

# **INDIVA LIMITED**

(formerly Rainmaker Resources Ltd.)

## **Condensed Consolidated Interim Financial Statements**

(Unaudited, Expressed in Canadian dollars)

**For the three and six month periods ended June 30, 2018 and 2017**

**INDIVA Limited**  
**Condensed Consolidated Interim Statement of Financial Position**  
(Expressed in Canadian dollars)

As at	June 30, 2018 \$	December 31, 2017 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	27,251,286	21,303,886
Taxes and other receivables	349,360	195,845
Investment	67,220	89,164
Inventory (Note 5)	284,086	-
Prepaid expenses and other	1,230,438	489,404
<b>Total current assets</b>	<b>29,182,390</b>	<b>22,078,299</b>
<b>Other non-current assets</b>		
Property, plant and equipment (Note 6)	5,240,727	5,256,123
Assets in process (Note 7)	423,593	102,483
Intangible assets (Note 8)	157,624	93,850
Loan to associate (Note 11)	1,316,750	-
Investment in associate (Note 11)	50	-
Long term prepaid (Note 12)	1,948,950	17,840
<b>Total assets</b>	<b>38,270,084</b>	<b>27,548,595</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	797,504	353,302
<b>Total current liabilities</b>	<b>797,504</b>	<b>353,302</b>
<b>Other non-current liabilities</b>		
Deferred tax liability	-	282,303
Convertible debenture (Note 9)	5,257,919	8,092,903
<b>Total liabilities</b>	<b>6,055,423</b>	<b>8,728,508</b>
<b>Equity</b>		
Share capital (Note 10)	35,767,211	20,483,947
Reserves (Note 10)	6,458,728	4,230,800
Accumulated other comprehensive loss	(42,265)	(5,000)
Accumulated deficit	(9,969,013)	(5,889,660)
<b>Total equity</b>	<b>32,214,661</b>	<b>18,820,087</b>
<b>Total liabilities and equity</b>	<b>38,270,134</b>	<b>27,548,595</b>

Commitments (Note 19) and Subsequent Events (Note 22)

These condensed consolidated interim financial statements were approved by the Board of Directors of INDIVA Limited on August 28, 2018.

N. Marotta  
Carmine (Niel) Marotta

J. Yersh  
James Yersh

**INDIVA Limited****Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

For the three and six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
	\$	\$	\$	\$
<b>Expenses</b>				
Salaries	523,613	149,648	981,160	347,338
Stock-based compensation	216,286	-	488,310	-
Accretion of debenture discount	188,945	21,018	428,720	40,781
Interest and bank charges, net	166,538	(1,335)	362,120	(535)
Marketing and branding	209,732	59,364	360,544	137,422
Consulting fees	115,932	83,573	230,000	142,798
Rental	112,630	57,178	201,096	109,320
Professional fees	105,162	7,900	197,957	14,448
Production costs	56,130	12,456	171,416	13,536
Travel	87,804	17,902	168,454	26,837
Investor Relations	102,272	-	161,356	-
Utilities	37,402	14,453	78,453	24,383
Office	23,962	11,372	40,554	14,882
Telecommunications and IT	17,147	2,324	33,221	4,064
Meals and entertainment	13,539	3,586	20,462	5,932
Facility costs	5,106	5,710	16,110	5,710
Insurance	9,952	23,640	16,057	27,562
Agent fees	2,790	4,129	16,015	4,129
Write off of employee advance	-	50,000	-	50,000
Realized exchange gain	(32,021)	-	(33,256)	-
Repairs and maintenance	(5,289)	105,818	(19,857)	110,318
Amortization	99,844	10,743	192,634	19,560
Loss on disposal of equipment	5,189	608	5,189	608
<b>Total expenses</b>	<b>2,062,665</b>	<b>640,087</b>	<b>4,116,715</b>	<b>1,099,093</b>
<b>Net loss before taxes</b>	<b>(2,062,665)</b>	<b>(640,087)</b>	<b>(4,116,715)</b>	<b>(1,099,093)</b>
Deferred tax recovery	-	-	37,362	-
<b>Net Loss</b>	<b>(2,062,665)</b>	<b>(640,087)</b>	<b>(4,079,353)</b>	<b>(1,099,093)</b>
Gain (loss) on investment	5,555	-	(21,944)	-
Unrealized exchange loss	(15,321)	-	(15,321)	-
Transaction costs on derivative financial instrument	-	(162,252)	-	162,252
<b>Total comprehensive loss</b>	<b>(2,072,431)</b>	<b>(802,339)</b>	<b>(4,116,618)</b>	<b>(1,261,345)</b>
Net loss per common share, basic and diluted	(0.03)	(0.02)	(0.05)	(0.03)
Weighted average number of common shares outstanding, basic and diluted	80,991,228	37,872,000	76,790,315	36,376,000

**INDIVA Limited**
**Condensed Consolidated Interim Statements of Changes in Equity**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	Share capital		Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount				
	#	\$				
<b>Balance, January 1, 2018</b>	60,946,413	20,483,947	4,230,800	(5,889,660)	(5,000)	18,820,087
Share capital issued	14,238,150	14,950,058	-	-	-	14,950,058
Share issuance costs	-	(1,441,821)	-	-	-	(1,441,821)
Issuance of warrants	-	(1,566,197)	1,566,197	-	-	-
Issuance of finders warrants	-	(657,802)	657,802	-	-	-
Partial conversion of December 2017 debenture	5,799,998	4,004,068	(740,363)	-	-	3,263,705
Exercise of warrants	6,667	7,400	(1,401)	-	-	5,999
Stock-based compensation	-	-	488,310	-	-	488,310
Deferred tax recovery	-	(12,442)	257,383	-	-	244,941
Net loss for the period	-	-	-	(4,079,353)	-	(4,079,353)
Other comprehensive loss	-	-	-	-	(37,265)	(37,265)
<b>Balance, June 30, 2018</b>	<b>80,991,228</b>	<b>35,767,211</b>	<b>6,458,728</b>	<b>(9,969,013)</b>	<b>(42,265)</b>	<b>32,214,661</b>

