



Indus Holdings, Inc. Reports First Quarter 2020 Results and Announces Final Closing of Convertible Debenture Financing

Vertically-integrated cannabis leader stays on path to profitability and go-forward strategy

SALINAS, Calif., May 28, 2020 -- **Indus Holdings, Inc.** ("Indus" or the "Company") (CSE: INDS; OTCQX: INDXF), a leading, vertically-integrated, California-focused cannabis company, announces its financial results for the first quarter 2020 (ended March 31, 2020). All figures stated are in US Dollars.

First Quarter Financial and Operational Highlights:

- Revenue generated for the three-month period ended March 31, 2020, was \$9.4 million; a 46.7% year-over-year growth from the first quarter last year and a decrease of 12.6% from the prior quarter. As a percentage of revenues, owned brands grew from 51% in the prior quarter to 55% in the first quarter while agency brands declined from 41% to 29% and distributed brands grew from 8% to 16% from the corresponding quarters.
- EBITDA for the three-month period ended March 31, 2020, was (\$4.5 million); EBITDA for the previous quarter ended December 31, 2019, was (\$13.4 million). See "Use of Non-IFRS Financial Information" below.
- Net loss for the three-month period ended March 31, 2020, was (\$4.0) million, compared to (\$18.3) million in the prior quarter and (\$4.9) million in the first quarter last year. The \$14.3 million improvement from the fourth quarter was due to cost reduction initiatives, strategic product mix improvements, a favorable biological asset fair value change, and elimination of certain charges that impacted the prior quarter.
- Gross margin was 26.8% and 10.9% in the three months ended March 31, 2020, and the same quarter in 2019, respectively. Excluding the net effect of change in fair value of biological assets, the corresponding gross margins were (12.3)% and 21.0% for the three months ended March 31, 2020, and the same quarter in 2019, respectively.

"The financial results reflect our strategic initiatives, are in line with what we expected, and represent an interim snapshot amidst our transition to a profitable and thriving enterprise," said Mark Ainsworth, Chief Executive Officer for Indus Holdings, Inc. "Our commitment to increase our margins, retain relationships that support that goal, and focus on driving revenue growth for company owned products are reflected in these results and will continue in the second quarter of this year."

Operational Highlights and Initiatives Underway in 2020:

The Company remains focused on initiatives that will drive profitable growth, with top priorities of finalizing renovation of its cultivation facilities, improving operational efficiency, and becoming profitable.

- **California Cultivation Facility Build-out:**
 - The Company continues to be on track with the renovation of its greenhouses, with two greenhouses completely renovated and fully planted in May, a third greenhouse expected to be renovated and planted by August 2020, and the nursery greenhouse completed by the end of the third quarter.
 - These renovations will add 110,000 square feet of additional cultivation resulting in an annual harvest capacity of approximately 45,000 pounds starting in the fourth quarter of this year compared to 9,000 pounds harvested in 2019.
- **Cultivation Quality and Efficiency:**
 - Improved cultivation processes, combined with the newly renovated grow rooms, have led to increased potency and enhanced yields. The company will continue to have additional rooms come online in the coming months, with yield and potency test results to be in line with company expectations.
 - Preliminary results from initial harvests are extremely promising, with increased potency levels ranging from 15% to 22% in previous quarters, to a current level of 22% to 34%.

Recent Cultivation Report:

Date	GH Room	Pounds	Potency
05/22/20	GH1 Room 2	241	32.01%
05/15/20	GH1 Room 1	236	22.86%
05/15/20	GH2 Room 6	228	23.82%
04/17/20	GH2 Room 4	257	21.63%
04/07/20	GH2 Room 2	190	18.80%
03/26/20	GH2 Room 7	177	26.35%
03/20/20	GH2 Room 5	228	27.92%

- **Indus Owned Core Brands:**
 - Indus owned brands remain at the top of their categories in the California market according to BDS Analytics for first the quarter of 2020:
 - Moon, an edible brand, is the third highest revenue brand in chocolate.
 - Cypress Cannabis, a flower brand, is the sixth highest volume flower brand.
 - Flavor, a concentrate brand, is the leading revenue brand in shatter and the second highest revenue brand in wax and crumble categories.
- **Distribution Capabilities:**
 - After a careful evaluation, the Company has terminated its relationship with a third-party technology service provider and has since implemented an alternative service platform to support its distribution business, which allows Indus to improve the efficiency and performance of distribution operations and control the process from start to finish.
- **Closed Previously Announced Convertible Debenture:**
 - The Company closed the convertible debenture announced in April 2020 with the funding of an additional \$1 million in financing that had previously been committed, bringing the total debenture to \$16.1 million.

"We know we still have a lot to do in order to deliver on our objectives, but we are bullish and determined to achieve our goal of reaching profitability in 2020," said Ainsworth. "It is no small task, but everything we have done is methodical and calculated. We are where we have planned to be."

Q1 Financial Results Earnings Conference Call Details:

Indus Holdings, Inc. plans to host a conference call with management Friday, May 29, at 8:30 a.m. EDT.

The call can be accessed using the following dial-in information:

U.S. and Canadian Toll-free:	+1-877-407-0789
International:	+1-201-689-8562
Conference ID:	13704529

Please dial-in at least 15 minutes before the call to register.

The conference call will be webcast live and archived on the investor relations section of the Indus Holdings, Inc. website at <https://ir.indusholdingco.com/>.

About Indus Holdings, Inc.

