



INDUS HOLDINGS, INC. REPORTS SECOND QUARTER 2020 RESULTS AND IMPROVES GUIDANCE FOR THE THIRD QUARTER

Vertically-integrated California cannabis leader showcases positive outcomes as a direct result of executing on strategic initiatives and go-forward mindset

SALINAS, Calif., August 3, 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 second quarter 2020 (ended June 30, 2020). All figures stated are in US Dollars.

Second Quarter Financial Highlights:

- Revenue generated for the three-month period ended June 30, 2020, was \$9.9 million; a 2% year-over-year growth from the second quarter last year and an increase of 5% from the prior quarter. As a percentage of revenues, owned brands grew from 55% in the prior quarter to 73% in the second quarter while agency brands declined from 29% to 20% and distributed brands declined from 16% to 7% from the corresponding quarters.
- EBITDA for the three-month period ended June 30, 2020, was (\$3.3 million); EBITDA for the previous quarter ended March 31, 2020, was (\$4.5 million). See "Use of Non-IFRS Financial Information" below.
- Net loss for the three-month period ended June 30, 2020, was (\$4.8 million), compared to (\$4.1 million) in the first quarter. A \$3.5 million loss associated with the termination of the pending asset acquisition in Nevada and Oregon was recorded in the second quarter. Excluding this loss, operating results improved \$2.8 million from the previous quarter due to cost reduction initiatives, strategic product mix improvements, and a favorable quarter-to-quarter biological asset fair value change.

"Our commitment to increase profitability is reinvigorated by this quarter's results and we remain motivated to deliver beyond expectations," said Mark Ainsworth, Chief Executive Officer for Indus Holdings, Inc. "These financial results reflect the strategic planning we implemented throughout the last few quarters, and while we know there is still a lot of work to do, we are encouraged with the progress."

Subsequent events to the fiscal second quarter June 30, 2020:

On July 17, 2020, Indus Holdings, Inc. announced termination of pending W Vapes acquisition in Nevada and Oregon and sale of associated real estate.

- Press release can be viewed [here](#).

Leadership Changes:

- Jenny Montenegro was appointed Chief Operating Officer of the Company.

Operational Highlights and Initiatives Underway in 2020:

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

- **California Cultivation Facility Build-out:**

- The Company continues to be on track with the renovation of its greenhouses, with Greenhouse 3 having six out of eight rooms renovated and planted as of the week of July 27 and the last two rooms scheduled to be commissioned by the end of August. This will bring the cultivation to 28 grow rooms online, up from eight grow rooms in February.
- As previously reported, these renovations will add 110,000 square feet of additional cultivation resulting in an annual harvest capacity of approximately 45,000 pounds exiting the fourth quarter of this year compared to 9,000 pounds harvested in 2019.

- **Cultivation Quality and Efficiency:**

- Existing strains under Cypress Reserve are consistently testing in the mid to high 20's and low 30's for THC potency.
- Continued improved cultivation processes, refined genetics, and enhanced facilities have led to a consistent increase in potency and yields.
- Preliminary results of flower continue to show promising increased potency levels of 22% to 34%.

Indus Owned Core Brands:

- Indus owned brands remain at the top of their categories in the California market according to BDS Analytics in the second the quarter of 2020:
 - Moon, a chocolate edible brand, continues its position in the top three highest selling brands in cannabis-infused chocolates.
 - Cypress brand sales increased by 31% from Q1 to Q2.
- Indus announced the debut of Cypress Reserve, a premium, high potency flower line that launched at licensed dispensaries statewide in June.
 - Due to our cultivation producing higher quality flower, Cypress Reserve was created to fill the void in the market for a demand for higher potency flower at a competitive price.

- **Technology & Sales Improvements:**

- Indus is refining its retail marketing strategy to customize promotional plans in accordance with consumer behavior as well as making significant improvements to its retail technology:
 - Indus has entered into an agreement to provide interactive packaging services for all of the Indus owned brands. This includes integrating QR Codes onto packaging to allow consumers to learn more about our products, track their dosage, and sign up for loyalty programs.

