INDUS HOLDING

GROUP OF COMPANIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018

(UNAUDITED)

(Expressed in United States Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Board of Directors of INDUS Holding Group of Companies

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

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

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

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

*/s/ Robert Weakley*___________
Robert Weakley
Chief Executive Officer

/s/ Tina Maloney____________
Tina Maloney
Chief Financial Officer

May 29, 2019

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands, except per share amounts, $US)		March 31, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents		$ 2,734	$ 10,310
Accounts Receivable—net of allowance for doubtful accounts of $290 at March 31, 2018 and $250 at December 31, 2018		5,248	2,965
Subscription Receivable		848	3,200
Inventory	*Note 5*	13,584	13,608
Biological assets	*Note 6*	2,287	576
Prepaid expenses and other current assets		1,837	2,086
Total current assets		**26,539**	**32,745**
Long-term investments		2,648	1,148
Property and equipment, net	*Note 7*	28,294	4,063
Goodwill	*Note 8*	357	357
Other intangibles, net	*Note 8*	186	190
Other assets		615	454
Total assets		**$ 58,639**	**$ 38,957**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		$ 3,982	$ 2,191
Accrued payroll and benefits		490	259
Current portion of long-term debt	*Note 3, 11, 14*	2,109	147
Other current liabilities		883	1,838
Total current liabilities		**7,464**	**4,436**
Long-term debt, net	*Note 3, 11, 14*	22,691	389
Other long-term liabilities		-	-
Total liabilities		**30,155**	**4,824**
STOCKHOLDERS' EQUITY			
Common stock, $0.001 par value—35,0000 shares authorized, 10,762 and 10,762 shares issued and outstanding at March 31, 2019, and December 31, 2018, respectively	*Note 10*	11	11
Series A preferred stock, $0.001 par value—5,467 shares authorized, 5467 issued and outstanding at March 31, 2019, and December 31, 2018	*Note 10*	5	5
Series A2 preferred stock, $0.001 par value—2,359 shares authorized, 2,359 issued and outstanding at March 31, 2019, and December 31, 2018	*Note 10*	2	2
Series B preferred stock, $0.001 par value—10,096 shares authorized, 4,317 issued and outstanding at March 31, 2019, and December 31, 2018	*Note 10*	10	10
Additional paid-in capital		54,436	54,305
Accumulated deficit		(25,981)	(20,201)
Total stockholders' equity		**28,483**	**34,133**
Total liabilities and stockholders' equity		**$ 58,639**	**$ 38,957**

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

"Robert Weakley"
Robert Weakley, Chief Executive Officer

"Tina Maloney"
Tina Maloney, Chief Financial Officer

See accompanying notes to consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Periods Ended March 31, (in thousands, $US)		Three Months 2019	Three Months 2018
Net revenue		$ 6,434	$ 2,301
Cost of goods sold		5,086	2,038
Gross profit before biological asset adjustments		1,348	263
Net effect of change in fair value of biological assets	*Note 6*	645	(1,521)
Gross profit		703	1,784
Operating expenses			
General and administrative	*Note 15*	2,300	1,506
Sales and marketing		1,466	498
Depreciation and amortization	*Note 3, 7*	696	20
Total operating expenses		4,461	2,024
Loss from operations		(3,758)	(240)
Other income/(expense)			
Other income/(expense)		(393)	12
Interest expense	*Note 3, 11*	(783)	(509)
Total other income/(expense)		(1,176)	(497)
Loss before provision for income taxes		(4,934)	(738)
Provision for income taxes		(0)	(36)
Net loss		**$ (4,934)**	**$ (774)**

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands, $US)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
Balance—December 31, 2018	**17,735**	**$ 17**	**10,762**	**$ 11**	**$ 54,305**	**$ (20,201)**	**$ 34,133**
Net loss	-	-	-	-	-	(4,934)	(4,934)
Adoption of lease accounting standard	-	-	-	-	-	(847)	(847)
Share-based compensation expense	-	-	-	-	131	-	131
Balance—March 31, 2019	**17,735**	**$ 17**	**10,762**	**$ 11**	**$ 54,436**	**$ (25,981)**	**$ 28,483**

