



## **INDIVA LIMITED**

### Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and six month periods ended June 30, 2019 and 2018

**Indiva Limited****Condensed Consolidated Interim Statements of Financial Position**

(Unaudited, Expressed in Canadian dollars)

As at	June 30, 2019 \$	December 31, 2018 \$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 5)	3,875,924	19,565,606
Taxes receivable	375,962	592,753
Accounts receivable (Note 6)	231,502	5,870
Royalty investment (Note 18)	96,768	-
Inventory (Note 7)	1,670,369	1,159,276
Biological assets (Note 8)	156,190	-
Prepaid expenses and deposits (Note 9)	372,116	746,943
Right of use assets (Note 10)	14,660	-
<b>Total current assets</b>	<b>6,793,491</b>	<b>22,070,448</b>
<b>Other non-current assets</b>		
Property, plant and equipment (Note 11)	15,401,869	5,293,571
Assets in process (Note 12)	3,293,694	3,984,293
Intangible assets (Note 13)	207,975	346,218
Building, equipment and construction deposits	1,357,168	838,222
Royalty investment (Note 18)	1,852,182	1,948,950
Investment in joint venture (Note 19)	1,281,924	1,364,150
Investment in associates (Notes 19 and 20)	51	50
Promissory note (Note 20)	1	-
<b>Total assets</b>	<b>30,188,355</b>	<b>35,845,902</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,561,561	2,053,238
Excise tax payable	18,003	-
Convertible debentures	4,769,688	4,397,610
Lease liabilities (Note 10)	8,054	-
<b>Total liabilities</b>	<b>6,357,306</b>	<b>6,450,848</b>
<b>Equity</b>		
Share capital	37,282,515	37,282,515
Reserves	6,915,338	6,548,367
Accumulated other comprehensive loss	(19,537)	(19,537)
Accumulated deficit	(20,347,267)	(14,416,291)
<b>Total equity</b>	<b>23,831,049</b>	<b>29,395,054</b>
<b>Total liabilities and equity</b>	<b>30,188,355</b>	<b>35,845,902</b>

Commitments (Note 26) and Subsequent Events (Note 29)

These condensed consolidated interim financial statements were approved by the Board of Directors of Indiva Limited on August 27, 2019.

N. Marotta

Carmine (Niel) Marotta

J. Yersh

James Yersh

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

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

For the three and six month periods ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Gross revenue	205,753	-	492,415	-
Excise taxes	(32,253)	-	(77,546)	-
<b>Net revenue</b>	<b>173,500</b>	<b>-</b>	<b>414,869</b>	<b>-</b>
Cost of goods sold	(127,214)	-	(532,549)	-
<b>Gross margin before fair value adjustments</b>	<b>46,286</b>	<b>-</b>	<b>(117,680)</b>	<b>-</b>
Fair value adjustment on sale of inventory	(50,608)	-	(50,608)	-
Unrealized fair value adjustment on biological assets (Note 8)	9,130	-	88,083	-
<b>Gross margin</b>	<b>4,808</b>	<b>-</b>	<b>(80,205)</b>	<b>-</b>
<b>Operating expenses</b>				
General and administrative	1,437,342	923,483	3,815,905	1,880,258
Marketing and sales	413,825	497,411	925,828	758,515
Research and development	49,329	2,052	94,665	2,052
Share-based compensation	228,365	216,286	366,971	488,310
Depreciation of property, plant and equipment	161,707	92,810	290,442	180,600
Amortization of intangible assets	7,568	7,034	19,504	12,034
<b>Total operating expenses (Note 16)</b>	<b>2,298,136</b>	<b>1,739,076</b>	<b>5,513,315</b>	<b>3,321,769</b>
<b>Loss from operations</b>	<b>2,293,328</b>	<b>1,739,076</b>	<b>5,593,520</b>	<b>3,321,769</b>
Realized foreign exchange gain (loss)	(19,577)	32,021	(14,138)	33,256
Interest and financing expenses	(2,712)	(166,665)	(27,833)	(362,120)
Accretion of convertible debentures	(15,859)	(188,945)	(47,692)	(428,720)
Interest income	44,464	-	134,433	-
Expected credit loss (Notes 19, 20)	-	-	(326,726)	-
<b>Net loss</b>	<b>2,287,012</b>	<b>2,062,665</b>	<b>5,875,476</b>	<b>4,079,353</b>
Unrealized exchange loss	15,483	15,321	55,500	15,321
(Gain) loss on investment	-	(5,555)	-	21,944
<b>Comprehensive loss attributable to shareholders</b>	<b>2,302,495</b>	<b>2,072,431</b>	<b>5,930,976</b>	<b>4,116,618</b>
<b>Net loss and comprehensive loss per share, basic and diluted</b>	<b>0.03</b>	<b>0.03</b>	<b>0.07</b>	<b>0.05</b>
<b>Weighted average number of outstanding shares, basic and diluted</b>	<b>83,036,228</b>	<b>80,991,228</b>	<b>83,036,228</b>	<b>76,790,315</b>

