



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

(Expressed in United States Dollars)

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INDUS HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands)	Note	June 30, 2019	December 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents		\$ 14,809	\$ 10,310
Restricted cash		10,000	-
Accounts Receivable—net of allowance for doubtful accounts of \$480 at June 30, 2019 and \$250 at December 31, 2018		10,017	2,965
Subscription Receivable		-	3,200
Inventory	6	15,244	13,608
Biological assets	7	373	576
Prepaid expenses and other current assets		3,710	2,086
Total current assets		54,153	32,745
Long-term investments	10	3,489	1,148
Property and equipment, net	8	30,000	4,063
Goodwill	9	357	357
Other intangibles, net	9	1,535	190
Other assets		184	454
Total assets		\$ 89,718	\$ 38,957
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		\$ 3,280	\$ 2,191
Accrued payroll and benefits		358	259
Notes payable, current portion	12	131	147
Lease obligation, current portion	3, 13	1,809	-
Other current liabilities		950	1,838
Total current liabilities		6,527	4,436
Notes payable	12	439	389
Lease obligation	3, 13	21,923	-
Other long-term liabilities		1,023	-
Total liabilities		29,912	4,824
STOCKHOLDERS' EQUITY			
Share capital		93,525	54,333
Accumulated deficit		(33,822)	(20,201)
Shareholders' equity - parent		59,703	34,133
Non-controlling interests	5, 11	103	-
Total stockholders' equity		59,806	34,133
Total liabilities and stockholders' equity		\$ 89,718	\$ 38,957

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

/s/ Robert Weakley
Robert Weakley, Chief Executive Officer

/s/ Tina Maloney
Tina Maloney, Chief Financial Officer

See accompanying notes to consolidated interim financial statements.

INDUS HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

Periods Ended June 30, (in thousands except per share amounts)	Note	Three Months		Six Months	
		2019	2018	2019	2018
Net revenue		\$ 9,689	\$ 3,423	\$ 16,122	\$ 5,723
Cost of goods sold		8,181	2,339	13,266	4,377
Gross profit before biological asset adjustments		1,508	1,083	2,856	1,346
Net effect of change in fair value of biological assets	7	1,217	568	1,862	(953)
Gross profit		291	516	994	2,299
Operating expenses					
General and administrative	17	5,669	1,768	7,968	3,272
Sales and marketing		1,944	367	3,410	865
Depreciation and amortization	8	764	22	1,459	41
Total operating expenses		8,376	2,157	12,837	4,179
Loss from operations		(8,085)	(1,641)	(11,843)	(1,879)
Other income/(expense)					
Other income/(expense)		103	(7)	(292)	4
Unrealized gain on change in fair value of investment		841	-	841	-
Gain on foreign currency		182	-	182	-
Interest expense	13	(378)	(438)	(1,161)	(947)
Total other income/(expense)		747	(445)	(429)	(943)
Loss before provision for income taxes		(7,338)	(2,086)	(12,273)	(2,822)
Provision for income taxes		(503)	(28)	(503)	(64)
Net loss		\$ (7,841)	\$ (2,115)	\$ (12,776)	\$ (2,886)
Less: net income (loss) attributable to non-controlling interest		-	-	-	-
Net loss attributable to Indus Holdings, Inc.		\$ (7,841)	\$ (2,115)	\$ (12,776)	\$ (2,886)
Net loss per share - basic and diluted:					
Attributable to Indus Holdings, Inc.	15	\$ (0.24)		\$ (0.40)	
Attributable to non-controlling interests	15	-		-	
Net loss per share - basic and diluted	15	\$ (0.24)		\$ (0.40)	
Weighted average shares outstanding - basic and diluted	15	32,194		32,190	