	Share capital		Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Amount				
	#	\$				
<b>Balance, January 1, 2017</b>	6,735	3,712,218	93,231	(1,337,460)	-	2,467,989
Share capital issued for cash	2,328	2,979,840	-	-	-	2,979,840
Share capital issued in consideration for accrued interest	42	53,760	-	-	-	53,760
Share capital issued for services	170	217,600	-	-	-	217,600
Share capital issued as employee compensation	100	128,000	-	-	-	128,000
Share issuance costs	-	(85,568)	-	-	-	(85,568)
Stock option exercise	174	222,720	-	-	-	222,720
Issuance of warrants	-	-	15,252	-	-	15,252
Net loss for the period	-	-	-	(1,261,345)	-	(1,261,345)
<b>Balance, June 30, 2017</b>	<b>9,549</b>	<b>7,228,570</b>	<b>108,483</b>	<b>(2,598,805)</b>	<b>-</b>	<b>4,738,248</b>

**INDIVA Limited****Condensed Consolidated Interim Statements of Cash Flows**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(4,079,353)	(1,261,345)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization	192,634	19,560
Interest income	(419)	(3,952)
Accretion of convertible debenture discount	428,720	-
Interest on convertible debenture	359,389	43,430
Transaction costs on convertible debenture	-	162,252
Loss on disposal of property, plant and equipment	5,189	608
Shares issued to employee for no consideration	-	42,667
Deferred tax expense	(37,362)	-
Stock-based compensation	488,310	-
Non-cash consulting fees	98,480	90,901
Changes in non-cash operating working capital (Note 14)	(2,831,341)	225,994
<b>Total cash outflows used in operating activities</b>	<b>(5,375,753)</b>	<b>(679,885)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan to associate (Note 11)	(1,316,750)	-
Investment in associate (Note 11)	(50)	-
Acquisition of assets in process (Note 7)	(321,110)	(2,457,444)
Acquisition of property, plant and equipment (Note 6)	(146,284)	(37,677)
Acquisition of intangible assets (Note 8)	(75,808)	-
Proceeds on disposal of equipment	1,000	2,035
Interest received	419	3,952
<b>Total cash outflows used in investing activities</b>	<b>(1,858,583)</b>	<b>(2,489,134)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from financing (Note 10)	14,950,058	2,979,840
Share issuance costs	(1,441,821)	(202,687)
Proceeds from issuance of stock options	-	222,720
Net proceeds from convertible debenture (Note 9)	-	1,953,000
Proceeds from exercise of warrants	5,999	-
Interest paid on convertible debentures	(332,500)	-
<b>Total cash inflows from financing activities</b>	<b>13,181,736</b>	<b>4,952,873</b>
<b>Increase in cash</b>	<b>5,947,400</b>	<b>1,783,854</b>
<b>Cash, beginning of period</b>	<b>21,303,886</b>	<b>269,910</b>
<b>Cash, end of period</b>	<b>27,251,286</b>	<b>2,053,764</b>

Supplemental cash flow information is provided in Note 14.

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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#### **1. CORPORATE INFORMATION**

INDIVA Limited (the “Company”), formerly Rainmaker Resources Ltd. (“Rainmaker”), was incorporated on September 13, 1979 as “Thunder Sword Resources Inc.” under the Laws of British Columbia. On November 20, 2009, the company changed its name to Rainmaker Mining Corp., and on May 8, 2014 as part of the Company’s rebranding, the Company again changed its name to Rainmaker Resources Ltd.

On December 13, 2017, the Company completed a reverse takeover transaction, pursuant to which INDIVA Corporation amalgamated with a wholly-owned subsidiary of the Company and was subsequently renamed INDIVA Limited. The Company’s common shares resumed trading on the TSX Venture Exchange (the “TSXV”) under the symbol “NDVA” on December 19, 2017.

Its wholly-owned subsidiary, INDIVA Inc. is a licensed producer of medical marijuana under Health Canada’s Access to Cannabis for Medical Purposes Regulations (“ACMPR”), focused on cultivating cannabis and working towards its sales amendment as well as expanding its production facility in London, Ontario.

The address of the Company’s corporate office is 343 Preston Street, 11<sup>th</sup> Floor, Ottawa, Ontario, K1S 1N4.

#### **2. BASIS OF PRESENTATION**

##### **(a) STATEMENT OF COMPLIANCE**

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on August 28, 2018.

##### **(b) BASIS OF MEASUREMENT**

These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2017 (the “2017 Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the 2017 Annual Financial Statements, with the exception of those disclosed in Note 3.

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments and are presented in Canadian dollars.

The preparation of consolidated financial statements in accordance with IAS 34 requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Interim Financial Statements, are disclosed in Note 4.

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company is in the application stage for a license to sell medicinal cannabis under the ACMPR and raises funds in the debt and equity market to conduct its activities. The Company has incurred losses in the current and prior periods, with a net loss of \$4,116,618 during the six month period ended June 30, 2018 and an accumulated deficit of \$10,011,278 at June 30, 2018 (December 31, 2017 - \$5,889,660). Based on the Company's current estimate of planned expenditures, funds on hand at June 30, 2018 can fund operations beyond the next twelve months. In order to fund further operations, the Company must raise additional debt or equity capital. On August 10, 2018, the Company received its sales amendment from Health Canada, refer to Note 22. There is no assurance that the Company will be able to raise additional funds.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS**

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2017 Annual Financial Statements except as noted below related to IFRS 9, Financial Instruments, IAS 2, Inventories, and IFRS 11, Joint Arrangements.