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods Ended March 31, (in thousands, $US)	Three Months 2019	Three Months 2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (4,934)	$ (774)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	842	66
Share-based compensation expense	131	34
Provision for doubtful accounts	290	-
Change in fair value of biological assets	1,518	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,573)	(514)
Inventory	(1,494)	(3,451)
Biological assets	(1,711)	(511)
Prepaid expenses and other current assets	88	(163)
Other assets	2,352	1,448
Accounts payable and accrued expenses	2,021	122
Other long-term liabilities	(872)	1,235
Net cash used in operating activities	**(4,342)**	**(2,508)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,476)	-
Investment in corporate interests	(1,500)	-
Net cash used in investing activities	**(2,976)**	**-**
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(364)	-
Proceeds from notes payable	106	500
Proceeds from issuance of series B preferred stock, net of issuance costs	-	250
Net cash provided by financing activities	**(258)**	**750**
Change in cash and cash equivalents	(7,576)	(1,758)
Cash and cash equivalents—beginning of year	10,310	2,229
Cash and cash equivalents—end of year	**$ 2,734**	**$ 472**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 377	$ 146
Cash paid during the period for income taxes	$ -	$ -

See accompanying notes to interim consolidated financial statements.

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

1. NATURE OF OPERATIONS

Indus is a vertically integrated cannabis company with production capabilities, including cultivation, extraction, manufacturing, brand sales & marketing, and distribution, operating across the State of California in the United States ("U.S."). The consolidated financial statements of the Indus Holding Group of Companies ("Indus" or the "Company") consist of Indus Holding Company and its wholly owned subsidiaries:

- Indus Holding Company is engaged in owning intellectual property, including brands, and is associated with offering cannabis products to dispensaries in California.
- Cypress Manufacturing is engaged in the cultivation, sourcing, processing, and distribution of high-quality cannabis products in California, and prior to January 2018 was organized as a mutual benefit, non-profit entity as required under California cannabis regulations. In January 2018, Cypress Manufacturing converted into a corporation, wholly owned by Indus Holding Company.
- Cypress Holding is engaged in the ownership and leasing of real and personal property to Cypress Manufacturing.

The Company's corporate office and principal place of business is located at 19 Quail Run Circle, Salinas, California.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Company's condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. These unaudited condensed interim consolidated financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee. These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 29, 2019.

Basis of Measurement

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

Functional Currency

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

Financial and other metrics, such as shares outstanding, are presented in thousands unless otherwise noted.

Classification of Expenses

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

Basis of Consolidation

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

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

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

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

3. CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

Lease Accounting

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases.* This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

We adopted the standard effective January 1, 2019 using the modified retrospective adoption method which allowed us to initially apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of accumulated deficit. In connection with our adoption of the new lease pronouncement, we recorded a charge to accumulated deficit of $847.

Effects of Adoption

We have elected to use the practical expedient package that allows us to not reassess: (1) whether any expired or existing contracts are or contain leases, (2) lease classification for any expired or existing leases and (3) initial direct costs for any expired or existing leases. We additionally elected to use the practical expedients that allow lessees to: (1) treat the lease and non-lease components of leases as a single lease component for all of our leases and (2) not recognize on our balance sheet leases with terms less than twelve months.

We determine if an arrangement is a lease at inception. We lease certain manufacturing facilities, warehouses, offices, machinery and equipment, vehicles and office equipment under operating leases. Under the new standard, operating leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheet. ROU assets represent our right to use the leased asset for the lease term and lease liabilities represent our obligation to make lease payments. Under the new standard, operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, upon adoption of the new standard, we used our estimated incremental borrowing rate based on the information available, including lease term, as of January 1, 2019 to determine the present value of lease payments. Operating lease ROU assets are adjusted for any lease payments made prior to January 1, 2019 and any lease incentives. Certain of our leases may include options to extend or terminate the original lease term. We generally conclude that we are not reasonably certain to exercise these options due primarily to the length of the original lease term and our assessment that economic incentives are not reasonably certain to be realized. Operating lease expense under the new standard is recognized on a straight-line basis over them lease term. Our current finance lease obligations consist primarily of cultivation, manufacturing and distribution facility leases.