Indus Holdings, Inc. (CSE: INDS; OTCQX: INDXF) is a vertically-integrated cannabis company with advanced production capabilities, including cultivation, extraction, manufacturing, brand sales & marketing, and distribution. Founded in 2014 and based in Salinas, California, Indus offers services supporting every step of the supply chain and an extensive portfolio of award-winning brands, including Cypress Cannabis, House Weed, The Original Pot Co., MOON, Acme, and Kaizen Medicinals. Indus Distribution, a division of Indus Holdings, Inc., is a leading distributor of cannabis products, servicing an extensive portfolio of brands and licensed retailers.

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Use of Non-IFRS Financial Information

To supplement the Company's financial results presented in accordance with International Financial Reporting Standards ("IFRS"), Indus uses non-IFRS measures to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate the Company's financial performance. These non-IFRS financial measures are adjusted EBITDA, adjusted gross profit, adjusted gross margin, and non-IFRS net earnings (loss). Management believes that these non-IFRS financial measures reflect the Company's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-IFRS financial measures enable investors to evaluate the Company's operating results and future prospects in the same manner as management. These non-IFRS financial measures may also exclude expenses and gains that may be unusual in nature, infrequent or not reflective of the Company's ongoing operating results. Since these measures are not calculated in accordance with IFRS, they should not be considered in isolation of, or as a substitute for, our reported results as indicators of our performance, and they may not be comparable to similarly named measures from other companies.

Forward-Looking Information and Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and

forward-looking statements are not representative of historical facts or information or current condition, but instead represent only Indus' beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of Indus' control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved." The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the ability of the Company to successfully achieve business objectives (including completion of renovations and increasing production capacity), and expectations for other economic, business, and/or competitive factors. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such forward-looking information. This forward-looking information reflects Indus' current beliefs and is based on information currently available to Indus and on assumptions Indus believes are reasonable.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Indus to be materially different from those expressed or implied by such forward-looking information. Such risks and other factors may include, but are not limited to: general business, economic, competitive, political and social uncertainties; general capital market conditions and market prices for securities; delay or failure to receive board or regulatory approvals; the actual results of future operations; operating and development costs; competition; changes in legislation or regulations affecting Indus; the timing and availability of external financing on acceptable terms; the available funds of Indus and the anticipated use of such funds; delay or inability to complete an acquisition; favorable production levels and outputs; the stability of pricing of cannabis products; the level of demand for cannabis product; the availability of third-party service providers and other inputs for Indus' operations; lack of qualified, skilled labor or loss of key individuals; and risks and delays resulting from the COVID-19 pandemic. A description of additional assumptions used to develop such forward-looking information and a description of additional risk factors that may cause actual results to differ materially from forward-looking information can be found in Indus' disclosure documents, such as Indus' listing statement filed on the SEDAR website at www.sedar.com. Although Indus has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Readers are cautioned that the foregoing list of factors is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking information as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Forward-looking information contained in this news release is expressly qualified by this cautionary statement.

The forward-looking information contained in this news release represents the expectations of Indus as of the date of this news release and, accordingly, is subject to change after such date. However, Indus expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities law. Neither the Canadian Securities Exchange nor its Regulation Service Provider has reviewed, or accepts responsibility for the adequacy or accuracy of, the content of this news release.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(in thousands)	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	7,890	9,376
Biological assets	5,602	1,716
Prepaid expenses and other current assets	3,214	2,729
Total current assets	23,077	22,055
Long-term investments	540	397
Property and equipment, net	43,255	42,972
Goodwill	357	357
Other intangibles, net	1,133	1,153
Other assets	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	130	135
Lease obligation, current portion	2,359	2,325
Other current liabilities	6,437	1,933
Total current liabilities	13,150	12,051
Notes payable	3,628	371
Lease obligation	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

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Periods Ended March 31, (in thousands, \$US)	Three Months	
	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	(3,696)	645
Gross profit	2,534	703
Operating expenses		
General and administrative	3,791	2,300
Sales and marketing	1,226	1,466
Depreciation and amortization	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	(850)	(783)
Total other income/(expense)	(740)	(1,176)
Loss before provision for income taxes	(4,100)	(4,934)
Provision for income taxes	25	-
Net loss	\$ (4,125)	\$ (4,934)
Net loss per share - basic and diluted	\$ (0.13)	
Weighted average shares outstanding - basic and diluted	32,988	

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)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
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
<i>Changes in operating assets and liabilities:</i>		
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	\$ -

The table below reconciles Net Loss to Adjusted EBITDA for the periods indicated.

(in thousands)	Three Months Ended March 31,	
	2020	2019
Net loss attributable to Indus Holdings, Inc. (IFRS)	\$ (4,125)	\$ (4,934)
Interest expense	850	783
Provision (benefit) for income taxes	25	-
Depreciation in cost of goods sold	86	147
Depreciation and amortization in operating expenses	877	695
Investment and currency gains	(85)	-
Share-based compensation	1,612	131
Net effect of change in fair value of biological assets	(3,696)	645
Adjusted EBITDA (non-IFRS)	\$ (4,455)	\$ (2,533)

(1) Non-IFRS measure

The table below reconciles Gross Profit (Loss) and Gross Margin to Adjusted Gross Profit (Loss) and Adjusted Gross

Margin for the periods indicated.

Three Months Ended March 31,

(in thousands, except per share amounts)

	2020	2019
Gross profit	\$ 2,534	\$ 703
Adjustments:		
Net effect of change in fair value of biological assets	(3,696)	645
Adjusted gross profit (loss)⁽¹⁾	\$ (1,162)	\$ 1,348
Adjusted gross margin⁽¹⁾	-12.3%	21.0%

⁽¹⁾ **Non-IFRS measure**