#### **(a) Financial Instruments**

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or fair value through other comprehensive income. The effective date of this standard was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, January 1, 2018. The 2017 comparatives were not restated. As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available for sale investments as fair value through other comprehensive income. Due to the adoption of IFRS 9, during the six months ended June 30, 2018, a loss of \$21,944 on the investments held as fair value through other comprehensive income were recorded in other comprehensive income. The new classification and measurement of the Company's financial assets are as follows:

##### **(i) Equity instruments at fair value through other comprehensive income ("FVTOCI")**

This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its investment as an equity instrument at FVTOCI. Equity instruments in this category are subsequently measured at fair value with changes recognized at other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Equity instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.

##### **(ii) Amortized cost**

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect the contractual cash flows that meet the solely principal and interest

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

#### (iii) Fair value through profit or loss

This category includes derivative instruments and equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify as FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

The assessment of the Company's business models was made as of the date of the initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018.

The Company has made the following classifications with respect to its financial instruments:

- Cash is classified as FVTPL, which is measured at fair value.
- Investments are classified as FVTOCI, and are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).
- Accounts payable and accrued liabilities and convertible debentures are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.

Financial assets measured at amortized cost, are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the discounted estimated future cash flows of the financial asset have been impacted.

#### (iv) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IFRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation of the asset's original effective interest rate.

#### **(b) Inventory**

Inventories of products for resale and supplies and consumables are valued at the lower of cost and net realizable value, with cost determined using the average cost basis.



## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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#### **(c) Interests in equity-accounted investees and joint ventures**

The Company's interest in equity accounted investees is comprised of its interest in a joint venture.

In accordance with IFRS 11 – Joint Arrangements; a joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method in accordance with IAS 28. They are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees until the date on which significant influence or joint control ceases.

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of these Interim Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the Interim Financial Statements. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

##### Judgments

###### *Going concern risk assessment*

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

###### *Deferred income taxes*

Judgment is required in order to determine whether to recognize deferred tax assets and/or liabilities on the statement of financial position. Management must assess the extent to which it is probable that the Company and its subsidiaries will have future taxable profits available against which it can recognize unused tax losses and/or tax credits as well as sufficient loss carry forwards to offset potential tax liabilities. The amount and availability of deferred tax assets and liabilities are directly influenced by future changes to tax laws in Canada

###### *Classification of convertible debenture as financial liability and equity*

Management has determined that based on the terms of the convertible debenture, the host debt component should be classified as a financial liability and measured at the contractual cash flow

## INDIVA Limited

### Notes to the Consolidated Financial Statements

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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discounted at the market interest rate of a similar debt instrument with no conversion feature while the residual balance, representing the conversion feature, is classified as reserves in equity.

#### Estimates

##### *Market interest rate*

In calculating the discounted contractual cash flow on the host debt component of the convertible debenture, a key estimate of the market interest rate of a similar debt instrument with no conversion features is used.

##### *Estimated useful lives and amortization of PPE and intangible assets*

Management reviews its estimate of the useful life of PPE and intangible assets annually and accounts for any changes in estimates prospectively.

##### *Fair value of options and warrants*

The fair value of options and warrants is calculated using the Black-Scholes pricing model. In calculating the share-based compensation expense and the fair value of warrants, key estimates, such as the value of the common share, the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. Expected volatility is based on the share price volatility of five comparable publicly traded companies from within the same industry.

## 5. INVENTORY

Inventory was comprised of the following items:

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	\$	\$
Dry cannabis	190,969	-
Packaging inventory	74,779	-
Other inventory	18,338	-
<b>Total inventory</b>	<b>284,086</b>	<b>-</b>

**INDIVA Limited****Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

**6. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold Improvements \$	Facility equipment \$	Vehicle \$	Office equipment and furniture \$	Total \$
<b>Cost</b>					
Balance, January 1, 2017	-	9,564	27,055	6,261	42,880
Additions	8,408	65,296	71,308	74,736	219,748
Transferred from assets in Process	4,315,821	849,331	-	24,687	5,214,839
Disposals	-	-	(27,055)	(3,660)	(55,715)
Balance, December 31, 2017	4,324,229	924,191	71,308	102,024	5,421,752
Additions	5,585	68,468	3,394	93,946	171,393
Disposals	-	(6,722)	-	-	(6,722)
<b>Balance, June 30, 2018</b>	<b>4,329,814</b>	<b>985,937</b>	<b>74,702</b>	<b>195,970</b>	<b>5,586,423</b>
<b>Accumulated amortization</b>					
Balance, January 1, 2017	-	2,845	6,200	1,353	10,398
Amortization for the period	71,651	72,007	6,901	17,806	168,365
Disposals	-	-	(12,117)	(1,017)	(13,134)
Balance, December 31, 2017	71,651	74,852	984	18,142	165,629
Amortization for the period	72,431	76,613	4,545	27,011	180,600
Disposals	-	(533)	-	-	(533)
<b>Balance, June 30, 2018</b>	<b>144,082</b>	<b>150,932</b>	<b>5,529</b>	<b>45,153</b>	<b>345,696</b>
<b>Carrying amounts as at:</b>					
December 31, 2017	4,252,578	849,339	70,324	83,882	5,256,123
<b>June 30, 2018</b>	<b>4,185,732</b>	<b>835,005</b>	<b>69,173</b>	<b>150,817</b>	<b>5,240,727</b>

Interest of \$Nil was capitalized to leasehold improvements during the period ended June 30, 2018 (\$43,430 - period ended December 31, 2017). \$8,924 in additions were included in accounts payable and accrued liabilities at June 30, 2018 (\$9,460 as at December 31, 2017)