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in thousands)	Note	Class A/B Shares	Subordinate Voting Shares	Super Voting Shares	Attributable to Shareholders of the Parent				Total
					Share Capital	Accumulated Deficit	Stockholders' Equity	NonControlling Interest	
Balance—December 31, 2018		28,497	-	-	\$ 54,333	\$ (20,201)	\$ 34,133	\$ -	\$ 34,133
Net loss		-	-	-	-	(4,934)	(4,934)	-	(4,934)
Adoption of lease accounting standard	3	-	-	-	-	(847)	(847)	-	(847)
Share-based compensation expense	14	-	-	-	131	-	131	-	131
Balance—March 31, 2019		28,497	-	-	\$ 54,464	\$ (25,981)	\$ 28,483	\$ -	\$ 28,483
Net loss		-	-	-	-	(7,841)	(7,841)	-	(7,841)
Issuance of subordinate voting shares in exchange for Class A/B shares, net	4, 11	(28,497)	28,497	-	-	-	-	-	-
Private placement in connection with reverse takeover, net	4, 11	-	3,433	-	36,631	-	36,631	-	36,631
Shares issued to acquiree in connection with reverse takeover	4, 11	-	130	-	1,513	-	1,513	-	1,513
Issuance of supervoting shares	4, 11	-	-	203	40	-	40	-	40
Issuances for acquisitions	5, 11	-	43	-	240	-	240	103	343
Exercise of options	11	-	125	-	127	-	127	-	127
Share-based compensation expense	14, 11	-	-	-	510	-	510	-	510
Balance—June 30, 2019		-	32,228	203	\$ 93,525	\$ (33,822)	\$ 59,703	\$ 103	\$ 59,806

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods Ended June 30, (in thousands)	Six Months	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (12,776)	\$ (2,886)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	1,709	202
Share-based compensation expense	510	77
Provision for doubtful accounts	230	268
Unrealized gain on change in fair value of investments	(841)	-
Changes in operating assets and liabilities:		
Accounts receivable	(7,236)	(709)
Inventory	(1,627)	(4,030)
Biological assets	203	(54)
Prepaid expenses and other current assets	(1,336)	176
Other assets	-	1,448
Accounts payable and accrued expenses	1,187	(1,194)
Other long-term liabilities	(893)	3,977
Net cash used in operating activities	(20,870)	(2,726)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,012)	(324)
Investment in corporate interests	(1,500)	-
Net cash used in investing activities	(5,512)	(324)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(760)	-
Payments on notes payable	(71)	(600)
Proceeds from notes payable	106	500
Proceeds from brokered private placement	40,150	-
Fees on public brokered private placement	(1,875)	-
Proceeds from series B offering	3,200	-
Proceeds from exercise of options	127	-
Issuance of subordinate voting shares	4	-
Proceeds from issuance of series B preferred stock, net of issuance costs	-	1,150
Net cash provided by financing activities	40,881	1,050
Change in cash and cash equivalents and restricted cash	14,499	(2,000)
Cash and cash equivalents—beginning of year	10,310	2,229
Cash, cash equivalents and restricted cash—end of period	\$ 24,809	\$ 229
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	\$ 748	\$ 159
Cash paid during the period for income taxes	\$ 2	\$ 64
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Debt and associated accrued interest converted to series B preferred shares	\$ -	\$ 7,424
Issuance of warrants	\$ 2,291	\$ -
Shares issued to acquiree in connection with reverse takeover	\$ 1,513	\$ -
Issuance of supervoting shares	\$ 40	\$ -
Acquisition of private entities	\$ 1,028	\$ -
Issuance of subordinate voting shares in exchange for acquisition of private entity	\$ 240	\$ -

See accompanying notes to interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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

1. NATURE OF OPERATIONS

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. Mezzotin Minerals was originally incorporated under the Business Corporations Act (Ontario) on October 27, 2005 as Zoolander Corporation. On September 10, 2013, Zoolander changed its name to Mezzotin Minerals Inc. On April 26, 2019 the reverse takeover transaction concluded. In connection with the agreement, Mezzotin changed its name from Mezzotin Minerals Inc. to Indus Holdings, Inc. (the “Company”, “Pubco”, or “Indus”). 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 commenced trading on the Canadian Stock Exchange effective at market open on April 30, 2019, under the new symbol “INDS”.

