INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three month periods ended March 31, 2019 and 2018

INDIVA Limited
Condensed Consolidated Interim Statements of Financial Position
(Unaudited, Expressed in Canadian dollars)

As at	**March 31, 2019 $**	December 31, 2018 $
ASSETS		
Current assets		
Cash	**8,158,231**	19,565,606
Taxes receivable	**770,260**	592,753
Accounts receivable (Note 6)	**324,435**	5,870
Royalty investment (Note 17)	**96,768**	-
Inventory (Note 7)	**1,444,262**	1,159,276
Biological assets (Note 5)	**123,019**	-
Prepaid expenses and other (Note 8)	**619,520**	1,585,165
Right of use assets (Note 9)	**19,801**	-
Total current assets	**11,556,296**	22,908,670
Other non-current assets		
Property, plant and equipment (Note 10)	**13,438,473**	5,293,571
Assets in process (Note 11)	**3,747,252**	3,984,293
Intangible assets (Note 12)	**298,312**	346,218
Royalty investment (Note 17)	**1,852,182**	1,948,950
Loan to associate (Note 16)	**1,309,524**	1,364,150
Investment in associates (Notes 16 and 18)	**51**	50
Promissory note (Note 18)	**1**	-
Total assets	**32,202,091**	35,845,902
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**1,660,405**	2,053,238
Excise tax payable	**45,308**	-
Convertible debenture	**4,577,285**	4,397,610
Lease liabilities (Note 9)	**13,914**	
Total liabilities	**6,296,912**	6,450,848
Equity		
Share capital	**37,282,515**	37,282,515
Reserves	**6,686,973**	6,548,367
Accumulated other comprehensive loss	**(19,537)**	(19,537)
Accumulated deficit	**(18,044,772)**	(14,416,291)
Total equity	**25,905,179**	29,395,054
Total liabilities and equity	**32,202,091**	35,845,902

Commitments (Note 24) and Subsequent Events (Note 27)

These condensed consolidated interim financial statements were approved by the Board of Directors of INDIVA Limited on May 29, 2019.

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

INDIVA Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three month period ended March 31, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

	For the 3 Months ended March 31 2019	For the 3 Months ended March 31 2018
	$	$
Gross revenue	**286,662**	-
Excise taxes	**(45,293)**	-
Net revenue	**241,369**	-
Cost of goods sold	**(405,335)**	-
Gross margin before fair value adjustments	**(163,966)**	-
Unrealized fair value adjustment on biological assets (Note 5)	**78,953**	-
Gross margin	**(85,013)**	-
Operating expenses		
Salaries	**734,477**	457,547
Termination payments (Notes 25 and 26)	**616,630**	-
Professional fees	**217,681**	92,795
Rent, utilities and facility costs	**213,337**	125,953
Stock-based compensation (Note 14c)	**138,606**	272,024
Marketing and branding	**127,041**	150,812
Investor relations and public company costs	**105,757**	72,309
Pre-production costs	**102,365**	115,286
Consulting fees	**100,846**	114,068
Office, telecommunications and IT	**57,395**	32,666
Travel, meals and entertainment	**48,666**	87,573
Insurance	**35,079**	6,105
Accretion of debenture discount	**31,833**	239,775
Interest	**25,121**	195,585
Depreciation and amortization	**146,611**	92,790
Unrealized exchange loss	**40,017**	-
Realized exchange gain	**(5,439)**	(1,235)
Loss on disposal of equipment	**18,533**	-
Write off of non-refundable deposits (Note 18)	**552,217**	-
Expected credit loss (Notes 16 and 18)	**326,726**	-
Total operating expenses	**3,633,499**	2,054,053
Net loss before other income and tax	**(3,718,512)**	(2,054,053)
Other income	**62**	-
Interest income	**89,969**	3
Net loss before tax	**(3,628,481)**	(2,054,050)
Deferred tax recovery	**-**	37,362
Net loss	**(3,628,481)**	(2,016,688)
Loss on investment	**-**	(27,499)
Total comprehensive loss	**(3,628,481)**	(2,044,187)
Net loss per common share, basic and diluted	**(0.04)**	(0.03)
Weighted average number of common shares outstanding, basic and diluted	**83,036,228**	72,542,726

