Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2020 and 2019

(Expressed in United States Dollars)

INDUS HOLDINGS, INC. AND AFFILIATES

INDEX TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Page

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

INDUS HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(in thousands)	Note		March 31, 2020		December 31, 2019
ASSETS					
Current assets:					
Cash and cash equivalents		$	587	$	1,344
Accounts Receivable—net of allowance for doubtful accounts of $2,268 at March 31, 2020 and $2,595 at December 31, 2019			5,784		6,890
Inventory	6		7,890		9,376
Biological assets	7		5,602		1,716
Prepaid expenses and other current assets			3,214		2,729
Total current assets			**23,077**		**22,055**
Long-term investments	10		540		397
Property and equipment, net	8		43,255		42,972
Goodwill	9		357		357
Other intangibles, net	9		1,133		1,153
Other assets	5		2,274		2,274
Total assets		**$**	**70,636**	**$**	**69,208**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable		$	3,569	$	7,127
Accrued payroll and benefits			655		531
Notes payable, current portion	12		130		135
Lease obligation, current portion	13		2,359		2,325
Other current liabilities			6,437		1,933
Total current liabilities			**13,150**		**12,051**
Notes payable	12		3,628		371
Lease obligation	13		31,065		31,480
Other long-term liabilities			946		946
Total liabilities			**48,789**		**44,848**
STOCKHOLDERS' EQUITY					
Share capital			97,772		96,160
Accumulated deficit			(75,925)		(71,800)
Total stockholders' equity			**21,847**		**24,360**
Total liabilities and stockholders' equity		**$**	**70,636**	**$**	**69,208**

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

/s/ Mark Ainsworth
Mark Ainsworth, Chief Executive Officer

/s/ Steve Neil
Steve Neil, Chief Financial Officer

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Periods Ended March 31,		**Three Months**	
(in thousands, $US)		**2020**	**2019**
Net revenue		$ 9,442	$ 6,434
Cost of goods sold		10,604	5,086
Gross profit before biological asset adjustments		(1,162)	1,348
Net effect of change in fair value of biological assets	*7*	(3,696)	645
Gross profit		2,534	703
Operating expenses			
General and administrative	*17*	3,791	2,300
Sales and marketing		1,226	1,466
Depreciation and amortization	*8*	877	695
Total operating expenses		5,894	4,461
Loss from operations		(3,360)	(3,758)
Other income/(expense)			
Other income/(expense)		25	(393)
Unrealized gain on change in fair value of investment		85	-
Gain on foreign currency		-	-
Interest expense	*13*	(850)	(783)
Total other income/(expense)		(740)	(1,176)
Loss before provision for income taxes		(4,100)	(4,934)
Provision for income taxes	*15*	25	-
Net loss		**$ (4,125)**	**$ (4,934)**
Net loss per share - basic and diluted	*16*	$ (0.13)	
Weighted average shares outstanding - basic and diluted	*16*	32,988	

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC. AND AFFILIATES

CONSOIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(in thousands)	Note	Class A/B Shares	Subordinate Voting Shares	Super Voting Shares	Attributable to Shareholders of the Parent: Share Capital	Accumulated Deficit	Stockholders' Equity
Balance—December 31, 2018		**28,497**	**-**	**-**	**$ 54,333**	**$ (20,201)**	**$ 34,132**
Adoption of lease accounting standard	*13*	-	-	-	-	(847)	(847)
Net loss		-	-	-	-	(4,934)	(4,934)
Share-based compensation expense	*14, 11*	-	-	-	131	-	131
Balance—March 31, 2019		**28,497**	**-**	**-**	**$ 54,464**	**$ (25,982)**	**$ 28,482**
Balance—December 31, 2019		**-**	**32,844**	**203**	**$ 96,160**	**$ (71,800)**	**$ 24,360**
Net loss		-	-	-	-	(4,125)	(4,125)
Share-based compensation expense	*14, 11*	-	144	-	1,612	-	1,612
Balance—March 31, 2020		**-**	**32,988**	**203**	**$ 97,772**	**$ (75,925)**	**$ 21,847**

See accompanying notes to interim consolidated financial statements.