Indus Holding Company (“IHC”), a Delaware corporation, was formed in 2014. Indus Holdings, Inc. became the indirect parent of IHC in connection with the reverse takeover transaction. The comparative amounts presented for the three and six months ended June 30, 2018 are those of IHC.

Indus Holdings, Inc., through its licensed subsidiaries, is a vertically-integrated cannabis company that owns, manages and operates cultivation, extraction, distribution and manufacturing facilities in California; and presently directs and funds operations in Nevada and Oregon, which will become Indus operations upon license transfer in those states (refer to Note 5 *Pending Acquisitions*).

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, 2018, 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 August 28, 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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 18 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 subsidiaries:

- Indus Holding Company, wholly owned by Indus Holdings, Inc.
- Cypress Holding Company, a Delaware limited liability company, wholly owned by Indus Holding Company
- Cypress Manufacturing Company, a California corporation, wholly owned by Indus Holding Company
- Shredibles LLC, a Nevada limited liability corporation, of which the Company owns 70%
- Indus Nevada LLC, a Nevada limited liability corporation, wholly owned by Indus Holding Company
- Indus Oregon LLC, an Oregon limited liability corporation, wholly owned by Indus Holding Company
- Indus Brand Management LLC, a Delaware limited liability corporation, wholly owned by Indus Holding Company

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

3. CHANGES IN OR ADOPTION OF ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2018 and 2017. The Company implemented the following additional policies beginning January 1, 2019:

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 ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018**

The Company adopted the standard effective January 1, 2019 using the modified retrospective adoption method which allowed it 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 the adoption of the new lease pronouncement, the Company recorded a charge to accumulated deficit of \$847.

Effects of Adoption

The Company has 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. The Company 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 its leases and (2) not recognize on its balance sheet leases with terms less than twelve months.

The Company determines if an arrangement is a lease at inception. The Company leases 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 the Company's 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. The Company generally concluded that it is not reasonably certain to exercise these options due primarily to the length of the original lease term and its 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 the lease term. 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. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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:

INDUS HOLDINGS, INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(in thousands, \$US)	As filed December 31, 2018	Effects of adoption of lease accounting standard update related to:		With effect of least accounting standard update January 1, 2019
		Recognition of Operating Leases	Total Effects of Adoption	
Assets				
Property and equipment, net	\$ 4,063	\$ 23,594	\$ 23,594	\$ 27,656
Liabilities				
Lease obligation, current portion	147	1,492	1,492	1,639
Lease obligation	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 Company 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. REVERSE TAKEOVER AND PRIVATE PLACEMENT

Reverse Takeover

As discussed in Note 1, on November 13, 2018, Indus Holding Company (“IHC”), 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, IHC 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”.

INDUS HOLDINGS, INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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.

In accordance with IFRS 3, the substance of the transaction was a reverse takeover of a non-operating company. The transaction does not constitute a business combination since Mezzotin does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition.

In consideration for the acquisition of Mezzotin, Indus is deemed to have issued 130 shares of Indus subordinate voting shares representing \$1,513 total value based on the concurrent financing subscription price of CAD\$15.65 (US\$11.60). The excess of the purchase price over net assets acquired was charged to the consolidated statements of operations as RTO expense. Mezzotin equity was eliminated.

There were no identifiable assets of Mezzotin on the date of acquisition. The acquisition costs have been allocated as follows:

(in thousands)

CONSIDERATION	
Fair value of subordinate voting shares issued	\$ 1,513
Transaction costs	191
Total consideration	1,704
ASSETS ACQUIRED	
Total identifiable net assets acquired	-
Listing expenses	1,704
Total purchase price	\$ 1,704

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Private Placement

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.

5. ACQUISITIONS

Completed Acquisitions

During the six months ended June 30, 2019, the Company completed the following acquisitions, and allocated the purchase price as follows.