The accompanying notes are an integral part of these condensed consolidated interim financial statements

INDIVA Limited
Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended March 31, 2019 and 2018
(Unaudited, Expressed in Canadian dollars)

	Share capital					
	Shares	Amount	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$
Balance, January 1, 2019	83,036,228	37,282,515	6,548,367	(14,416,291)	(19,537)	29,395,054
Stock based compensation	-	-	138,606	-	-	138,606
Net loss for the period	-	-	-	(3,628,481)	-	(3,628,481)
Balance, March 31, 2019	**83,036,228**	**37,282,515**	**6,686,973**	**(18,044,772)**	**(19,537)**	**25,905,179**

	Share capital					
	Shares	Amount	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$
Balance, January 1, 2018	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	-	-	272,024	-	-	272,024
Deferred tax recovery	-	(12,442)	257,383	-	-	244,941
Net loss for the period	-	-	-	(2,016,688)	-	(2,016,688)
Other comprehensive loss	-	-	-	-	(27,499)	(27,499)
Balance, March 31, 2018	**80,991,228**	**35,767,211**	**6,242,442**	**(7,906,348)**	**(32,499)**	**34,070,806**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

INDIVA Limited
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended March 31, 2019 and 2018
(Unaudited, Expressed in Canadian dollars)

	For the three months ended March 31, 2019 $	For the three months ended March 31, 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**(3,628,481)**	(2,016,688)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	**146,611**	92,790
Interest income	**(89,969)**	(3)
Accretion of convertible debenture discount	**31,833**	239,775
Interest on convertible debenture	**22,811**	194,347
Fair value adjustment on biological assets	**(78,953)**	-
Loss on disposal of property, plant and equipment	**18,533**	-
Loss on promissory note	**300,000**	-
Expected credit loss	**26,726**	-
Unrealized exchange loss	**40,017**	-
Deferred tax recovery	**-**	(37,362)
Stock-based compensation	**138,606**	272,024
Non-cash consulting fees	**-**	20,160
Changes in non-cash operating working capital	**(21,518)**	(97,908)
Total cash outflows used in operating activities	**(3,093,784)**	(1,332,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of assets in process	**(1,275,118)**	(161,934)
Acquisition of property, plant and equipment	**(6,825,067)**	(181,889)
Acquisition of intangible assets	**(4,375)**	(27,000)
Proceeds on disposal of equipment	**1,000**	-
Funds provided for promissory note	**(300,000)**	
Interest received	**89,969**	3
Total cash outflows used in investing activities	**(8,313,591)**	(370,820)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from equity financing	**-**	14,950,058
Share issuance costs	**-**	(1,434,717)
Proceeds from exercise of warrants	**-**	5,999
Interest paid on convertible debenture	**-**	(26,889)
Total cash inflows from financing activities	**-**	13,494,451
Increase (decrease) in cash	**(11,407,375)**	11,790,766
Cash and cash equivalents, beginning of period	**19,565,606**	21,303,886
Cash and cash equivalents, end of period	**8,158,231**	33,094,652

Supplemental cash flow information is provided in Note 19

The accompanying notes are an integral part of these condensed consolidated interim financial statements

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 marijuana under the Cannabis Act and Cannabis Regulations (formerly Health Canada's Access to Cannabis for Medical Purposes Regulations "ACMPR"), focused on cultivating cannabis as well as expanding its production facility in London, Ontario. The Company received the sales amendment to their license August 10, 2018.

The address of the Company's corporate office is 343 Preston Street, 11th 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 May 29, 2019.

(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, 2018 (the "2018 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

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.

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 has incurred losses in the current and prior periods, with a net loss of $3,628,481 during the three month period ended March 31, 2019 and an accumulated deficit of $18,044,772 at March 31, 2019 (December 31, 2018 - $14,416,291). The Company's working capital is sufficient to fund base operating expenditures for the next 12 months however in order to complete its planned expansion and remain on schedule with bringing its extraction and manufacturing operations online during the second half of 2019 Management anticipates raising funds through debt or equity in order to replace capital spent to purchase the Indiva Facility.