Refer to the *Summary of Effects of Lease Accounting Standard Update Adopted in First Quarter of 2019* below for further details.

Leases accounted for under the new standard have initial remaining lease terms of one to eight years. Certain of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of operating and finance lease ROU assets and liabilities as of March 31, 2019 were as follows:

(in thousands, $US)		**March 30, 2018**	**Balance Sheet Caption in Which Balance is Reported**
Right of use assets	$	22,946	Property and equipment, net
Current portion of lease liabilities		1,962	Current portion of long-term debt
Long-term lease liabilities		22,136	Long-term debt, net

The components of lease expense for the three months ended March 31, 2019 were as follows:

(in thousands, $US)		**March 30, 2019**
Amortization of leased assets[1]	$	648
Interest on lease liabilities[2]		369
Total	**$**	**1,017**

[1] Included in cost of goods sold and general and administrative in our condensed concolidated statement of operations.

[2] Included in interest expense in our condensed consolidated statement of operations.

The key assumptions used in accounting for our operating and finance leases as of March 30, 2019 were a weighted average remaining lease term of 6.9 years and a weighted average discount rate of 6.0%.

The future lease payments with initial remaining terms in excess of one year as of March 30, 2019 were as follows:

(in thousands, $US)	March 31, 2019
Less than 1 year	$ 1,716
1 - 3 years	6,831
4 - 5 Years	6,791
Greater than 5 years	8,798
Total	**$ 24,136**

Summary of Effects of Lease Accounting Standard Update Adopted in First Quarter of 2019

The cumulative effects of the changes made to our condensed consolidated balance sheet as of the beginning of the first quarter of 2019 as a result of the adoption of the accounting standard update on leases were as follows:

		Effects of adoption of lease accounting standard update related to:		
(in thousands, $US)	As filed December 31, 2018	Recognition of Operating Leases	Total Effects of Adoption	With effect of least accounting standard update January 1, 2019
Assets				
Property and equipment, net	$ 4,063	$ 23,594	$ 23,594	$ 27,656
Liabilities				
Current portion of long-term debt	147	1,492	1,492	1,639
Long-term debt, net	389	22,948	22,948	23,337
Equity				
Accumulated Deficit	(20,201)	(847)	(847)	(21,047)
Total	**$ 23,728**	**$ 0**	**$ 0**	**$ 23,728**

Business Combinations

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3, *Business Combinations*. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments included the addition of an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business or not. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the Corporation can elect to not account for the acquisition as a business and instead it will account for the acquisition as an asset acquisition. IFRS 3 is effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The Company adopted this standard effective January 1, 2019.

4. ACQUISITIONS AND JOINT VENTURES

In October 2018, the Company contributed 77,689 shares of Series B preferred shares at a value of $350, to a joint venture arrangement with Dametra LLC, in which each partner has 50% ownership. Under the arrangement Indus will be the exclusive manufacturer and distributor of Canna Stripe branded products in the state of California. The investment is accounted for in accordance with IFRS 11 *Joint Arrangements.*

In July 2018, the Company acquired all the assets of Acme Inc. for total consideration of $571, which includes (i) $243 in seller's notes, (ii) $308 in assumed debt, and (iii) $20 in common shares. Acme is a leading name in cannabis extraction using the latest extraction technology to create oil derived from organically grown cannabis without harmful solvents or additives. The acquisition broadens and strengthens Indus' brand portfolio and product offerings.

The Company accounted for the acquisition as a business combination in accordance with IFRS 3 *Business Combinations* and purchase consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The relative fair values of net assets acquired and liabilities assumed was $198 for inventories, $16 for property and equipment, and $357 for goodwill. The Company has completed the purchase price allocation for this acquisition.