INDUS HOLDINGS, INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(in thousands)	(1) Shredibles LLC	(2) Kaizen Inc.	(3) The Humble Flower Co.	Total
CONSIDERATION				
Contingent Payment	\$ -	\$ 556	\$ 472	\$ 1,028
Fair value of subordinate voting shares	240	-	-	240
Total consideration	240	556	472	1,268
PURCHASE PRICE ALLOCATION				
<i>Assets Acquired</i>				
Cash and cash equivalents	4	-	-	4
Accounts receivable	6	-	-	6
Inventories	10	-	6	16
Prepaid expenses and other current assets	10	-	-	10
Property and equipment, net	25	-	-	25
Intangible assets - brands and trademarks	148	206	316	670
Intangible assets - customer relationships	-	-	40	40
Intangible assets - technology and know-how	190	350	71	611
Intangible assets - other	-	-	40	40
<i>Liabilities assumed</i>				
Notes payable	(50)	-	-	(50)
Total identifiable net assets	343	556	472	1,422
Noncontrolling interest	(103)	-	-	(103)
Fair value of net assets acquired	\$ 240	\$ 556	\$ 472	\$ 1,422

These acquisitions qualified as a business combination under IFRS 3 and the consideration has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. No goodwill was recognized. The purchases have been accounted for by the acquisition method, with the results included in the Company's net earnings from the date of acquisition.

The fair value of the assets acquired and the liabilities assumed have been determined on a provisional basis utilizing information available at the time of the acquisition. Additional information is being gathered to finalize these provisional measurements, particularly with respect to the valuation of intangible assets acquired, deferred income taxes, and residual goodwill. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. Adjustments to the provisional amounts that the Company determines to be material will be applied retrospectively to the period of acquisition in the Company's consolidated financial statements.

The Company also incurred \$47 in transactional costs related to the above acquisitions which were recorded in general and administrative expenses in the unaudited Condensed Interim Consolidated Statements of Operations.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(1.) Shredibles LLC

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 \$240 comprised of 42.6 thousand subordinate voting shares with an acquisition-date fair value of \$5.64 per share.

The acquisition was completed as a strategic investment to expand the Company’s brand portfolio into the CBD protein bar market and to develop products with crossover offerings in CBD and THC versions. The transaction included the Shredibles’ leadership team, manufacturing processes and brands.

(2.) Kaizen Inc.

On May 1, 2019, the Company acquired all of the assets, global rights and business interests of Kaizen Inc. for a purchase price of \$556 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.

(3.) The Humble Flower Co.

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 \$472 that 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.

Fiscal Year 2018 Acquisitions

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 is the exclusive manufacturer and distributor of Canna Stripe branded products in the state of California. The investment was 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 included (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 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.

Pending 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. When completed, the acquisition will enable us to expand our brand offerings to new customers in Nevada and Oregon. 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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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 regulatory approvals including the successful transfer of the Nevada and Oregon cannabis licenses to Indus.

6. INVENTORY

Inventory was comprised of the following items:

(in thousands)	June 30, 2019	December 31, 2018
Raw materials	\$ 9,729	\$ 9,362
Work in process	174	224
Finished goods	5,342	4,022
Total inventory	\$ 15,244	\$ 13,608

7. BIOLOGICAL ASSETS

The Company's biological assets consists of cannabis plants. A reconciliation of the beginning and ending balances of biological assets for the six months ended June 30, 2019 and year ended December 31, 2018 are as follows:

(in thousands)	June 30, 2019	December 31, 2018
Beginning balance	\$ 576	\$ 1,126
Net change in fair value less costs to sell due to biological transformation	2,377	(5,304)
Transferred to inventory upon harvest	(2,579)	4,755
Ending balance	\$ 373	\$ 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 six months ended June 30, 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;

INDUS HOLDINGS, INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

- 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, 2019 and 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 \$76 at June 30, 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 \$19 at June 30, 2019 and \$29 at December 31, 2018.

As of June 30, 2019, on average, the biological assets were 57.4% complete as to the next expected harvest date, and it is expected that the Company's biological assets will ultimately yield approximately 1,471 pounds of cannabis.