(Unaudited, Expressed in Canadian dollars)

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 2018 Annual Financial Statements.

(a) LEASES

IFRS 16, Leases was issued by the IASB in January 2016, and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with the option to forego the requirements in cases of short term leases and those with low underlying asset value. The Company evaluated its leases using the modified retrospective approach. Prior periods have not been restated.

In applying the modified retrospective approach, the Company has taken advantage of the following practical expedients:

a) Leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases even though the initial term from lease commencement have been more than twelve months.

b) The Company has maintained the lease assessments made under IAS 17 and IFRIC 4 for existing contracts. Therefore the definition of a lease under IFRS 16 was applied only to contracts entered or changed after January 1, 2019.

c) The Company recognized a right-of-use asset on the date of the application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The aggregate lease liability recognised in the statement of financial position at January 1, 2019 can be reconciled as follows:

	$
Operating lease commitment as at December 31, 2018	20,400
Effect of discounting these commitments	778
Lease liability at January 1, 2019	19,622

The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application was 10.50%. A corresponding right-of-use asset of $25,742 has been recognized in the statement of financial position as at January 1, 2019.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

After considering the above practical expedients, the Company had one long term lease for office space in London, Ontario. All other leases have had the practical expedient for short term leases applied. For the 3 months ended March 31, 2019, the lease expenses for these leases totalled $53,525.

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.

<u>Judgments</u>

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 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.

Biological assets and inventory

In calculating the value of the biological assets, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, and expected yields for the cannabis plants.

(Unaudited, Expressed in Canadian dollars)

In calculating final inventory values, management compares the inventory cost to estimated net realizable value.

Expected credit loss

In calculating the expected credit loss on financial instruments, Management is required to make a number of judgments including the probability of possible outcomes with regards to credit loss, the discount rate to use for time value of money as well as whether the financial instrument's credit risk has increased significantly since initial recognition.

<u>Estimates</u>

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. BIOLOGICAL ASSETS

The changes in the carrying value of the biological assets are as follows:

	March 31, 2019	December 31, 2018
	$	$
Carrying amount, beginning of period	-	-
Production costs capitalized	**44,066**	78,360
Net increase in fair value due to biological transformation less cost to sell	**78,953**	98,931
Plants sold prior to harvest	**-**	(25,000)
Transferred to inventory upon harvest	**-**	(152,291)
Carrying amount, end of period	**123,019**	**-**

(Unaudited, Expressed in Canadian dollars)

As at March 31, 2019, the fair value of biological assets included $123,019 in cannabis plants ($Nil as at December 31, 2018). The significant estimates used in determining the fair value of cannabis plants are as follows:

- Yield by plant;
- Stage of growth estimated as the amount of time in growth stage compared to previous timelines for the same or comparable strains;
- Percentage of costs incurred for each stage of plant growth; and
- Fair value selling price per gram less cost to complete and cost to sell.

All biological assets are classified as current assets on the balance sheet and are considered Level 3 fair value estimates.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell.

Management's identified significant unobservable inputs, their range of values and sensitivity analysis are presented in the table below:

Unobservable Inputs	Input Values	Sensitivity Analysis
Average Selling Price Obtained through actual purchase and sale prices observed in the marketplace	$6.73 per gram	An increase or decrease of 5% applied to the average selling price would not result in a material change in valuation.
Yield per plant Obtained through historical harvest cycle results on a per strain basis or where practicable actual harvest results used	38 - 70 grams per plant	An increase or decrease of 5% applied to the average yield per plant would not result in a material change in valuation.
Stage of growth Obtained through the estimates of stage of completion within the harvest cycle from historical harvest timelines	9 - 32% complete cycle	An increase or decrease of 5% applied to the average stage of growth per plant would not result in a material change in valuation.

6. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2019 and December 31, 2018 consisted of the following:

	March 31,2019	December 31, 2018
	$	$
Trade receivables	**322,251**	4,815
Other receivables	**2,184**	1,055
Total accounts receivable	**324,435**	5,870

(Unaudited, Expressed in Canadian dollars)

The Company has not recognized any expected credit loss for the period ended March 31, 2019 ($Nil – December 31, 2018). The gross carrying amount is identical to cost.