5. INVENTORY

Inventory was comprised of the following items:

(in thousands, $US)	March 31, 2019	December 31, 2018
Raw materials	$ 10,765	$ 9,362
Work in process	131	224
Finished goods	2,688	4,022
Total inventory	**$ 13,584**	**$ 13,608**

6. BIOLOGICAL ASSETS

The Company's biological assets consists of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the three months ended March 31, 2019 and year ended December 31, 2018 are as follows:

(in thousands, $US)	March 31, 2019	December 31, 2018
Beginning balance	$ 576	$ 1,126
Net change in fair value less costs to sell due to biological transformation	2,653	(5,304)
Transferred to inventory upon harvest	(942)	4,755
Ending balance	$ 2,287	$ 576

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

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

- The selling price, which is based on the average market price in California where the Company operated during the three months ended March 31, 2019 and year ended December 31, 2018;
- The cost to complete the cannabis production process post-harvest and the cost to sell based on the Company's historical results;
- The average number of weeks in the growing cycle based on the Company's historical results;
- The stage of plant growth; and
- Expected yields from each cannabis plant based on the Company's historical results.

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

The Company has quantified the sensitivity of the inputs in relation to biological assets as of March 31, 2019and December 31, 2018.

- Selling price per pound – a decrease in the selling price per pound by 5% would result in the biological asset value decreasing by approximately $167 March 31, 2019 and $49 at December 31, 2018.
- Estimated yield per plant – a decrease in the yield per plant of 5% would result in the biological asset value decreasing by approximately $114 at March 31, 2019 and $29 at December 31, 2018.

As of March 31, 2019, on average, the biological assets were 55.5% complete as to the next expected harvest date, and it is expected that the Company's biological assets will ultimately yield approximately 6,932 pounds of cannabis.

7. PROPERTY AND EQUIPMENT

As of March 31, 2019, and December 31, 2018, property and equipment consists of:

(in thousands, $US)	March 31, 2019	December 31, 2018
Leasehold improvements	$ 1,509	$ 1,509
Office equipment	137	134
Furniture and fixtures	49	49
Vehicles	698	516
Machinery and equipment	2,254	1,928
Right of use assets	23,594	-
Construction in process	1,860	895
Property and equipment, at cost	30,100	5,031
Accumulated depreciation	(1,806)	(969)
Property and equipment, net	**$ 28,294**	**$ 4,063**

Construction in progress represent assets under construction related to cultivation, manufacturing, and distribution facilities not yet completed or otherwise not placed in service.

A reconciliation of the beginning and ending balances of property and equipment for the three-month period ended March 31, 2019 and year ended December 31, 2018 are as follows:

(in thousands, $US)	Property and Equipment, at Cost	Accumulated Depreciation	Property and Equipment, Net
Balance—December 31, 2018	**$ 5,031**	**$ (969)**	**$ 4,063**
Additions	25,069	(837.42)	24,232
Disposals	-	-	-
Balance—March 31, 2018	**$ 30,100**	**$ (1,806)**	**$ 28,294**

8. GOODWILL AND INTANGIBLE ASSETS

As of March 31, 2019, and December 31, 2018 goodwill and intangible assets consisted of the following:

(in thousands, $US)	March 31, 2019	December 31, 2018	Weighted Average Amortization Period (in years)
Goodwill	$ 357	$ 357	
Intangibles:			
Branding rights	250	250	15
Accumulated amortization	(64)	(60)	
Total other intangibles, net	186	190	15
Total goodwill and intangibles, net	**543**	**547**	

Intangible assets with finite lives are amortized over their estimated useful lives. Amortization periods of assets with finite lives are based on management's estimates at the date of acquisition. The Company recorded amortization expense of $174 for the three months ended March 31, 2019.