8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment and accumulated depreciation during the six-month period ended June 30, 2019 is as follows:

(in thousands)	Leasehold Improvements	Furniture and Fixtures	Equipment	Vehicles	Construction in Process	Right of Use Assets	Total
Costs							
Balance—December 31, 2018	\$ 1,509	\$ 49	\$ 2,062	\$ 516	\$ 895	\$ -	\$ 5,031
Additions	-	-	747	237	3,027	-	4,012
IFRS 16 Adoption	-	-	-	-	-	23,594	23,594
Business Acquisitions	-	-	25	-	-	-	25
Disposals	-	-	-	-	-	-	-
Balance—June 30, 2019	\$ 1,509	\$ 49	\$ 2,834	\$ 754	\$ 3,922	\$ 23,594	\$ 32,662
Accumulated Depreciation							
Balance—December 31, 2018	\$ (260)	\$ (44)	\$ (570)	\$ (95)	\$ -	\$ -	\$ (969)
Depreciation	(84)	(1)	(247)	(65)	-	(1,296)	(1,693)
Disposals	-	-	-	-	-	-	-
Balance—June 30, 2019	\$ (344)	\$ (45)	\$ (817)	\$ (160)	\$ -	\$ (1,296)	\$ (2,662)
Net Book Value							
December 31, 2018	\$ 1,249	\$ 5	\$ 1,492	\$ 421	\$ 895	\$ -	\$ 4,063
June 30, 2019	\$ 1,165	\$ 4	\$ 2,017	\$ 594	\$ 3,922	\$ 22,298	\$ 30,000

⁽¹⁾ A right-of-use asset of \$23,594 was recognized at January 1, 2019 in connection with the adoption of IFRS 16. Refer to Notes 3 and 13 for further information.

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

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018**
9. GOODWILL AND INTANGIBLE ASSETS
Goodwill

A reconciliation of the beginning and ending balances of goodwill during the six months ended June 30, 2019 is as follows:

(in thousands)	Goodwill
Costs	
Balance—December 31, 2018	\$ 357
Additions	-
Business Acquisitions	-
Impairment	-
Net book value—June 30, 2019	\$ 357

The Company evaluates goodwill for impairment annually during the fiscal third quarter and when an event occurs, or circumstances change such that it is reasonably possible that impairment may exist. The Company accounts for goodwill and evaluates its goodwill balances and tests them for impairment in accordance with related accounting standards.

Other Intangible Assets

A reconciliation of the beginning and ending balances of intangible assets and accumulated amortization during the six months ended June 30, 2019 is as follows:

(in thousands)	Definite Life Intangibles				Indefinite Life Intangibles	Total
	Branding Rights	Customer Relationships	Technology/ KnowHow	Other Intangibles	Brands & Tradenames	
Costs						
Balance—December 31, 2018	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ 250
Additions	-	-	-	-	-	-
Business Acquisitions	-	40	611	40	670	1,361
Disposals	-	-	-	-	-	-
Balance—June 30, 2018	\$ 250	\$ 40	\$ 611	\$ 40	\$ 670	\$ 1,611
Accumulated Amortization						
Balance—December 31, 2018	\$ (60)	\$ -	\$ -	\$ -	\$ -	\$ (60)
Amortization	(8)	(2)	(3)	(2)	-	(17)
Disposals	-	-	-	-	-	-
Balance—June 30, 2018	\$ (68)	\$ (2)	\$ (3)	\$ (2)	\$ -	\$ (76)
Net Book Value						
December 31, 2018	\$ 190	\$ -	\$ -	\$ -	\$ -	\$ 190
June 30, 2018	\$ 182	\$ 38	\$ 607	\$ 38	\$ 670	\$ 1,535

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

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 \$13 for the three months ended June 30, 2019 and \$17 for the six months ended June 30, 2019.

The Company estimates that amortization expense for our existing other intangible assets will be approximately \$47 for the remainder of 2019, \$62 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

10. INVESTMENTS

The Company from time to time acquires interest in various corporate entities for investment purposes. The investments are measured at fair value to profit or loss ("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 \$1,500 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 June 30, 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 six-month period ended June 30, 2019.