INDUS HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Three Months Ended March 31, 2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (4,125)	$ (4,934)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	963	842
Share-based compensation expense	1,612	131
Provision for doubtful accounts	177	290
Unrealized gain on change in fair value of investments	(85)	1,518
Changes in operating assets and liabilities:		
Accounts receivable	929	(2,573)
Inventory	1,486	(1,494)
Biological assets	(3,886)	(1,711)
Prepaid expenses and other current assets	(485)	88
Other assets	-	2,352
Accounts payable and accrued expenses	(3,434)	2,021
Other current and long-term liabilities	4,496	(872)
Net cash used in operating activities	**(2,352)**	**(4,342)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(1,227)	(1,476)
Acquisition of business, net of cash acquired	-	-
Investment in corporate interests	(57)	(1,500)
Net cash used in investing activities	**(1,284)**	**(2,976)**
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(501)	(364)
Payments on notes payable	(8)	-
Proceeds from lease financing	120	-
Proceeds from notes payable	3,800	106
Payment of debt issuance costs	(532)	-
Net cash provided by financing activities	**2,879**	**(258)**
Change in cash and cash equivalents and restricted cash	(757)	(7,576)
Cash and cash equivalents—beginning of year	1,344	10,310
Cash, cash equivalents and restricted cash—end of period	**$ 587**	**$ 2,734**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 675	$ 377
Cash paid during the period for income taxes	$ -	$ -
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired via capital lease	$ 110	$ -

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

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 months ended March 31, 2019 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 4 *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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on May 28, 2020.

Basis of Measurement

These 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 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 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
- 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
- Wellness Innovation Group LLC, a California 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. 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”.

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.

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.

4. ACQUISITIONS

Completed Acquisitions

During 2019, the Company completed the following acquisitions, and allocated the purchase price as follows.

(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				
Assets Acquired				
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	-	0	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
Liabilities assumed				
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 Consolidated Statements of Operations.

- *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.

In February 2020, the Company determined that Shredibles was not a strategic fit for the Company at this time and reached an agreement with the Shredibles co-founders to nullify the investment and the investment consideration of 42.6 thousand subordinate voting shares were returned to the Company. The termination has been reflected as being effective as of December 31, 2019 in the consolidated financial statements. The operations of Shredibles, and the termination of the agreement, did not have a material impact on the results of operations of the Company in 2019.

- *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.

- *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.

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 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 have entered into a management services agreement that terminates upon completion of the acquisition. In November 2019, the definitive agreement was amended whereby the Company advanced $2 million in non-recourse funds to the seller in exchange for release of $10 million of cash held in escrow related to the acquisition. Additionally, in December 2019, the Company purchased the Las Vegas, Nevada facility for $4.1 million. The completion of the acquisition is subject to regulatory approvals including the successful transfer of the Nevada and Oregon cannabis licenses to Indus.

Nevada has implemented a state-mandated moratorium on the licensing and change of ownership processes for marijuana-related businesses. As a result, the Company is now targeting the second half of 2020 for the completion of the acquisition.

The Company incurred $251 in transactional costs related to the above acquisition for the year ended December 31, 2019, which were recorded in general and administrative expenses in the Consolidated Statements of Operations.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets were comprised of the following items:

(in thousands)	March 31, 2020	December 31, 2019
Deposits	$ 772	$ 542
Insurance	731	854
Supplier advances	850	742
Other	861	591
Total Prepaid Expenses and Other Current Assets	**$ 3,214**	**$ 2,729**

6. INVENTORY

Inventory was comprised of the following items:

(in thousands)	March 31, 2020	December 31, 2019
Raw materials	$ 5,799	$ 6,603
Work in process	25	34
Finished goods	2,066	2,739
Total inventory	**$ 7,890**	**$ 9,376**

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 three months ended March 31, 2020 and the year ended December 31, 2019 are as follows:

(in thousands)		March 31, 2020		December 31, 2019
Beginning balance	$	1,716	$	576
Net change in fair value less costs to sell due to biological transformation		5,107		145
Transferred to inventory upon harvest		(1,221)		995
Ending balance	**$**	**5,602**	**$**	**1,716**

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, 2020 and the year ended December 31, 2019;
- 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 and December 31, 2019.