7. INVENTORY

Inventory as at March 31, 2019 and December 31, 2018 consisted of the following:

	March 31, 2019			December 31, 2018
	Capitalized Cost	**Biological assets transferred to inventory**	**Total**	Total
	$	**$**	**$**	$
Dry cannabis	**1,145,218**	**152,291**	**1,297,509**	1,008,201
Packaging, supplies and other inventory	**146,753**	**-**	**146,753**	151,075
Total inventory	**1,291,971**	**152,291**	**1,444,262**	1,159,276

The inventory expensed to cost of goods sold in the period ended March 31, 2018 was $285,721

8. PREPAID EXPENSES AND OTHERS

	March 31,2019	December 31, 2018
	$	$
Equipment and construction deposits	**376,855**	688,222
Rent, security and utility deposits	**51,155**	605,564
Building purchase deposit	**-**	150,000
Other prepayments	**191,510**	141,379
Total prepaid expenses and other	**619,520**	1,585,165

9. LEASES

Upon adoption of IFRS 16, on January 1, 2019, the Company recognized $25,742 for right-of-use assets related to leased office space, as well as a corresponding $19,622 of lease liabilities and a reduction of prepaid rent of $6,120 in its condensed consolidated interim statement of financial position. All other leases had terms of less than one year at the time of transition to IFRS 16 and have been treated as operating leases using the practical expedient allowed for short term leases.

Right-of-Use Assets

	2019	2018
	$	$
Balance as at January 1	**25,741**	-
Depreciation for the period	**(5,940)**	-
Balance as at March 31	**19,801**	-

(Unaudited, Expressed in Canadian dollars)

Lease Liabilities

Maturity Analysis – Contractual undiscounted cashflow	**2019** **$**
Less than one year	**20,400**
One to five years	**-**
More than five years	**-**
Total undiscounted lease liabilities at March 31, 2019	**20,400**

Amounts recognized in profit or loss	**2019** **$**
Interest on lease liabilities	**412**
Depreciation of right-of-use asset	**5,940**
	6,352
Amounts recognized in the statement of cash flows	
Total cash outflow for leases	**6,120**

(Unaudited, Expressed in Canadian dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and building improvements	Leasehold Improvements	Facility equipment	Vehicle	Office equipment & furniture	Total
	$	$	$	$	$	$	$
Cost							
Balance, January 1, 2018	-	-	4,324,229	924,191	71,308	102,024	5,421,752
Additions	-	-	33,060	226,266	3,394	134,759	397,479
Transferred from assets in process	-	-	-	20,663	-	-	20,663
Disposals	-	-	-	(6,722)	-	-	(6,722)
Balance, December 31, 2018	-	-	4,357,289	1,164,398	74,702	236,783	5,833,172
Additions	144,800	5,546,752	38,091	1,053,425	2,098	43,863	6,829,029
Disposals	-	-	-	(14,590)	(2,250)	(6,647)	(23,487)
Transferred from assets in process	-	1,368,546	-	-	-	99,549	1,468,095
Transfer between building improvements and leaseholds	-	4,391,848	(4,391,848)	-	-	-	-
Balance, March 31, 2019	**144,800**	**11,307,146**	**3,532**	**2,203,233**	**74,550**	**373,548**	**14,106,809**
Accumulated depreciation							
Balance, January 1, 2018	-	-	71,651	74,852	984	18,142	165,629
Depreciation for the period	-	-	146,374	156,726	9,453	61,952	374,505
Disposals	-	-	-	(533)	-	-	(533)
Balance, December 31, 2018	-	-	218,025	231,045	10,437	80,094	539,601
Depreciation for the period	-	23,332	24,659	57,079	2,454	21,211	128,735
Transfer between building improvements and leaseholds	-	241,489	(241,489)	-	-	-	-
Balance, March 31, 2019	**-**	**264,821**	**1,195**	**288,124**	**12,891**	**101,305**	**668,336**
Carrying amounts as at:							
December 31, 2018	-	-	4,139,264	933,353	64,265	156,689	5,293,571
March 31, 2019	**144,800**	**11,042,325**	**2,337**	**1,915,109**	**61,659**	**272,243**	**13,438,473**

The Company acquired the building and land related to the Indiva facility on February 19, 2019 for a purchase price of $5,550,000 plus expenses of $48,023 related to title insurance and legal fees. At the closing date, the previous lease for the building was terminated and the Company took full title to the facility and land associated.