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 is the exclusive manufacturer and distributor of Canna Stripe branded products in the state of California. The investment was accounted for in accordance with IFRS 11. The Company's investment in Dametra is classified as Level 3 in the fair value hierarchy. The Company determined that the carrying value of the investment approximate its fair value. As such, no change in value has been recognized for the six-month period ending June 30, 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. The business partner was acquired by Green Thumb Industries in February 2019. The Company's investment in Green Thumb Industries is classified as Level 1 in the fair value hierarchy. The Company adjusted its carrying value based on the share price at the balance sheet date, recognizing an \$841 gain in its Statements of Operations for the three and six-month period ending June 30, 2019.

The Company issued 325 shares of common stock valued at \$650 in exchange for shares in Haight & Ashbury Corp, a technology company developing an e-commerce platform. As of June 30, 2019, the Company determined that the carrying value of the investment approximates its fair value. As such, no change in value has been recognized for the six months ended June 30, 2019.

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11. SHAREHOLDER'S EQUITY AND NON-CONTROLLING INTERESTS

Shares Outstanding

The table below details the change in Company shares outstanding by class during the six months ended June 30, 2019.

(in thousands)	Class A/B Shares	Subordinate Voting Shares	Super Voting Shares
Balance—December 31, 2018	28,497	-	-
Issuance of subordinate voting shares in exchange for Class A/B shares, net	(28,497)	28,497	-
Private placement in connection with reverse takeover, net	-	3,433	-
Shares issued to acquiree in connection with reverse takeover	-	130	-
Issuance of supervoting shares	-	-	203
Issuances for acquisitions	-	43	-
Exercise of options	-	125	-
Balance—June 30, 2019	-	32,228	203

As discussed in Notes 1 and 4, in consideration for the acquisition of Mezzotin in connection with the reverse takeover, Indus issued 130 shares of Indus subordinate voting shares representing \$1,513 total value based on the concurrent financing subscription price of CAD\$15.65 (US\$11.60). The excess of the purchase price over net assets acquired was charged to the consolidated statements of operations as RTO expense in general and administrative expenses.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding is as follows.

(in thousands)	June 30, 2019
Balance—December 31, 2018	2,571
Granted	198
Balance—June 30, 2019	2,769

During the three and six months ended June 30, 2019, the Company issued 198 warrants with a weighted-average grant date fair of CAD\$15.65 (US\$11.60), and an issuance cost of \$2,291 in the Condensed Interim Consolidated Statement of Position. The weighted average exercise price of all warrants outstanding is \$2.03 per share, and the weighted average remaining contractual life of the warrants outstanding is approximately 4.1 years.

The fair value of warrants exercisable was determined using the Black-Scholes option-pricing model with the following assumptions on the date of issuance:

Period Ended June 30,	2019
Expected volatility	25.0%
Dividend yield	0%
Risk-free interest rate	2.9%
Expected term in years	2.0

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

Noncontrolling Interests

During the three and six months ended June 30, 2019, the Company acquired a 70% controlling ownership interest in Shredibles LLC for a purchase consideration of 42 subordinate voting shares at a fair value of \$5.64 per share. The transaction resulted in a \$103 allocation from shareholders' equity to Noncontrolling Interest. Refer to Note 5.

12. DEBT

Debt at June 30, 2019 and December 31, 2018 was comprised of the following:

(in thousands)	June 30, 2019	December 31, 2018
Current portion of long-term debt		
Vehicle loans ⁽¹⁾	\$ 131	\$ 147
Total short-term debt	131	147
Long-term debt, net		
Vehicle loans ⁽¹⁾	\$ 278	\$ 207
Note payable ⁽²⁾	161	182
Total long-term debt	439	389
Total Indebtedness	569	536

⁽¹⁾ Primarily fixed term loans on transportation vehicles.

⁽²⁾ 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 5.