The Company estimates that amortization expense for our existing other intangible assets will be approximately $12 for the remainder of 2019, $17 for each of the fiscal years ending December 31, 2020, 2021, 2022 and 2023. Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives or other relevant factors or changes

9. INVESTMENTS

The Company from time to time acquires interest in various corporate entities for investment purposes. The investments are measured at FVTPL and are classified as Level 3 in the fair value hierarchy in accordance with IFRS 9 *Financial Instruments.*

In March 2019, the Company entered into a strategic partnership with Orchid Ventures ("Orchid"). Under the terms of the partnership, Indus secured the exclusive sales and distribution rights to Orchid's line of Orchid Essentials vape devices in California. In addition, Indus acquired an interest in Orchid for $1.5 million during Orchid's RTO financing round. The investment is recorded at fair value in the Long-term Investment section of the Company's Consolidated Statement of Financial Position. As of March 31, 2019, the initial cost of the investment approximates its fair value. As such, no change in value has been recognized in the statement of operations for the three- month period ended March 31, 2019.

In the fourth quarter of 2018, the Company acquired an interest for $148 in a long-standing business partner who creates and markets cannabis brands. As of March 31, 2019, the initial cost of the investment approximates its fair value. As such, no change in value has been recognized in the statement of operations for the three-month period ended March 31, 2019.

10. CAPITALIZATION AND EQUITY TRANSACTIONS

Series B Convertible Preferred Stock

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

On October 25, 2018, the Company completed its $46.3 million Series B Preferred Stock Offering. The Company issued 9.8 million shares of Series B preferred stock and 1.9 million shares of common stock. Proceeds from the offering consisted of the conversion of $13.0 million in outstanding debt and accrued interest into Series B preferred shares, including $4.0 million of convertible debt and accrued interest into common shares; and the receipt of $29.8 million in cash, $0.3 M investment in affiliate, and $3.2 in subscription receivable. The weighted average issue price of the Series B shares was $4.2775 and of the common shares was $2.0348.

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

The rights, preferences, and privileges of the preferred stock as of March 31, 2019 are listed below:

- Conversion Rights — Each share of preferred stock, at the option of its holder, is convertible into shares of common stock on a one-for-one basis, subject to adjustment. For convertible preferred stock other than Series A convertible preferred stock, conversion will occur automatically upon either (a) the closing of a registered public offering of the Company's common stock in the United States or Canada that yields aggregate gross proceeds to the Company of at least $50.0 million, before underwriting discounts and commissions, or (b) upon a majority vote of the outstanding shares of convertible preferred stock.

- Dividend Rights — Holders of the preferred shares, in preference to common shares, are entitled to cash dividends at the rate of six percent (6%) of the applicable original issue price per annum on each outstanding share. Dividends are noncumulative and will be payable only when declared by the Company's Board of Directors ("Board"). In the event dividends are paid on any share of common stock, an additional dividend will be paid on all outstanding shares of Series B preferred stock in a per share amount equal (on an as-if-converted to Common Stock basis) to the amount paid or set aside for each share of common stock.

- Liquidation Preference — In the event of a liquidation, dissolution, or winding-up of the Company or any deemed liquidation event set forth in the restated certificate of incorporation, holders of the preferred stock are entitled to a per share liquidation preference equal to the greater of (a) the original issue price, as adjusted for stock splits, stock dividends reclassification and the like, for such series of preferred stock, plus any declared, but unpaid dividends and (b) the amount that would have been payable had all shares of such series of preferred stock converted into common stock. Thereafter, proceeds will be distributed pro rata to the holders of the outstanding common stock.

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

In October 2018, the Company issued 77 shares of common stock valued at $350 as consideration for its 50% contribution to the Dametra joint venture. Refer to *Note 3 Acquisitions and Joint Ventures* for further discussion.

Series A and A2 Convertible Preferred Stock

As of December 31, 2018, the Company has issued Series A and Series A2 convertible preferred stock through various rounds of financing. Equity issuance costs associated with each of the financing rounds have been applied as a reduction of the preferred stock balances for the applicable financing round. During the year ended December 31, 2016, the Company issued 2,359 shares of Series A2 convertible preferred stock at an issue price of approximately $1.0174 in exchange for $2.4 million of cash.