**INDIVA Limited****Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

**7. ASSETS IN PROCESS**

	<b>Leasehold Improvements</b>	<b>Facility equipment</b>	<b>Vehicle</b>	<b>Office equipment and furniture</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>					
Balance, January 1, 2017	2,986,289	273,781		24,687	3,284,757
Additions	1,432,015	575,550	-	-	2,007,565
Transferred to PPE	(4,315,821)	(849,331)	-	(24,687)	(5,189,839)
Balance, December 31, 2017	102,483	-	-	-	102,483
Additions	300,447	20,663	-	-	321,110
<b>Balance, June 30, 2018</b>	<b>402,930</b>	<b>20,663</b>	<b>-</b>	<b>-</b>	<b>423,593</b>

As at June 30, 2018, \$199,053 (\$62,452 – year ended December 31, 2017) of additions to assets in process during the period were included in accounts payable and accrued liabilities. No assets were transferred out of assets in process during the period (\$5,214,839 – year ended December 31, 2017).

**8. INTANGIBLE ASSETS**

The estimated useful life of the lease buyouts range from five years to nine years and three months based on the initial term of the lease for the facility in London, Ontario. The genetics are indefinite life intangibles granting access to the genetic rights to grow certain strains, this license is subject to an annual impairment test. Book rights represent an intangible asset acquired through the commissioning of a book and has an indefinite life subject to an annual impairment test. The internet domain asset provides the right for indefinite use of a web address.

**INDIVA Limited****Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

	Lease buyout \$	Trademark \$	Genetics \$	Book rights \$	Web Domain \$	Total \$
<b>Cost</b>						
Balance, January 1, 2017	100,000	1,517	-	-	-	101,517
Additions	-	-	15,000	24,000	-	39,000
Balance, December 31, 2017	100,000	1,517	15,000	24,000	-	140,517
Additions	15,000	-	-	47,750	13,058	75,808
<b>Balance, June 30, 2018</b>	<b>115,000</b>	<b>1,517</b>	<b>15,000</b>	<b>71,750</b>	<b>13,058</b>	<b>216,325</b>
<b>Accumulated amortization</b>						
Balance, January 1, 2017	26,667	-	-	-	-	26,667
Amortization for the period	20,000	-	-	-	-	20,000
Balance, December 31, 2017	46,667	-	-	-	-	46,667
Amortization for the period	10,517	1,517	-	-	-	12,034
<b>Balance, June 30, 2017</b>	<b>57,184</b>	<b>1,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,701</b>
<b>Carrying amounts as at:</b>						
December 31, 2017	53,333	1,517	15,000	24,000	-	93,850
<b>June 30, 2018</b>	<b>57,816</b>	<b>-</b>	<b>15,000</b>	<b>71,750</b>	<b>13,058</b>	<b>157,624</b>

**9. DERIVATIVE FINANCIAL INSTRUMENT AND CONVERTIBLE DEBENTURES**Derivative Financial Instrument (“June 2017 Convertible Debenture”)

On June 15, 2017, the Company issued a \$2,100,000 unsecured convertible debenture, with no coupon which will mandatorily convert into common shares of the Company upon closing of the Reverse Takeover at the same price as the equity financing being concurrently raised. The debenture matures June 15, 2018. The Company paid transactions costs of 7% cash (\$147,000) and 7% warrants (49 warrants - pre-stock split). The transaction costs have been recorded as financing costs within the statement of loss and comprehensive loss.

The convertible debenture is a hybrid financial instrument comprising a liability and an embedded derivative. Upon issuance, the Company designated the entire hybrid convertible debenture as a financial liability at fair value through profit. On the initial measurement date, the fair value of the convertible debenture was determined to be equal to the transaction price of \$2,100,000. On December 13, 2017, prior to the closing of the Reverse Takeover, the debenture was converted into 700 (pre-stock split) common shares of INDIVA Corporation at the conversion price of \$3,000 per share (pre-stock split) and 350 (pre-stock split) common share purchase warrants, each warrant being exercisable into a common share of INDIVA Corporation at \$3,600 per share (pre-stock split) for a period of two years. There was no impact to fair value recorded in the statement of loss.

## INDIVA Limited

### Notes to the Consolidated Financial Statements

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

#### December 2017 Convertible Debenture

On December 13, 2017, the Company issued a \$11,000,000 unsecured convertible debenture, with a coupon rate of 10% which can be converted into common shares of the Company at a rate of \$0.75 per share at any time and matures on December 13, 2019. The coupon is paid semi-annually on the last day of June and December.

The convertible debenture is considered to be a compound instrument comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 21.9%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the statement of financial position. The Company paid transaction costs of 7% cash (\$770,000) and legal costs of \$68,079 and 7% warrants (1,024,000 warrants). The debenture, net of the equity component, is accreted using the effective interest method over the term of the debenture such that the carrying amount of the financial liability will equal the principal balance at maturity using an effective interest rate of 27.7%. As part of the transaction, deferred tax liabilities of \$239,478 were recorded.

The holder exercised their right of conversion on January 4, 2018, converting \$2,000,000 of the debt into 2,666,666 common shares of the Company. On January 22, 2018, a further \$1,500,000 of debt was converted into 2,000,000 common shares of the Company. On March 9, 2018, \$350,000 of debt was converted into 466,666 common shares and on March 12, 2018, \$500,000 of debt was converted into 666,666 common shares. All conversions were at \$0.75 per share.