Stated maturities of debt obligations are as follows:

(in thousands)	June 30, 2019
2019	42
2020	135
2021	130
2022	43
2023	21
2024 and thereafter	6
Total debt obligations	377

13. LEASES

Lease obligations at June 30, 2019 and December 31, 2018 was comprised of the following:

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(in thousands)	June 30, 2019
Lease Liability	
Beginning balance (Note 3)	\$ 24,976
Additions	-
Lease payments and interest	(1,244)
Balance at end of period	\$ 23,731
Lease obligation, current portion	\$ 1,809
Lease obligation	\$ 21,923

The components of lease expense for the three and six months ended June 30, 2019 were as follows:

Periods Ended June 30,	Three Months	Six Months
(in thousands)		
Amortization of leased assets ⁽¹⁾	\$ 1,296	\$ 648
Interest on lease liabilities ⁽²⁾	738	369
Total	\$ 2,034	\$ 1,017

⁽¹⁾ Included in cost of goods sold and general and administrative in our condensed consolidated statement of operations.

⁽²⁾ Included in interest expense in our condensed consolidated statement of operations.

The key assumptions used in accounting for our leases as of June 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 June 30, 2019 were as follows:

(in thousands)	June 30, 2019
Less than 1 year	\$ 3,185
1 - 3 years	6,706
4 - 5 Years	6,765
Greater than 5 years	14,344
Total	\$ 31,000

14. SHARE-BASED COMPENSATION

During 2019 the Company's Board of Directors adopted the *2019 Stock and Incentive Plan* (the "Plan"), which permits the issuance of stock options, stock appreciation rights, stock awards, share units, performance shares, performance units and other stock-based awards up to an amount equal to 10% of the issued and outstanding Subordinate Voting Shares of the Company. The Plan provides for the grant of options as either non-statutory stock options or incentive stock options and restricted stock units to employees, officers, directors, and consultants of the Company to attract and retain persons of ability to perform services for the Company and to reward such individuals who contribute to the achievement by the Company of its economic objectives. The awards granted generally vest in 25% increments over a four-year period and option awards expire 10 years from grant date.

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

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

During the six months ended June 30, 2019, the Company granted shares to certain employees as compensation for services. These shares were accounted for in accordance with IFRS 2 - *Share-based Payments*. The Company amortizes awards over the service period and until awards are fully vested.

For the three and six months ended June 30, 2019, and 2018, share-based compensation expense recorded to the Company's consolidated statements of operations was:

Periods Ended June 30, (in thousands)	Three Months		Six Months	
	2019	2018	2019	2018
Cost of goods sold	\$ -	\$ -	\$ -	\$ -
General and administrative expense	379	43	510	77
Total share based compensation	\$ 379	\$ 43	\$ 510	\$ 77

The following table summarizes the status of grants and unvested awards as at June 30, 2019 and changes during the period from December 31, 2018 through June 30, 2019.

(in thousands except per share amounts)	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	1,719	2.23		
Exercised	(144)	1.02		
Cancelled	(125)	3.95		
Outstanding—June 30, 2019	2,875	\$2.53	9.1	
Exercisable—June 30, 2019	316	\$1.44	8.3	\$ 1,719
Vested and Expected to Vest—June 30, 2019	2,875	\$1.58	8.7	\$ 12,667

The fair value of the stock options granted was determined using the Black-Scholes option-pricing model with the following weighted average assumptions at the time of grant.

Period Ended June 30,	2019
Expected volatility	50.0%
Dividend yield	0%
Risk-free interest rate	2.4%
Expected term in years	5.15

Restricted Stock Units (RSU) —On June 7, 2019, in connection with the reverse takeover discussed in Note 4, 729 RSUs were awarded in total to five executive employees and three board members, and 235 RSUs were awarded to other key employees under the Plan. The RSUs vest in 25% increments over a period of ten months. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded \$367 as compensation expense during the three and six months ended June 30, 2019, respectively, in connection with these awards. As of December 31, 2018, there were no restricted stock units outstanding and no restricted stock units had been granted.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

15. INCOME TAXES

The provision for income tax expense for the three months ended June 30, 2019 and 2018 was \$503 and \$28, respectively, representing an effective tax rate of (6.4)% and (.8)%, respectively.