- Selling price per pound – a decrease in the selling price per pound by 5% would result in the biological asset value decreasing by approximately $374 at March 31, 2020 and $72 at December 31, 2019.
- Estimated yield per plant – a decrease in the yield per plant of 5% would result in the biological asset value decreasing by approximately $176 at March 31, 2020 and $27 at December 31, 2019.

As of March 31, 2020, on average, the biological assets were 40.0% complete as to the next expected harvest date, and it is expected that the Company's biological assets will ultimately yield approximately 8,552 pounds of cannabis.

8. PROPERTY AND EQUIPMENT

A reconciliation of the beginning and ending balances of property and equipment and accumulated depreciation during the three-month period ended March 31, 2020 is as follows:

(in thousands)	Land and Buildings	Leasehold Improvements	Furniture and Fixtures	Equipment	Vehicles	Construction in Process	Right of Use Assets	Total
Costs								
Balance—December 31, 2018	$ 4,098	$ 4,275	$ 49	$ 1,100	$ 813	$ 2,533	$ 34,114	$ 46,982
Additions	8	688	-	5	35	381	110	1,227
Balance—March 31, 2020	**$ 4,106**	**$ 4,963**	**$ 49**	**$ 1,105**	**$ 848**	**$ 2,914**	**$ 34,224**	**$ 48,209**
Accumulated Depreciation								
Balance—December 31, 2019	$ (8)	$ (422)	$ (46)	$ (261)	$ (249)	$ -	$ (3,025)	$ (4,011)
Depreciation	(24)	(43)	(1)	(42)	(41)	-	(792)	$ (943)
Balance—March 31, 2020	**$ (32)**	**$ (465)**	**$ (47)**	**$ (303)**	**$ (290)**	**$ -**	**$ (3,817)**	**$ (4,954)**
Net Book Value								
December 31, 2019	$ 4,090	$ 3,853	$ 3	$ 839	$ 565	$ 2,533	$ 31,089	$ 42,972
Balance—March 31, 2020	**$ 4,074**	**$ 4,498**	**$ 2**	**$ 802**	**$ 558**	**$ 2,914**	**$ 30,407**	**$ 43,255**

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

9. GOODWILL AND INTANGIBLE ASSETS

Goodwill

A reconciliation of the beginning and ending balances of goodwill during the three months ended March 31, 2020 is as follows:

(in thousands)	
Costs	
Balance—December 31, 2019	$ 357
Additions	-
Business Acquisitions	-
Impairment	-
Net book value—March 31, 2020	**$ 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. The Company performed its annual impairment assessment in its third quarter of fiscal 2019, and its analysis indicated that the Company had no impairment of goodwill.

Other Intangible Assets

A reconciliation of the beginning and ending balances of intangible assets and accumulated amortization during the three months ended March 31, 2020 is as follows:

(in thousands)	Definite Life Intangibles: Branding Rights	Customer Relationships	Technology/ KnowHow	Other Intangibles	Indefinite Life Intangibles: Brands & Tradenames	Total
Costs						
Balance—December 31, 2019	$ 250	$ 40	$ 421	$ 40	$ 522	$ 1,273
Balance—March 31, 2020	**$ 250**	**$ 40**	**$ 421**	**$ 40**	**$ 522**	**$ 1,273**
Accumulated Amortization						
Balance—December 31, 2019	$ (76)	$ (8)	$ (28)	$ (8)	$ -	$ (120)
Amortization	(4)	(1)	(14)	(1)	-	(20)
Balance—March 31, 2020	**$ (80)**	**$ (9)**	**$ (42)**	**$ (9)**	**$ -**	**$ (140)**
Net Book Value						
December 31, 2019	$ 174	$ 32	$ 393	$ 32	$ 522	$ 1,153
March 31, 2020	**$ 170**	**$ 31**	**$ 379**	**$ 31**	**$ 522**	**$ 1,133**

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 $20 for the three months ended March 31, 2020.