Convertible debentures consist of the following:

	Debt component	Equity component	Total
	\$	\$	\$
Balance, January 1, 2017	681,091	93,231	774,322
Accretion	86,909	-	86,909
Conversion of convertible debt	(768,000)	(93,231)	(861,231)
Issuance of convertible debt	8,920,786	2,079,214	11,000,000
Less issuance costs:			
Cash commissions	(624,455)	(145,545)	(770,000)
Cash costs	(63,980)	(14,911)	(78,891)
Finders' warrants	(199,825)	(46,575)	(246,400)
Accretion	46,000	-	46,000
Accretion of transaction costs	14,377	-	14,377
Deferred tax expense	-	(508,471)	(508,471)
Balance, December 31, 2017	8,092,903	1,363,712	9,456,615
Conversion of convertible debt	(3,263,705)	(740,363)	(4,004,068)
Interest and Accretion	290,084	-	290,084
Accretion of transaction costs	138,637	-	138,637
Deferred tax recovery	-	257,383	257,383
<b>Balance, June 30, 2018</b>	<b>5,257,919</b>	<b>880,732</b>	<b>6,138,651</b>

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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#### **10. SHARE CAPITAL**

##### **(a) CAPITAL STOCK**

Authorized capital stock consists of an unlimited number of common shares, without par value.

On January 23, 2018, an investor exercised 6,667 warrants of the Company at \$0.90 per common share. The Company issued 6,667 common shares in the Company in exchange for \$5,999.

The holder of the December 2017 Convertible Debenture exercised their right of conversion on January 4, 2018, converting \$2,000,000 of the debt into 2,666,666 common shares of the Company. On January 22, 2018, a further \$1,500,000 of debt was converted into 2,000,000 common shares of the Company. On March 9, 2018, \$350,000 of debt was converted into 466,666 common shares and on March 12, 2018, \$500,000 of debt was converted into 666,666 common shares. All conversions were at \$0.75 per share.

On February 13, 2018, the Company completed an underwritten bought deal that resulted in the issuance of 14,238,150 units at a price of \$1.05 per unit for total gross proceeds of \$14,950,058. The Company incurred cash settled share issuance costs of \$1,441,821 for net proceeds of \$13,508,237. In addition to the cash settled share issuance costs, non-cash share issuance costs of \$657,802 were incurred as a result of the issuance of finders' units on the equity transaction. Each unit, as well as each finders' unit, is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.30 and expires on February 13, 2020.

During the year ended December 31, 2017, the Company completed non-brokered private placements that resulted in the issuance of 9,848,000 common shares at a price of \$0.32 per share. As a result of the transaction, the Company recorded the proceeds of \$3,151,360 as an increase to share capital. A further 312,000 shares were issued in lieu of interest to the holder of the November 2016 convertible debenture at a price of \$0.32 per share. 840,000 shares were issued as payment in kind for Electrical and Marketing contractors as well as 400,000 shares were issued to an employee as part of their employment contract. These shares were also issued at a price of \$0.32 per share.

On August 28, 2017, the Company closed the first tranche of its equity offering in conjunction with the Reverse Takeover (the "Equity Offering"). As a result, the Company issued 7,674,609 subscription receipts at \$0.75 per subscription receipt for gross proceeds of \$5,755,957. Each subscription receipt is convertible into one common share of the Company. On September 13, 2017, the Equity Offering was amended to add, for each subscription receipt purchased, one-half of one common share purchase warrant of the Company issuable upon conversion of the subscription receipts. Each whole warrant entitles the Subscriber to purchase one common share of the Company for a period of 24 months following closing of the Reverse Takeover at an exercise price of \$0.90 per share.

On November 2, 2017, the Company closed the second tranche of the Equity Offering by issuing an additional 2,774,527 subscription receipt units at \$0.75 per subscription receipt unit for gross proceeds of \$2,080,895.

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

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On December 13, 2017, Rainmaker closed the third and final tranche of the Equity Offering. As a result, Rainmaker issued an additional 5,623,949 subscription receipt units at \$0.75 per subscription receipt unit for gross proceeds of \$4,217,962. Total gross proceeds of the Equity Offering were \$12,054,814.

Upon closing of the Reverse Takeover on December 13, 2017, the Company issued 16,073,085 common shares and 8,036,563 common share purchase warrants in exchange for the 16,073,085 subscription receipt units and the proceeds of the Equity Offering were released from escrow. The fair value attributed to share capital for the common shares was \$10,367,140.

As part of the transaction, the Company paid the broker \$633,837 in cash commissions and 845,113 broker warrants at an exercise price of \$0.75 per common share and an expiry of two years as well as other share issuance costs of \$26,615. As part of the transaction, deferred tax asset of \$178,209 were recorded.

The holders of both the November 2016 Convertible Debenture converted their holdings prior to the closing of the Reverse Takeover on December 13, 2017. They converted a total of \$768,000 and received 2,400,000 shares at a price of \$0.32 per share.

The holder of the June 2017 Convertible Debenture converted their holdings prior to the closing of the Reverse Takeover on December 13, 2017. They converted a total of \$2,100,000 and received 2,800,000 units at a price of \$0.75 per unit. Each unit provides the right to one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the Subscriber to purchase one common share of the Company for a period of 24 months following closing of the Reverse Takeover at an exercise price of \$0.90 per share.

Upon closing of the Reverse Takeover, predecessor shareholders of Rainmaker retained 1,333,328 common shares in the Company, after taking into account the 10.878 to 1 stock split.

#### **(b) WARRANTS, FINDERS' UNITS AND FINDERS' WARRANTS**

On February 13, 2018, the Company granted 14,238,150 warrants as part of the units sold through the underwritten bought deal. Each warrant is exercisable into one common share of the Company at a price of \$1.30 per share and expires on February 13, 2020. If the volume weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than \$2.10 for any 10 consecutive trading days, the Company holds the right to accelerate the expiry of the warrants to 30 days following providing notice of their intention to do so.