The provision for income tax expense for the six months ended June 30, 2019 and 2018 was \$503 and \$64, respectively, representing an effective tax rate of (3.9)% and (2.2)%, respectively.

16. EARNINGS/(LOSS) PER SHARE

Net earnings/loss per share represents the net earnings/loss attributable to shareholders divided by the weighted average number of shares outstanding during the period on an as converted basis.

Periods Ended June 30, (in thousands except per share amounts)	Three Months		Six Months	
	2019	2018	2019	2018
Net earnings (loss) attributable to Indus Holdings, Inc.	\$ (7,841)	\$ (2,115)	\$ (12,776)	\$ (2,886)
Basic				
Weighted average subordinate voting shares ⁽¹⁾	32,194		32,190	
Basic earnings (loss) per share attributable to Indus Holding Inc.	\$ (0.24)		\$ (0.40)	
Diluted				
Weighted average subordinate voting shares ⁽¹⁾	32,194		32,190	
<i>Effects of Potential Dilutive Shares</i>				
Options	-		-	
Warrants	-		-	
Restricted stock units	-		-	
Diluted weighted average subordinate voting shares	32,194		32,189	
Diluted earnings (loss) per share attributable to Indus Holding Inc.	\$ (0.24)		\$ (0.40)	

(1) On an as converted basis.

As the Company is in a loss position for the three and six months ended June 30, 2019, the inclusion of options and warrants in the calculation of diluted earnings per share would be anti-dilutive, and accordingly, were excluded from the diluted loss per share calculation. As of June 30, 2019, there were 5,644 options, warrants, and restricted stock units that could potentially be dilutive in the future.

17. COMMITMENTS AND CONTINGENCIES

Commitments

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 comprised of \$10 million in cash and \$10 million in shares of Indus Holdings, Inc. subordinate voting shares (based on a deemed value of CDN\$15.65 per share). The transaction includes the operating assets; all intellectual

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

property; and cultivation, manufacturing, and distribution licenses and operations in Las Vegas, Nevada and Portland, Oregon. The Company is working to resolve regulatory items outstanding prior to closing the transaction.

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 June 30, 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 June 30, 2019, 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.

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the three and six months ended June 30, 2019, and 2018, general and administrative expenses were comprised of:

Periods Ended June 30, (in thousands)	Three Months		Six Months	
	2019	2018	2019	2018
Salaries and benefits	\$ 1,859	\$ 828	\$ 3,324	\$ 1,484
Professional fees	253	163	395	300
Licensing and supplies	339	42	620	165
Share-based compensation	379	43	510	77
Administrative	1,088	692	1,367	1,246
Transaction and other special charges ⁽¹⁾	1,751	-	1,751	-
Total general and administrative expenses	\$ 5,669	\$ 1,768	\$ 7,968	\$ 3,272

(1) Includes \$1,704 for listing expenses in connection with the reverse takeover discussed in Note 4 and \$47 in expenses related to the acquisitions discussed in Note 5.

19. RELATED-PARTY TRANSACTIONS

Transactions with related parties are entered into in the normal course of business and are measured at the amount established and agreed to by the parties.

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;

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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 June 30, 2019 and 2018 were \$3,847 and \$1,282, respectively; and for the six months ended June 30, 2019 and 2018 were \$6,596 and \$2,498, 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 June 30, 2019 and 2018 were \$26 and \$23, respectively; and for the six months ended June 30, 2019 and 2018 were \$66 and \$42, respectively.

20. FINANCIAL RISK MANAGEMENT

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

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at June 30, 2019 and December 31, 2018 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 17, the Company has the following contractual obligations:

	Maturity: < 1 Year		Maturity: > 1 Year	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
(in thousands)				
Accounts payable and				
Other accrued liabilities	\$ 4,230	\$ 4,029	\$ -	\$ -

Market Risk

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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.

21. 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 United States. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent a single reporting segment.

22. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 28, 2019, the date the financial statements were available to be issued and determined that no events or transactions met the definition of a subsequent event for purposes of recognition or disclosure in the accompanying condensed interim consolidated financial statements.