(Unaudited, Expressed in Canadian dollars)

11. ASSETS IN PROCESS

	Building & building improvements	Leasehold improvements $	Facility equipment $	Office equipment & furniture $	Intangible assets $	Total $
Cost						
Balance, January 1, 2018	-	102,483	-	-	-	102,483
Additions	-	3,773,323	26,601	102,549	21,000	3,923,473
Transferred to PPE	-	-	(20,663)	-	-	(20,663)
Transferred to Intangibles	-	-	-	-	(21,000)	(21,000)
Balance, December 31, 2018	-	3,875,806	5,938	102,549	-	3,984,293
Additions	-	986,142	29,237	-	-	1,015,379
Capitalized Interest	253,781	-	-	-	-	253,781
Disposals	-	(38,106)		-		(38,106)
Transfer between categories	2,440,524	(3,455,296)	1,014,772	-	-	-
Transferred to PPE	-	(1,368,546)	-	(99,549)	-	(1,468,095)
Balance, March 31, 2019	**2,694,305**	**-**	**1,049,947**	**3,000**	**-**	**3,747,252**

During the period ended March 31, 2019, there were additions of $1,269,160 ($2,007,566 – year ended December 31, 2018) to assets in process, largely related leasehold improvements undertaken at the London facility in order to prepare the facility for increased production space, upon purchasing the building these and other leasehold improvement assets have been transferred to building improvements. As at March 31, 2019, $21,025 ($964,190 – year ended December 31, 2018) of additions during the period were included in accounts payable and accrued liabilities. Assets totalling $1,468,095 were transferred out of assets in process during the period ($20,663 – year ended December 31, 2018).

Interest of $253,781 was capitalized to building improvements during the period ended March 31, 2019 (period ended December 31, 2018 - $295,710).

(Unaudited, Expressed in Canadian dollars)

12. INTANGIBLE ASSETS

In Q1 2019 the lease buyouts were fully amortized as the Company purchased its production facility from the landlord.

	Lease buyout $	Genetics $	Book rights $	Total $
Cost				
Balance, January 1, 2018	100,000	15,000	24,000	139,000
Transferred from assets in process	-	-	21,000	21,000
Additions	15,000	196,575	52,375	263,950
Balance, December 31, 2018	115,000	211,575	97,375	423,950
Additions	-	4,375	-	4,375
Disposals	(115,000)	-	-	(115,000)
Balance, March 31, 2019	**-**	**215,950**	**97,375**	**313,325**
Accumulated amortization				
Balance, January 1, 2018	46,667	-	-	46,667
Amortization for the period	23,621	2,575	4,869	31,065
Balance, December 31, 2018	70,288	2,575	4,869	77,732
Amortization for the period	4,367	2,700	4,869	11,936
Disposals	(74,655)	-	-	(74,655)
Balance, March 31, 2019	**-**	**5,275**	**9,738**	**15,013**
Carrying amounts as at:				
December 31, 2018	44,712	209,000	92,506	346,218
March 31, 2019	**-**	**210,675**	**87,637**	**298,312**

13. 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.

(Unaudited, 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 and on September 7, 2018 $1,500,000 of debt was converted into 2,000,000 common shares. All conversions were at $0.75 per share.

Convertible debentures consist of the following:

	Debt component	**Equity component**	**Total**
	$	$	$
Balance, January 1, 2018	8,092,903	1,363,712	9,456,615
Conversion of convertible debt	(4,505,594)	(995,661)	(5,501,255)
Interest and accretion	546,230	-	546,230
Accretion of transaction costs	264,071	-	264,071
Deferred tax expense	-	191,715	191,715
Balance, December 31, 2018	4,397,610	559,766	4,957,376
Interest and accretion	125,153	-	125,153
Accretion of transaction costs	54,522	-	54,522
Balance, March 31, 2019	**4,577,285**	**559,766**	**5,137,051**

14. 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 $6,000.