The rights, preferences, and privileges of the convertible preferred stock as of March 31, 2019, are listed below:

- Conversion Rights — Each share of convertible preferred stock, at the option of its holder, is convertible into shares of common stock on a one-for-one basis, subject to adjustment. For convertible preferred stock other than Series A convertible preferred stock, conversion will occur automatically upon either (a) the closing of a registered public offering of the Company's common stock in the United States or Canada that yields aggregate gross proceeds to the Company of at least $50.0 million, before underwriting discounts and commissions, or (b) upon a majority vote of the outstanding shares of convertible preferred stock.

- Dividend Rights — Dividends are noncumulative and are participating, in that after preferred stockholders receive dividends in the full preferential amount for the preferred stock, if the Company's Board of Directors ("Board") declares additional dividends, then such additional dividends will be paid out pro rata on the common stock and preferred stock on a pari passu basis. No dividend can be paid to common stockholders unless and until a per share dividend of at least 6% of the original issue price for a given series of preferred stock is first paid to the holders of such preferred stock.

- Liquidation Preference — In the event of a liquidation, dissolution, or winding-up of the Company or any deemed liquidation event set forth in the restated certificate of incorporation, holders of the preferred stock are entitled to a per share liquidation preference equal to the greater of (a) the original issue price, as adjusted for stock splits, stock dividends reclassification and the like, for such series of preferred stock, plus any declared, but unpaid dividends and (b) the amount that would have been payable had all shares of such series of preferred stock converted into common stock. Thereafter, proceeds will be distributed pro rata to the holders of the outstanding common stock.

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

Common Stock

During the year ended December 31, 2018, the Company issued 10 shares of common stock valued at $20 as partial consideration for the acquisition of Acme assets. Refer to *Note 3 Acquisitions and Joint Ventures* for further detail.

During the year ended December 31, 2018, $4.0 million of the Company's convertible notes and accrued interest converted to 1,947 shares of common stock as a result of the series B convertible preferred share offering discussed above.

Common Stock Warrants

During 2018, the Company issued 155 compensatory warrants at $2.0348 per share to a director of the company in exchange for services rendered. Consulting fees charged to operations were $87. As the fair market value of these services was not readily determinable, these services were valued based on the fair market value determined using the Black-Scholes option pricing model. As of December 31, 2018, none of the warrants outstanding have been exercised.

11. DEBT

Debt at March 31, 2019 and December 31, 2018 was comprised of the following:

(in thousands, $US)	March 31, 2019	December 31, 2018
Current portion of long-term debt		
Vehicle loans[1]	$ 147	$ 147
Lease liabilities[2]	1,962	-
Total short-term debt	2,109	147
Long-term debt, net		
Vehicle loans	$ 448	$ 207
Note payable[3]	182	182
Lease liabilities[2]	22,136	-
Total long-term debt	22,766	389
Total Indebtedness	**22,766**	**389**

[1] Primarily fixed term loans on transportation vehicles.

[2] Capitalized leases (previously "operating lease obligations" in 2018 under prior accounting guidance). Refer to Note 3.

[1] Note payable in connection with Acme acquisition to be paid as and if financial performance targets are met over the earnout period. Refer to Note 4.

12. SHARE-BASED COMPENSATION

During the three months ended March 31, 2019, the Company granted shares to certain employees and consultants as compensation for services. These shares were accounted for in accordance with IFRS 2 - *Share-based Paymen*ts. The Company amortizes awards over the service period and until awards are fully vested.

The following table summarizes the status of grants and unvested awards as at March 31, 2019 and changes during the period from December 31, 2018 through March 31, 2019.

(in thousands except per share amounts, $US)	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding—December 31, 2018	**1,425**	**$1.87**	**9.0**	
Granted	480	4.51		
Exercised	-	-		
Cancelled	(50)	2.76		
Outstanding—December 31, 2018	**1,855**	**$2.53**	**9.0**	
Exercisable—March 31, 2019	**301**	**$1.33**	**8.4**	**$ 1,357**
Vested and expected to vest—March 31, 2019	**1,855**	**$2.86**	**8.4**	**$ 8,359**

Restricted Stock Units — As of March 31, 2019 and December 31, 2018, there were no restricted stock units outstanding and to date no restricted stock units have been granted.

13. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations. While management of the Company believes that the Company is in compliance with applicable local and state regulation as of March 31, 2019, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Litigation and Claims

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

14. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 2019, and 2018, general and administrative expenses were comprised of:

Three Months Ended March 31, (in thousands, $US)	2019	2018
Salaries and benefits	$ 1,466	$ 656
Professional fees	142	136
Licensing and supplies	282	123
Share-based compensation	131	35
Administrative	279	557
Total general and administrative expenses	**$ 2,300**	**$ 1,506**

15. RELATED-PARTY TRANSACTIONS

Indus receives certain administrative, operational and consulting services through a Management Services Agreement with Edibles Management, LLC ("EM"). EM is a limited liability company owned by the co-founders of Indus and was formed to provide Indus with certain administrative functions comprising: cultivation, distribution, and production operations support; general administration; corporate development; human resources; finance and accounting; marketing; sales; legal and compliance. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by EM in performance of its services. Amounts paid to EM for the three months ended March 31, 2019 and 2018 were $2,674 and $1,216, respectively.

In April 2015, Indus entered into a services agreement with Olympic Management Group ("OMG"), for advisory and technology support services, including the access and use of software licensed to OMG to perform certain data processing and enterprise resource planning (ERP) operational services. OMG is owned by one of the Company's co-founders. The agreement provides for the dollar-for-dollar reimbursement of expenses incurred by OMG in performance of its services. Amounts paid to OMG for the three months ended March 31, 2019 and 2018 were $40 and $19, respectively.

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

Credit Risk

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

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

Liquidity Risk

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

In addition to the commitments outlined in Note 13, the Company has the following contractual obligations:

	Maturity: < 1 Year		Maturity: > 1 Year	
(in thousands, $US)	**March 31, 2019**	**December 31, 2018**	**March 31, 2019**	**December 31, 2018**
Accounts payable and Other accrued liabiliities	$ 4,029	$ 3,753	$ -	$ -

Market Risk

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

Interest Rate Risk

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

Price Risk

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

Asset forfeiture risk

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

Banking risk

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

16. SEGMENT INFORMATION

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

17. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 29, 2019, the date the financial statements were available to be issued.

Acquisitions

On May 14, 2019, the Company entered into a definitive agreement to acquire the assets of W The Brand ("W Vapes"), a multi-state manufacturer and distributor of cannabis concentrates, cartridges and disposable pens, in a cash and stock transaction. Under the terms of the agreement, the purchase consideration to W Vapes shareholders consists of $10 million in cash and $10 million in shares of Indus Holdings, Inc. common equity (based on a deemed value of CDN$15.65 per share). The transaction includes the operating assets; all intellectual property; and cultivation, manufacturing, and distribution licenses and operations in Las Vegas, Nevada and Portland, Oregon. In connection with the transaction, Indus and W Vapes entered into a management services agreement that terminates upon completion of the acquisition. The completion of the acquisition is subject to customary closing conditions.

On May 1, 2019, the Company acquired all of the assets and global rights and business interests of Kaizen Inc. for a purchase price of $500 that will 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.

On April 18, 2019, the Company acquired all of the assets and global rights and business interests associated with the brand Humble Flower Co. for a purchase price of $750 hat will 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 marks the Company's expansion into cannabis-infused topical creams, balms, and oils.

In respect to the above acquisitions, the Company is in the process of identifying assets acquired and liabilities assumed, and as such, net assets are preliminarily recorded as intangible assets unless otherwise noted until all measurement period adjustments are considered.

Reverse Takeover and Private Placement

On November 13, 2018, Indus Holding Company (a wholly owned subsidiary of Indus Holdings Inc.) and Mezzotin Minerals Inc. ("Mezzotin") entered into a combination agreement whereby the parties agreed to combine their respective businesses, which would result in the reverse takeover of Mezzotin by the security holders of Indus. On March 29, 2019, the Company and Mezzotin signed the Definitive Agreement subject to regulatory approval and on April 26, 2019 concluded the transaction. In connection with the agreement, Mezzotin changed its name from Mezzotin Minerals Inc. to Indus Holdings Inc. Effective at the close of markets on April 29, 2019, the common shares of the Company ("Existing Mezzotin Shares") were delisted from the NEX board of the TSX Venture Exchange, and the subordinate voting shares of the Company ("Subordinate Voting Shares") commenced trading on the Canadian Stock Exchange effective at market open on April 30, 2019, under the new symbol "INDS".