The Company estimates that amortization expense for our existing other intangible assets will be approximately $81 for each of the next five fiscal years. 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 Company's investment in Orchid 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 a ($3) loss in its Statements of Operations for the three months ended March 31, 2020.

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. Due to the highly competitive gummy product market and the limited success to the launching of the Canna Stripe brand, the Company determined that the carrying value of the investment was nominal and a ($350) loss was recognized in the fourth quarter of 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 sold approximately 65.7% of its interests in 2019, recognizing a realized gain of $476. The Company adjusts its carrying value based on the share price at the balance sheet date, recognizing an unrealized gain of $88 in its Statement of Operations for the three months ended March 31, 2020.

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. Due to the lack of extensive roll out of the e-commerce platform with brands and dispensaries within California and in other states, the Company determined that the carrying value of the investment was nominal. As such, a $(650) loss was recognized in the fourth quarter of 2019.

11. SHAREHOLDERS' EQUITY

<u>Shares Outstanding</u>

The table below details the change in Company shares outstanding by class during the three-month period ended March 31, 2020.

(in thousands)	Subordinate Voting Shares	Super Voting Shares
Balance—December 31, 2019	32,844	203
Issuance of vested restricted stock units	144	-
Balance—March 31, 2020	**32,988**	**203**

As discussed in Note 3, 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)	
Balance—December 31, 2019	**2,769**
Balance—March 31, 2020	**2,769**

12. DEBT

Debt at March 31, 2020 and December 31, 2019 was comprised of the following:

(in thousands)	March 31, 2020	December 31, 2019
Current portion of long-term debt		
Vehicle loans[1]	$ 130	$ 135
Total short-term debt	130	135
Long-term debt, net		
Vehicle loans[1]	230	233
Note payable[2]	130	138
Bridge financing[3]	3,268	-
Total long-term debt	3,628	371
Total Indebtedness	**$ 3,758**	**$ 506**

[1] *Primarily fixed term loans on transportation vehicles.*

[2] *Note payable in connection with an acquisition to be paid as and if financial performance targets are met over the earnout period.*

[3] *Interim financing, net of deferred financing costs of $532, replaced by convertible debenture. Refer to note 22.*

Stated maturities of debt obligations are as follows:

(in thousands)	March 31, 2020
2020	$ 135
2021	146
2022	49
2023	21
2024	6
2025 and thereafter	3
Total debt obligations	**$ 360**

13. LEASES

The Company adopted IFRS 16 - *Leases* 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.

A reconciliation of lease obligations for the three-month period ended March 31, 2020 was comprised of the following:

(in thousands)		March 31, 2020
Lease Liability		
December 31, 2019	$	33,805
Additions		120
Lease principal payments		(501)
March 31, 2020	**$**	**33,424**
Lease obligation, current portion	$	2,359
Lease obligation, long-term portion	$	31,065

All extension options that are reasonably certain to be exercised have been included in the measurement of lease obligations. The Company reassesses the likelihood of extension option exercise if there is a significant event or change in circumstances within its control.

The components of lease expense for the three-month period ended March 31, 2020 was as follows:

Three Months Ended March 31,		
(in thousands)		**2020**
Amortization of leased assets(1)	$	291
Interest on lease liabilities(2)		477
Total	**$**	**768**

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

(2) *Included in interest expense in the consolidated statement of operations.*

The key assumptions used in accounting for our leases as of March 31, 2020 were a weighted average remaining lease term of 10.3 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 31, 2020 were as follows:

(in thousands)		March 31, 2020
Less than 1 year	$	2,837
1 - 3 years		11,338
4 - 5 Years		7,229
Greater than 5 years		22,762
Total	**$**	**44,166**

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.

During the three months ended March 31, 2020, 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 months ended March 31, 2020 and 2019, share-based compensation expense recorded to the Company' s consolidated statements of operations was:

Three Months Ended March 31, (in thousands)	**2020**	**2019**
Cost of goods sold	$ -	$ -
General and administrative expense	1,612	131
Total share based compensation	**$ 1,612**	**$ 131**

The following table summarizes the status of grants and unvested awards as at March 31, 2020 and December 31, 2019 and for the three-month period ended March 31, 2020.