As part of the bought deal, the Company also issued 996,670 finders' units. Each finders' unit is exercisable into one common share of the Company at a price of \$1.05 per share and one additional common share purchase warrant and expires on February 13, 2020. The additional warrant can be exercised into one common share of the Company at \$1.30 per share with an expiry date of February 13, 2020.

On June 15, 2017, INDIVA Corporation issued 49 warrants (pre-stock split) valued at \$3,000 per warrant (pre-stock split) in conjunction with the closing of the June 2017 Convertible Debenture (Note 9). Upon closing of the Reverse Takeover, the warrants were exchanged for 196,000 warrants of the Company.



## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars)

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Each warrant is exercisable into one common share of the Company for a period of two years at \$0.75 per share.

Upon closing of the Reverse Takeover, the predecessor company, Rainmaker Resources Ltd., had the following warrants, finders' units and finders' warrants outstanding which were adjusted for the Share Consolidation however all other terms remained the same:

- 173,451 warrants exercisable into one common share of the Company at a price of \$1.09 per share, expiring on October 28, 2020;
- 265,234 warrants exercisable into one common share of the Company at a price of \$0.87 per share, expiring on May 27, 2021;
- 85,799 warrants exercisable into one common share of the Company at a price of \$1.25 per share, expiring on September 27, 2021;
- 13,693 finders' units exercisable into one common shares of the Company at a price of \$1.09 per share and an additional warrant, expiring on October 20, 2020. The additional warrant can be exercised into one common share of the Company at \$1.09 per share with an expiry date of October 28, 2020;
- 19,326 finders' units exercisable into one common shares of the Company at a price of \$0.76 per share and an additional warrant, expiring on May 27, 2021. The additional warrant can be exercised into one common share of the Company at \$0.87 per share with an expiry date of May 27, 2021;
- 12,810 finders' units exercisable into one common shares of the Company at a price of \$0.98 per share and an additional warrant, expiring on September 22, 2021. The additional warrant can be exercised into one common share of the Company at \$1.25 per share with an expiry date of September 27, 2021; and
- 29,942 finders' warrants exercisable into one common share of the Company at a price of \$0.54 per share, expiring on April 27, 2022.

On December 13, 2017, upon conversion of the June 2017 Convertible Debenture, the Company granted the holder of the debenture 1,400,000 warrants in the Company exercisable into one common share of the Company at a price of \$0.90 per share and expiring on December 13, 2019.

On December 13, 2017, the Company also granted an additional 8,036,563 warrants to the subscribers of the Equity Offering. Each common share purchase warrant is exercisable into one common share of the Company at a price of \$0.90 per share and expires on December 13, 2019.

As part of the commissions on the Equity Offering, the broker received 845,113 finders' warrants. Each finders' warrant is exercisable into one common share of the Company at a price of \$0.75 per share and expires on December 13, 2019.

On December 13, 2017, the Company granted 1,024,000 finders' warrants as commissions to the broker of the December 2017 Convertible Debenture. Each finders' warrant is exercisable into one common share of the Company at a price of \$0.75 per share and expires on December 13, 2019.

**INDIVA Limited****Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars)

	Warrants outstanding #	Weighted average exercise price \$
Outstanding, January 1, 2017	-	-
Granted	12,101,931	0.88
Exercised	-	-
Expired/cancelled	-	-
Outstanding, December 31, 2017	12,101,931	0.88
Granted	15,234,820	1.28
Exercised	(6,667)	0.90
Expired/cancelled	-	-
<b>Outstanding, June 30, 2018</b>	<b>27,330,084</b>	<b>1.10</b>

The following warrants remain outstanding as at June 30, 2018:

Warrant Description	# of Warrants #	Expiry Date	Exercise Price \$
Warrants on June 2017 derivative financial instrument	196,000	06/14/2019	0.75
Warrants on conversion of June 2017 derivative financial Instrument	1,400,000	12/13/2019	0.90
Warrants issued on December equity transaction	8,029,896	12/13/2019	0.90
Finders warrants issued on December equity transaction	845,113	12/13/2019	0.75
Finders warrants on December 2017 convertible Debenture	1,024,000	12/13/2019	0.75
Rainmaker predecessor warrants	173,451	10/28/2020	1.09
Rainmaker predecessor warrants	265,234	05/27/2021	0.87
Rainmaker predecessor warrants	85,799	09/27/2021	1.25
Rainmaker predecessor finders' units	13,693	10/28/2020	1.09
Rainmaker predecessor finders' units	19,326	05/27/2021	0.76
Rainmaker predecessor finders' units	12,810	09/27/2021	0.98
Rainmaker predecessor finders' warrants	29,942	04/27/2022	0.54
Warrants on February 2018 equity transaction	14,238,150	02/13/2020	1.30
Finders' units on February 2018 equity transaction	996,670	02/13/2020	1.05
<b>Total warrants &amp; weighted average exercise price</b>	<b>27,330,084</b>		<b>1.10</b>

As at June 30, 2018, the warrants outstanding have a weighted average remaining life of 1.58 years.

## INDIVA Limited

### Notes to the Consolidated Financial Statements

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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The warrants were valued using the Black-Scholes option pricing model using the following range of assumptions. The Company has determined that its own historical volatility is not relevant to the current business activity. The Company has estimated volatility for the warrants issued in the current year by using the historical volatility of other companies that the Company considers comparable to its current business activities:

Share price	\$0.32 - \$1.29
Expected dividend yield	-
Volatility	76.04% - 85.77%
Expected life	2.00 - 4.37 years
Forfeiture rate	-
Risk-free rate	1.05% - 1.77%

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#### (c) SHARE-BASED COMPENSATION

The equity compensation plans which the Company has in place relate to grants issued to officers, directors, employees and consultants and was approved by the Board of Directors during 2017.