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 and on September 7, 2018 $1,500,000 of debt was converted into 2,000,000 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.

(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.

(Unaudited, Expressed in Canadian dollars)

	Warrants outstanding	Weighted average exercise price
	#	$
Outstanding, January 1, 2018	12,101,931	0.88
Granted	15,234,820	1.28
Exercised	(51,667)	0.77
Expired/cancelled	-	-
Outstanding, December 31, 2018	27,285,084	1.10
Granted	-	-
Exercised	-	-
Expired/cancelled	-	-
Outstanding, March 31, 2019	**27,285,084**	**1.10**

The following warrants remain outstanding as at March 31, 2019:

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	979,000	12/13/2019	0.75
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
Rainmaker predecessor warrants	173,451	10/28/2020	1.09
Rainmaker predecessor finders' units	13,693	10/28/2020	1.09
Rainmaker predecessor warrants	265,234	05/27/2021	0.87
Rainmaker predecessor finders' units	19,326	05/27/2021	0.76
Rainmaker predecessor warrants	85,799	09/27/2021	1.25
Rainmaker predecessor finders' units	12,810	09/27/2021	0.98
Rainmaker predecessor finders' warrants	29,942	04/27/2022	0.54
Total warrants & weighted average exercise price	**27,285,084**		**1.10**

As at March 31, 2019, the warrants outstanding have a weighted average remaining life of 0.83 years.

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:

(Unaudited, Expressed in Canadian dollars)

	2019	2018
Share price	-	$0.94 - $1.29
Expected dividend yield	-	-
Volatility	-	83.79%
Expected life	-	2.00 years
Forfeiture rate	-	-
Risk-free rate	-	1.74%

(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 March 31, 2019, based on the Company's total common shares outstanding, a total of 8,303,623 (8,303,623 – December 31, 2018) stock options may be issued and outstanding. Based on this the Company could grant up to 4,080,308 (3,925,308 – December 31, 2018) additional stock options beyond what was issued and outstanding as at March 31, 2019. 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).

Stock option activity for the equity compensation plan for the period ended March 31, 2019 was as follows:

	Number of Options #	**Weighted average exercise price** $
Outstanding, January 1, 2018	3,713,315	0.76
Granted	1,485,000	0.83
Exercised	-	-
Forfeited	(920,000)	0.78
Outstanding, December 31, 2018	4,278,315	0.78
Granted	-	-
Exercised	-	-
Forfeited	(55,000)	0.80
Outstanding, March 31, 2019	**4,223,315**	**0.78**

During the three month period ended March 31, 2019, the Company recognized $138,605 (2018 - $272,024) of stock based compensation related to stock options.

On November 9, 2018, the Company granted 495,000 stock options, exercisable for common shares at a weighted average price of $0.80 per share, vesting over three years, with the exception of 200,000 options which vest immediately. The options expire five years from the date of grant.

(Unaudited, Expressed in Canadian dollars)

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, with the exception of 200,000 options which vest immediately. The options expire five years from the date of grant.

The grant date fair value is calculated using the Black-Scholes pricing model and the below inputs. 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 March 31, 2019 have a weighted average remaining contractual life of 3.70 years (December 31, 2018 – 3.97 years).

	2019	2018
Share price	-	$0.59 - $0.83
Expected dividend yield	-	Nil
Volatility	-	80.74% to 96.27%
Expected life (years)	-	5
Forfeiture rate	-	Nil
Risk-free rate	-	1.74% - 2.31%

The following table presents information related to stock options at March 31, 2019:

Weighted average exercise price	**Number of Options**	**Vested**	**Weighted average remaining life (years)**
$0.75	2,910,000	1,170,005	3.62
$0.76	105,811	105,811	0.70
$0.80	790,000	200,000	4.42
$0.87	390,000	196,668	3.90
$1.47	27,504	27,504	0.70
Balance as at March 31, 2019	**4,223,315**	**1,699,988**	**3.70**

15. EARNINGS (LOSS) PER SHARE

For the period ended March 31, 2019, 4,223,315 stock options, 27,285,084 warrants and 6,866,667 convertible debenture shares (March 31, 2018 – 4,318,315 stock options, 27,330,084 warrants and 8,864,000 convertible debenture shares, respectively) which could have been dilutive were excluded from the computation of diluted earnings per share as the Company realized a net loss and it would be anti-dilutive to include them.