Pursuant to the Transaction, the Existing Mezzotin Shares were redesignated as a new class of Subordinate Voting Shares on the basis of one Subordinate Voting Shares for every 485.3 Existing Mezzotin Shares. In addition, Indus created a new class of voting common shares and a new class of non-voting redeemable common shares ("Convertible Shares") and the outstanding shares of Indus ("Indus Shares") were reclassified as Convertible Shares at a rate of one (1) Convertible Share for every one (1) Indus Share held. The Company also amended its articles in connection with the Transaction to (i) continue from the Province of Ontario to the Province of British Columbia; and (ii) change its name from Mezzotin Minerals Inc. to Indus Holdings, Inc.

Under the Transaction: (i) non-U.S. shareholders of Indus (and such U.S. shareholders of Indus as elected to participate) then contributed their Convertible Shares to the Company in exchange for Subordinate Voting Shares at a rate of one (1) Subordinate Voting Share for every one (1) Convertible Share contributed, and on a going-forward basis, U.S. shareholders of Indus may from time to time elect to redeem their Convertible Shares in exchange for Subordinate Voting Shares at the same rate (or under certain circumstances for the cash value of such shares as provided in the share terms for the Convertible Shares); (ii) a designated founder of Indus subscribed for non-participating, super-voting shares of the Company carrying voting rights that, in the aggregate, represent approximately 85% of the voting rights of the Company upon completion of the Transaction on a fully diluted basis; (iii) all warrants of Indus (including compensation options issued to financial advisors) remained outstanding and will now entitle the holders thereof to acquire Convertible Shares on the same terms and conditions and on an economically equivalent basis; and (iv) all stock options of Indus outstanding under Indus' existing equity incentive plan were assumed by the Company and will now entitle the holders thereof to acquire Subordinate Voting Shares on the same terms and conditions and on an economically equivalent basis in lieu of securities of Indus.

In connection with the Transaction, Indus completed a private placement offering (the "Private Placement") through a special purpose finance company ("FinanceCo") on April 2, 2019, pursuant to which FinanceCo issued an aggregate of 3,436 subscription receipts ("Subscription Receipts") at a price of CDN$15.65 per Subscription Receipt to raise aggregate gross proceeds of approximately US$40 million. The gross proceeds of the Private Placement, less certain associated expenses, were deposited into escrow (the "Escrowed Proceeds") pending satisfaction of certain specified release conditions (the "Escrow Release Conditions"), all of which were satisfied immediately prior to the completion of the Transaction. As a result, the Escrowed Proceeds were released to FinanceCo prior to the closing of the Transaction, and each Subscription Receipt was automatically converted, for no additional consideration, into one common share of FinanceCo. Following satisfaction of the Escrow Release Conditions, in connection with the Transaction, the Company acquired all of the issued and outstanding FinanceCo shares pursuant to a three-cornered amalgamation, and the former holders thereof (including the former holders of FinanceCo Shares acquired upon conversion of the Subscription Receipts) each received one Subordinate Voting Share in exchange for each FinanceCo share held.

Also in connection with the Private Placement, FinanceCo issued an aggregate of 198 broker warrants to the agents under the offering as partial consideration for their services in connection with the Private Placement, each of which was exercisable to acquire one FinanceCo share at an exercise price of CDN$15.65 for a period of two (2) years from the satisfaction of the Escrow Release Conditions. Upon completion of the amalgamation, the Broker Warrants were exchanged for compensation options of the Company which are exercisable to acquire Subordinate Voting Shares in lieu of FinanceCo Shares, otherwise upon the same terms and conditions.