As at June 30, 2018, based on the Company's total common shares outstanding, a total of 8,099,123 (6,094,641 – as at December 31, 2017) stock options may be issued and outstanding. Based on this the Company could grant up to 3,575,808 (2,381,326 – as at December 31, 2017) additional stock options beyond what was issued and outstanding as at June 30, 2018. TSXV approval is required to reserve the related common shares for issuance. Unless otherwise determined by the Board, options issued under the Plan vest over a three-year period except for options granted to consultants or persons employed in Investor Relations Activities (as defined in the policies of the Exchange) which vest in stages over 12 months with no more than  $\frac{1}{4}$  of the options vesting in any three-month period.

During the six month period ended June 30, 2018, the Company recognized \$488,310 (\$Nil – year ended December 31, 2017) of stock-based compensation related to stock options.

On May 31, 2018, the Company granted 350,000 stock options, exercisable for common shares at a weighted average price of \$0.80 per share, vesting over three years. The options expire five years from the date of grant.

On February 22, 2018, the Company granted 640,000 stock options, exercisable for common shares at a weighted average price of \$0.87 per share, vesting over three years. The options expire five years from the date of grant.

**INDIVA Limited****Notes to the Consolidated Financial Statements**

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Stock option activity for the equity compensation plan for the period ended June 30, 2018 was as follows:

	Number of Options #	Weighted average exercise price \$
Outstanding, January 1, 2017	-	-
Granted	3,713,315	0.76
Exercised	-	-
Forfeited	-	-
Outstanding, December 31, 2017	3,713,315	0.76
Granted	990,000	0.85
Exercised	-	-
Forfeited	(180,000)	0.82
<b>Outstanding, June 30, 2018</b>	<b>4,523,315</b>	<b>0.77</b>

The grant date fair value is calculated using the Black-Scholes pricing model. Expected volatility is based on the share price volatility of five comparable publicly traded companies from within the same industry. The outstanding options as at June 30, 2018 have a weighted average remaining contractual life of 4.34 years (4.84 years - as at December 31, 2017).

	6 months ending June 30, 2018	2017
Share price	\$0.74 - \$0.83	\$0.645
Expected dividend yield	Nil	Nil
Volatility	80.74% to 86.93%	64.63% to 84.39%
Expected life (years)	5	2 to 5
Forfeiture rate	Nil	Nil
Risk-free rate	1.74% - 1.88%	1.57% to 1.64%

The following table presents information related to stock options at June 30, 2018:

Weighted average exercise price	Number of Options	Vested	Weighted average remaining life (years)
\$0.75	3,510,000	200,000	4.34
\$0.76	105,811	105,811	1.45
\$0.80	350,000	-	4.92
\$0.87	530,000	200,000	4.65
\$1.47	27,504	27,504	1.45
<b>Weighted average remaining life as at June 30, 2018</b>	<b>4,523,315</b>	<b>533,315</b>	<b>4.34</b>

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

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#### **11. INVESTMENT IN ASSOCIATES**

On April 18, 2018, the Company entered into a definitive joint venture agreement with Bhang Corporation (the "Partner"), an intellectual property company (the "Bhang JV"). Bhang JV is 50% owned by the Company and 50% owned by the Partner, the Company has invested \$50 for its equity investment in the Bhang JV. As part of the transaction, the Company agreed to loan US\$1,000,000 (CAD\$1,316,750) to Bhang JV which was used to prepay for consulting services, packaging and royalties. The Company will be the manager of the joint venture and has committed to investing US\$5,000,000 in building cannabis processing infrastructure to be made available to Bhang JV. The joint venture grants the Company exclusive rights to manufacture and sell Bhang branded products in Canada and the right to export those products internationally.

The Bhang JV has not commenced operations as at June 30, 2018.

Acquisition related costs of \$Nil and \$Nil were recognized as an expense in the three and six months ended June 30, 2018.

#### **12. LONG TERM PREPAID**

On June 11, 2018, the Company prepaid US\$1,500,000 (CAD\$1,948,950) to DeepCell Industries for future royalty fees for sales of DeepCell branded products. These products are edible cannabis derivatives which are not expected to be able to be sold in Canada until October 2019 at the earliest.

#### **13. LOSS PER SHARE**

For the period ended June 30, 2018, 4,523,315 stock options, 27,330,084 warrants and 8,864,000 convertible debenture shares (Nil stock options, Nil warrants and 2,400,000 convertible debenture shares, respectively as at June 30, 2017) which could have been dilutive were excluded from the computation of diluted loss per share as the Company realized a net loss and it would be anti-dilutive to include them.

**INDIVA Limited****Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars)

**14. SUPPLEMENTAL CASH FLOWS**

Supplemental details of the changes in non-cash working capital for the period ended June 30 were as follows:

	2018	2017
	\$	\$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Accounts and taxes receivables	<b>(153,565)</b>	204,878
Employee advance	-	50,000
Inventory	<b>(245,820)</b>	-
Prepaid expenses	<b>(333,129)</b>	(35,294)
Long term prepaid	<b>(2,011,585)</b>	-
Accounts payable and accrued liabilities	<b>444,328</b>	131,850
Unearned Subscriptions	-	(125,440)
	<b>(2,299,771)</b>	225,994
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Prepaid expenses and other	<b>(312,786)</b>	-
Accounts payable and accrued liabilities	<b>(249,347)</b>	(700,112)
	<b>(562,133)</b>	(700,112)
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Taxes receivable, related to share issuance costs	-	8,704
Accounts payable and accrued liabilities, related to share issuance costs	<b>4,500</b>	(125,823)
Accounts payable and accrued liabilities, related to interest payable	-	(7,680)
Accounts payable and accrued liabilities, related to transaction costs	<b>26,063</b>	-
	<b>30,563</b>	(124,799)

**15. SEGMENTED INFORMATION**

The Company operates in one segment being the licensed production of medical cannabis. All property, plant and equipment, assets in process and intangible assets are located in Canada.