16. INVESTMENT IN JOINT VENTURE

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$1,336,300) 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 March 31, 2019. The assets of the JV are held entirely in prepayments as at March 31, 2019. The Company has recognized an expected credit loss of $26,726 on this loan in accordance with criteria specified by IFRS 9.

Acquisition related costs of $Nil were recognized as an expense in the period ended March 31, 2019 (2018 - $Nil).

17. ROYALTY INVESTMENT

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. This agreement has a term of five years. The royalty investment will be expensed on a per unit basis as the company produces and sells DeepCell trademarked product.

18. PROMISSORY NOTE

On January 23, 2019, the Company entered into an agreement with RetailGo Inc. (“RetailGo”), to obtain a 9.9% interest in RetailGo valued at $1, and a promissory note for $1,030,000. The 9.9% ownership in RetailGo and the promissory note were provided in consideration for the $730,000 of expenses incurred by the Company on behalf of RetailGo and the transfer of $300,000 to a third party relating to a partnership with a retail license holder. The partnership with the retail license holder was ultimately unsuccessful. These expenses related to anticipated retail locations in Ontario. The $730,000 of expenses incurred included $51,341 on marketing consultants, $60,420 on travel and expenses for retail focused staff, $66,022 on payroll for retail focused staff and the $552,217 as deposits and rents at potential retail facilities.

As at the date of the transaction an asset value of $1 has been recognized for the promissory note from RetailGo, due to uncertainty of RetailGo’s ability to repay the promissory note at the date of the transaction. The Company’s former COO, General Counsel and Director, who departed in January 2019, is a founder of RetailGo. RetailGo provided the Company with 9,900,000 common shares and a non-interest bearing promissory note for $1,030,000. $300,000 of the note is due upon RetailGo completing an offering of debt, equity, or convertible securities exceeding $5,000,000, with the remaining $730,000 being repayable in five years.

The Company recognized an expected credit loss of $300,000 in the three months ended March 31, 2019 for amounts paid to a potential partner on behalf of RetailGo. Using IFRS 9, management has assessed this to be a stage three, fully impaired asset. As the agreement was entered into and the $300,000 paid with the intention of establishing a relationship with a retail license holder which did not occur, and given the fact that the counterparty has no liquid assets and no certainty of being paid, the full value has been expensed as an expected credit loss.

(Unaudited, Expressed in Canadian dollars)

The Company also wrote off $552,217 in non-refundable deposits and rent payments for retail space related to retail locations which were abandoned due to the changes in Ontario regulations relating to retail cannabis licenses. The remaining amount of the $730,000 portion of the promissory note was expensed in 2018 and relates to the marketing consultants, and travel, expenses, and payroll for retail focused staff with the remaining balance being miscellaneous expenses.

19. SUPPLEMENTAL CASH FLOWS

Supplemental details of the changes in non-cash working capital for the period ended March 31 were as follows:

	2019	2018
	$	$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Accounts receivable	**(496,072)**	(89,572)
Biological assets	**(44,066)**	-
Inventory	**(284,986)**	-
Prepaid expenses	**556,791**	(227,989)
Right of use assets	**(19,801)**	-
Long term prepaid	**96,768**	17,840
Accounts payable and accrued liabilities	**155,934**	209,075
Lease liability	**13,914**	-
	(21,518)	(90,646)
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Prepaid expenses and other	**312,085**	182,151
Accounts payable and accrued liabilities	**(503,457)**	(28,472)
	(191,372)	153,679
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Accounts payable and accrued liabilities, related to convertible debenture	**-**	(167,458)
Accounts payable and accrued liabilities, related to share issuance costs	**-**	(19,546)
Accounts payable and accrued liabilities, related to transaction costs	**-**	26,063
	-	(160,941)

20. SEGMENTED INFORMATION

The Company operates in one segment being the expansion of a cannabis facility, and licensed production. All fixed assets, assets in process and intangible assets are located in Canada.

21. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, investments, promissory note, 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.

(a) Foreign currency risk

As at March 31, 2019, the Company held cash denominated in U.S. dollars of US$539,372 (US$17,594 - December 31, 2018). The Company has very limited currency risk as it transacts mainly in Canadian dollars, the dollars held at March 31, 2019 were intended for upcoming purchases of equipment and were not expected to be held for long.

(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, accrued liabilities, lease liabilities and Convertible Debenture are due within one year of the end of the reporting periods. As at March 31, 2019, 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.

The loan to associate is carried at a gross value of $1,336,300 with an expected credit loss of $26,726 as of March 31, 2019. The expected credit loss for this asset is measured at an amount equal to the 12 month expected credit losses as management has deemed the credit risk related to this instrument has not increased significantly since initial recognition.

The credit risk related to the promissory note is carried at a gross value of $1 with an expected credit loss of $Nil as of March 31, 2019. The expected credit loss for this asset is measured at an amount equal to 12 month expected credit losses as management has deemed the credit risk related to this instrument has not increased significantly since initial recognition. Management has considered weighted average probabilities including no credit loss situations up to full loan forfeiture taking into account industry and macroeconomic factors. No changes have been made in how this estimate is determined in the current reporting period.

The credit risk for both the loan to associate and promissory note are monitored quarterly and any change is reflected as an adjustment through expected credit loss.

(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.

(Unaudited, Expressed in Canadian dollars)

22. FAIR VALUE MEASUREMENTS

As at March 31, 2019, the Company's cash balance of $8,158,998 (December 31, 2018 - $19,565,606) and the Company's investment in RetailGo are the only assets recorded at fair value. Cash is classified as a Level 1 financial instrument, and the investment in RetailGo is a Level 3 financial instrument as RetailGo is privately held.

The Company did not record any liabilities at fair value as at March 31, 2019.

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

	March 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Cash	**8,158,998**	-	**-**	19,565,606	-	-
Investment in RetailGo	**-**	-	**1**	-	-	-
Total	**8,158,998**	**-**	**1**	19,565,606	-	-

23. CAPITAL MANAGEMENT

As at March 31, 2019, the Company's capital consisted of $4,577,285 in convertible debentures and $37,282,515 in common shares (as at December 31, 2018, $4,397,610 and $37,282,515).

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 and to initiate production and sales 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.

24. COMMITMENTS

The Company has contractual obligations for leases of production and office space under leases with terms of less than 1 year. The Company also has contractual obligations for contractors, consultants, IT services, facility services and equipment and construction costs with terms remaining of up to three years.

(Unaudited, Expressed in Canadian dollars)

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

	< 1 Year	1 to 5 Years	> 5 Years	**Total**
	$	$	$	**$**
Minimum lease payments	101,175	-	-	**101,175**
Other commitments	861,327	130,126	-	**991,453**
Total	**962,502**	**130,126**	**-**	**1,092,628**

Subsequent to period end, the Company entered commitments totalling $3,238,551. These commitments are comprised of $2,821,113 of processing and packaging equipment, $191,413 in packaging inventory and the remainder relating to marketing, consulting and production supplies, all these commitments have a term of less than one year.

25. 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 12.39% of the outstanding shares of the Company as at March 31, 2019 (December 31, 2018 – 18.05%).

Key management personnel compensation for the three months ended March 31, was as follows:

	2019	**2018**
	$	$
Short-term key management personnel compensation	**222,550**	150,000
Termination payments	**480,000**	-
Share-based payments	**73,253**	152,691

26. RELATED PARTY TRANSACTIONS

The Company's transactions with RetailGo were considered related party as a former officer and director of the Company is a founder of RetailGo. Refer to note 18 for further details. No other related party transactions occurred in the three month period ended March 31, 2019 ($Nil – 2018)

27. SUBSEQUENT EVENTS

On May 10, 2019, the Company granted 810,000 stock options to an executive and employees with an exercise price of $0.80 per common share and a five year life.

28. COMPARATIVE FIGURES

Certain comparative amounts in these financial statements have been re-classified as a result of a change in classification of certain expenses during the current year. The Company notes no material changes have been made to any of these figures other than re-classification.