(in thousands except per share amounts)	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding—December 31, 2019	**1,543**	**$2.53**	**8.3**	**$ -**
Granted	505	0.85		
Exercised	-	-		
Cancelled	(290)	2.48		
Outstanding—March 31, 2020	**1,758**	**$2.05**	**8.1**	**$ -**
Exercisable—March 31, 2020	**412**	**$2.06**	**4.6**	**$ -**
Vested and expected to vest—March 31, 2020	**1,758**	**$2.05**	**8.1**	**$ -**

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.

Three Months Ended March 31,	2020
Expected volatility	50.0%
Dividend yield	0%
Risk-free interest rate	2.2%
Expected term in years	10.0

Restricted Stock Units (RSU) —On June 7, 2019, in connection with the reverse takeover discussed in Note 3, 729 RSUs were awarded in total to executive employees and independent 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. In the quarter ended March 31, 2020, 145 RSUs were awarded to executive employees independent board members, and 68 to other employees under the Plan, vesting on December 31, 2020. The fair value for RSUs is based on the Company's share price on the date of the grant. The Company recorded $1,193 as compensation expense and 198 shares vested during the three months ended March 31, 2020 in connection with these awards. At March 31, 2019 there were no restricted stock units outstanding and no restricted stock units had been granted.

15. INCOME TAXES

The provision for income tax expense for the three months ended March 31, 2020 was $25, representing an effective tax rate of (0.6)%. There was no income tax provision for the three months ended March 31, 2019.

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.

Three Months Ended March 31, (in thousands except per share amounts)	2020	2019
Net earnings/(loss)	$ (4,125)	$ (4,934)
Basic		
Weighted average subordinate voting shares [(1)]	32,988	
Basic earnings (loss) per share	**$ (0.13)**	
Diluted		
Weighted average subordinate voting shares [(1)]	32,988	
Effects of Potential Dilutive Shares		
Options	-	
Warrants	-	
Restricted stock units	-	
Diluted weighted average subordinate voting shares	32,988	
Diluted earnings (loss) per share	**$ (0.13)**	

(1) On an as converted basis.

As the Company is in a loss position for the three months ended March 31, 2020 and 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 March 31, 2020, there were 5,086 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 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 March 31, 2020, 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 March 31, 2020, 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 are an adverse party or have a material interest adverse to the Company's interest. The Company has been named in a civil action against it, filed following the termination by the Company of its agreement with a third party distribution technology services provider. The Company believes it has meritorious defenses and the action is without merit, and the resolution of this matter will not have a material adverse effect on the Company or its operating results.

18. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 2020, and 2019, general and administrative expenses were comprised of:

Three Months Ended March 31, (in thousands)	2020	2019
Salaries and benefits	$ 1,445	$ 1,446
Professional fees	599	142
Share-based compensation	1,612	131
Administrative	135	581
Total general and administrative expenses	$ 3,791	$ 2,300

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 cofounders 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, 2020 and 2019 were $2,840 and $2,674, 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, 2020 and 2019 were $11 and $40, 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 March 31, 2020 and December 31, 2019 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	
(in thousands)	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Accounts payable and Other accrued liabiliities	$ 10,006	$ 9,060	$ -	$ -

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.

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 May 27, 2020, the date the financial statements were available to be issued.

Financing

On April 13, 2020, the Company announced that its subsidiary, Indus Holding Company, entered into a $15.1 million senior secured convertible debenture and warrant purchase agreement. In May 2020 an additional $1 million was funded to bring the total convertible debenture amount to $16.1 million. The convertible debentures are convertible, at a conversion price of $0.20 per share, into an aggregate of 80.4 million subordinate voting shares of the Company, and the Company issued warrants to purchase an aggregate of 80.4 million subordinate voting shares at an exercise price of $.28 per share. The financing yielded the Company approximately $11.5 million after repayment of $3.8 million in bridge financing received during the first quarter, plus accrued interest thereon, and transaction related expenses of approximately $600. The debentures bear interest at 5.5% per annum and will mature in October 2023, and the warrants also mature in October 2023.