**16. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash, an investment, accounts payable and accrued liabilities and a convertible debenture. The fair value of accounts payable and accrued liabilities are equivalent to their carrying values given their short maturity period.

## **INDIVA Limited**

### **Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars)

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#### **(a) Foreign currency risk**

As at June 30, 2018, the Company held cash denominated in U.S. dollars of US\$200,000 (US\$1,284 – as at December 31, 2017). The Company has limited currency risk as it transacts mainly in Canadian dollars.

#### **(b) Liquidity risk**

The Company's approach to managing liquidity is to maintain sufficient liquidity to meet its liabilities when they become due. The Company's accounts payable and accrued liabilities are due within one year of the end of the reporting periods. The December 2017 Convertible Debenture is not due for 1.45 years. As at June 30, 2018, the Company had sufficient resources to meet its outstanding obligations.

#### **(c) Credit risk**

The Company's cash is exposed to credit risk, which is the risk that the counterparties to a financial instrument fail to meet its contractual obligations to the Company. The amount of credit risk related to cash is considered insignificant as the Company's funds are held with a Schedule I bank.

#### **(d) Interest rate risk**

The Company is not subject to interest rate risk on future cash flows, as all of its instruments bear fixed rates of interest.

### **17. FAIR VALUE MEASUREMENTS**

As at June 30, 2018, the Company's cash balance of \$27,394,209 (\$21,303,886 – as at December 31, 2017) and the Company's investment in NexGen Energy Ltd. classified as fair value through other comprehensive income (the "Investment") of \$67,220 (\$89,164 – as at December 31, 2017) are the only assets recorded at fair value. Cash is classified as a Level 1 financial instrument, as is the Investment whose fair value is determined by quoted prices from the Toronto Stock Exchange.

The Company did not record any liabilities at fair value as at June 30, 2018.

The Company did not transfer any assets or liabilities between levels on the fair value hierarchy and has not offset any of its financial assets against its financial liabilities.

#### Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash and investment are Level 1. There was no movement between levels during the period. The hierarchy is summarized as follows:

*Level 1* – quoted prices (unadjusted) in active markets for identical assets and liabilities

*Level 2* – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

*Level 3* – inputs for assets and liabilities not based upon observable market data

**INDIVA Limited****Notes to the Consolidated Financial Statements**

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(Expressed in Canadian dollars)

	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash	27,394,209	-	-	21,303,886	-	-
Investment	67,220	-	-	89,164	-	-
	<b>27,461,429</b>	-	-	<b>21,393,050</b>	-	-

**18. CAPITAL MANAGEMENT**

As at June 30, 2018, the Company's capital consisted of \$5,257,919 in convertible debentures and \$35,767,261 in common shares (\$8,092,903 and \$20,483,947- as at December 31, 2017, respectively).

The Company is not subject to any externally imposed capital requirements.

The Company's primary objectives in managing its capital are to maintain sufficient levels of capital to complete the construction of the medical marijuana production facility in London, Ontario, to obtain its permit to sell medical marijuana under the ACMPR (see Note 22) and to initiate production at the facility, as well as to cover general operating expenditures and sustain future development of the business. The Company achieves its objectives by allocating capital in accordance with Management's strategies and periodically raising capital from investors.

**19. COMMITMENTS**

The Company has contractual obligations for leases of production and office space under operating leases with terms between 1 and 10 years. The Company also has contractual obligations for contractors, consultants, IT services, facility services and equipment and construction costs with terms remaining of up to four years.

At period end, the Company had future commitments as follows:

	< 1 Year	1 to 5 Years	> 5 Years	Total
	\$	\$	\$	\$
Minimum lease payments	404,482	1,559,394	1,749,839	<b>3,713,715</b>
Other commitments	1,765,126	16,485	-	<b>1,781,611</b>
<b>Total</b>	<b>2,169,608</b>	<b>1,575,879</b>	<b>1,749,839</b>	<b>5,495,326</b>

Subsequent to period end, the Company entered into commitments totalling \$180,680. These commitments are comprised of ERP Consulting fees, IT Infrastructure, and event sponsorships, all with terms of less than one year.

**20. KEY MANAGEMENT COMPENSATION**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. As a group they control approximately 18.98% of the outstanding shares of the Company as at June 30, 2018 (25.20% - as at December 31, 2017).



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For the six month periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

Key management personnel compensation for the three and six month periods ended June 30, was as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>2018</b>	<b>June 30, 2017</b>	<b>2018</b>	<b>June 30, 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term key management personnel compensation	<b>210,000</b>	109,000	<b>373,169</b>	228,000
Share-based payments	<b>153,012</b>	-	<b>309,099</b>	42,667

**21. RELATED PARTY TRANSACTIONS**

During the period ended June 30, 2018, the Company paid \$6,102 for legal services and \$1,500 in rent for office space to a law firm owned by an Executive of the Company (\$3,186 and \$Nil – year ended December 31, 2017)

The Company had no other transactions with related parties for the period ended June 30, 2018.

**22. SUBSEQUENT EVENTS**

On July 24, 2018, the Company received approval from its Shareholders to voluntarily delist the Company's listed securities from the TSX Venture Exchange and to list such securities on the Canadian Securities Exchange ("CSE").

On August 10, 2018, the Company received the sales amendment to the ACMPR license from Health Canada and is now legally able to sell cannabis products to medical patients under the ACMPR guidelines.