- Indus is expanding its digital presence by partnering with a SMS cannabis platform to use their beta program to increase awareness and retention.
- **Distribution Capabilities:**
 - Since bringing distribution technologies in house, Indus is refining its processing and ordering technology to maximize revenue and provide world-class service.
- **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.

“It is beyond exciting to see that the team’s hard work and the plan they have put in place is working; their continued growth and commitment is driving this company’s profitability and success on a daily-basis,” said George Allen, Chairman of the Board of Indus Holdings, Inc. “We continue to stay determined to achieve sustainable profitability in 2020 and beyond as every decision has been intentional and calculated for the viability and growth of Indus and its long-term financial health.”

Q2 Financial Results Earnings Conference Call Details:

The conference call with management at 8:30 a.m. ET on Tuesday, August 4, can be accessed using the following dial-in information:

U.S. and Canadian Toll-free: 1-855-327-6837
International: 1-631-891-4304
Conference ID: 10010456

Please dial-in at least 10 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, Flavor, 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.

INDUS HOLDINGS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(in thousands)	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,701	\$ 1,344
Accounts Receivable—net of allowance for doubtful accounts of \$949 at June 30, 2020 and \$2,595 at December 31, 2019	4,780	6,890
Inventory	8,420	9,376
Biological assets	8,588	1,716
Prepaid expenses and other current assets	6,362	2,729
Total current assets	34,851	22,055
Long-term investments	792	397
Property and equipment, net	41,097	42,972
Goodwill	357	357
Other intangibles, net	577	1,153
Other assets	274	2,274
Total assets	\$ 77,947	\$ 69,208
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,175	\$ 7,127
Accrued payroll and benefits	964	531
Notes payable, current portion	194	135
Lease obligation, current portion	2,783	2,325
Other current liabilities	7,759	1,933
Total current liabilities	14,875	12,051
Notes payable	546	371
Lease obligation	29,969	31,480
Convertible debentures	13,663	-
Other long-term liabilities	51	946
Total liabilities	59,105	44,848
STOCKHOLDERS' EQUITY		
Share capital	99,603	96,160
Accumulated deficit	(80,760)	(71,800)
Total stockholders' equity	18,843	24,360

Total liabilities and stockholders' equity

\$ 77,947

\$ 69,208

INDUS HOLDING COMPANY AND AFFILIATES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

Periods Ended June 30, (in thousands except per share amounts)	Three Months		Six Months	
	2020	2019	2020	2019
Net revenue	\$ 9,894	\$ 9,689	\$ 19,337	\$ 16,122
Cost of goods sold	10,779	8,181	21,383	13,266
Gross profit before biological asset adjustments	(885)	1,508	(2,047)	2,856
Net effect of change in fair value of biological assets	(4,313)	1,217	(8,009)	1,862
Gross profit	3,428	291	5,962	994
Operating expenses				
General and administrative	2,225	5,669	6,016	7,968
Sales and marketing	1,184	1,944	2,410	3,410
Depreciation and amortization	885	764	1,762	1,459
Total operating expenses	4,294	8,376	10,188	12,837
Loss from operations	(866)	(8,085)	(4,226)	(11,843)
Other income/(expense)				
Other income/(expense)	-	103	25	(292)
Loss on termination of investment	(3,524)	-	(3,524)	-
Unrealized gain on change in fair value of investment	306	841	391	841
Gain on foreign currency	-	182	-	182
Interest expense	(726)	(378)	(1,576)	(1,161)
Total other income/(expense)	(3,944)	747	(4,684)	(429)
Loss before provision for income taxes	(4,810)	(7,338)	(8,910)	(12,273)

Provision for income taxes	25	503	50	503
	\$	\$	\$	\$
Net loss	(4,835)	(7,841)	(8,960)	(12,776)
	\$	\$	\$	\$
Net loss per share - basic and diluted	(0.15)	(0.24)	(0.27)	(0.40)
Weighted average shares outstanding - basic and diluted	33,307	32,194	33,025	32,190

