingly, these special purpose financial statements may not be suitable for other purposes. We do not accept responsibility for the contents of the special purpose financial statements.



8/718 Gympie Road
Lawnton

20 September, 2022

Note From Chairman: With sustained profitability in place, the option of remaining a private company and releasing a dividend stream for shareholders remains a consideration while we continue our Growth strategy. Unfortunately, investor sentiment both domestically and internationally toward the medical cannabis sector is weak currently (Refer **Graph 4**) and until this turns positive, we will keep an open mind to future opportunities that will benefit shareholders.

Graph 4: Cannabis Index