INDUS HOLDING COMPANY AND AFFILIATES

STATEMENTS OF CASH FLOWS

(Unaudited)

Periods Ended June 30, (in thousands)	Six Months	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (8,960)	\$ (12,776)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Depreciation and amortization	1,987	1,709
Share-based compensation expense	1,825	510
Provision for doubtful accounts	720	230
Unrealized gain on change in fair value of investments	(395)	(841)
Changes in operating assets and liabilities:		
Accounts receivable	1,390	(7,236)
Inventory	956	(1,627)
Biological assets	(6,872)	203
Prepaid expenses and other current assets	(333)	(1,336)
Accounts payable and accrued expenses	2,307	1,187
Other long-term liabilities	(98)	(893)
Net cash used in operating activities	(7,473)	(20,870)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(4,110)	(4,012)
Disposition of business interest, net of cash received	2,743	-

Investment in corporate interests	-	(1,500)
Net cash used in investing activities	(1,367)	(5,512)
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on lease obligations	(1,053)	(760)
Payments on notes payable	(31)	(71)
Proceeds from notes payable	-	106
Proceeds from convertible notes, net of financing costs	13,663	-
Issuance of warrants associated with convertible notes offering	1,556	-
Issuance of subordinate voting shares associated with convertible notes offering	62	-
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
Net cash provided by financing activities	14,197	40,881
Change in cash and cash equivalents and restricted cash	5,357	14,499
Cash and cash equivalents—beginning of year	1,344	10,310
Cash, cash equivalents and restricted cash—end of period	<u>6,701</u>	<u>24,809</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
	\$	\$
Cash paid during the period for interest	1,403	748
	\$	\$
Cash paid during the period for income taxes	-	2
OTHER NONCASH INVESTING AND FINANCING ACTIVITIES		
	\$	\$
Purchase of property and equipment not yet paid for	578	-
	\$	\$
Disposition of business interests	2,743	-
	\$	\$
Issuance of warrants	1,556	2,291
	\$	\$
Shares issued for services in connection with convertible debenture offering	62	-
	\$	\$
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

The table below reconciles Gross Profit (Loss) and Gross Margin to Adjusted Gross Profit (Loss) and Adjusted Gross Margin for the periods indicated.

Period Ended June 30, (in thousands)	Three Months		Six Months	
	2020	2019	2020	2019
Gross profit (IFRS)	\$ 3,428	\$ 291	\$ 5,962	\$ 994
<i>Adjustment</i>				
Net effect of change in fair value of biological assets	\$ (4,313)	\$ 1,217	\$ (8,009)	\$ 1,862
Adjusted gross profit (loss) ⁽¹⁾	\$ (885)	\$ 1,508	\$ (2,047)	\$ 2,856
Adjusted gross margin ⁽¹⁾	-8.9%	15.6%	-10.6%	17.7%

⁽¹⁾ Non-IFRS measure

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

INDUS HOLDINGS, INC. AND AFFILIATES

ADJUSTED EBITDA

(Unaudited)

Adjusted EBITDA

Periods Ended June 30, (in thousands)	Three Months		Six Months	
	2020	2019	2020	2019
Net loss attributable to Indus Holdings, Inc. (IFRS)	\$ (4,835)	\$ (7,841)	\$ (8,960)	\$ (12,776)
Interest expense	726	378	1,576	1,161
Provision for income taxes	25	503	50	503
Depreciation in cost of goods sold	159	105	225	250

Depreciation and amortization in operating expenses	885	764	1,762	1,459
Investment and currency (gains)/losses	306	(1,024)	391	(1,024)
Share-based compensation	213	379	1,825	510
Transaction and other special charges	3,524	1,751	3,524	1,751
Net effect of change in fair value of biological assets	(4,313)	1,217	(8,009)	1,862
Adjusted EBITDA (non-IFRS)	\$ (3,310)	\$ (3,769)	\$ (7,616)	\$ (6,302)

⁽¹⁾ Non-IFRS measure