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 six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

	Share capital		Reserves	Accumulated other comprehensive loss	Accumulated deficit	Total
	Shares	Amount				
	#	\$	\$	\$	\$	\$
<b>Balance, January 1, 2019</b>	83,036,228	37,282,515	6,548,367	(19,537)	(14,416,291)	29,395,054
Share-based compensation	-	-	366,971	-	-	366,971
Net loss for the period	-	-	-	-	(5,930,976)	(5,930,976)
<b>Balance, June 30, 2019</b>	<b>83,036,228</b>	<b>37,282,515</b>	<b>6,915,338</b>	<b>(19,537)</b>	<b>(20,347,267)</b>	<b>23,831,049</b>

	Share capital		Reserves	Accumulated other comprehensive loss	Accumulated deficit	Total
	Shares	Amount				
	#	\$	\$	\$	\$	\$
<b>Balance, January 1, 2018</b>	60,946,413	20,483,947	4,230,800	(5,000)	(5,889,660)	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 debentures	5,799,998	4,004,068	(740,363)	-	-	3,263,705
Exercise of warrants	6,667	7,400	(1,401)	-	-	5,999
Share-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>(42,265)</b>	<b>(9,969,013)</b>	<b>32,214,661</b>

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 six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(5,875,476)	(4,079,353)
Adjustments to reconcile net loss to cash and cash equivalents used in operating activities:		
Depreciation and amortization	309,946	192,634
Interest income	(134,433)	(419)
Accretion of convertible debentures discount	47,692	428,720
Interest on convertible debentures	25,055	359,389
Fair value adjustment on biological assets (Note 8)	(88,083)	-
Fair value adjustment on sale of inventory	50,608	-
Loss on disposal of property, plant and equipment and intangibles	101,302	5,189
Expected credit loss (Notes 19, 20)	326,726	-
Deferred tax recovery	-	(37,362)
Share-based compensation	366,971	488,310
Non-cash consulting fees	-	98,480
Changes in non-cash operating working capital	(10,839)	(2,831,341)
<b>Total cash outflows used in operating activities</b>	<b>(4,880,531)</b>	<b>(5,375,753)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of assets in process (Note 12)	(3,310,687)	(321,110)
Acquisition of property, plant and equipment (Note 11)	(7,329,522)	(146,284)
Acquisition of intangible assets (Note 13)	(4,375)	(75,808)
Loan to associate	-	(1,316,750)
Investment in associate	-	(50)
Proceeds on disposal of equipment	1,000	1,000
Funds provided for promissory note (Note 20)	(300,000)	-
Interest received	134,433	419
<b>Total cash outflows used in investing activities</b>	<b>(10,809,151)</b>	<b>(1,858,583)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from equity financing	-	14,950,058
Share issuance costs	-	(1,441,821)
Proceeds from exercise of warrants	-	5,999
Interest paid on convertible debentures	-	(332,500)
<b>Total cash inflows from financing activities</b>	<b>-</b>	<b>13,181,736</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(15,689,682)</b>	<b>5,947,400</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>19,565,606</b>	<b>21,303,886</b>
<b>Cash and cash equivalents, end of period</b>	<b>3,875,924</b>	<b>27,251,286</b>

Supplemental cash flow information is provided in Note 21

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

## **Indiva Limited**

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

For the three and six months ended June 30, 2019 and 2018

(Unaudited, 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 are listed on the TSX Venture Exchange (the “TSXV”) under the symbol “NDVA” and the OTCQX under the symbol “NDVAF”.

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 to include extraction as well as manufacturing of derivative products. The Company received the sales amendment to its licence August 10, 2018.

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 27, 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

## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

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the foreseeable future. The Company has incurred losses in the current and prior periods, with a net loss of \$5,875,476 during the six month period ended June 30, 2019, and an accumulated deficit of \$20,347,267 at June 30, 2019 (December 31, 2018 - \$14,416,291). The Company needs to raise additional financing in the form of debt and/or equity in order to fund continuing operations and to complete its planned expansion of the Indiva facility and make remaining equipment purchases. Management is currently evaluating various financing opportunities. Even if the Company has been successful in raising funds in the past, there is no assurance that it will manage to obtain financing in the future.

### 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
<b>Lease liability at January 1, 2019</b>	<b>19,622</b>

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.

## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

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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 six months ended June 30, 2019, the lease expenses for these leases totalled \$75,596.

#### 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 debentures as financial liability and equity*

Management has determined that based on the terms of the convertible debentures, 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.



## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019 and 2018

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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.

#### Estimates

##### *Market interest rate*

In calculating the discounted contractual cash flow on the host debt component of the convertible debentures, 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. CASH AND CASH EQUIVALENTS

	Interest rate	June 30, 2019	December 31, 2018
		\$	\$
Cash	-	1,767,535	3,952,393
Cashable GIC's	2.1 - 2.4%	2,108,389	15,613,213
<b>Total cash and cash equivalents</b>		<b>3,875,924</b>	<b>19,565,606</b>

## 6. ACCOUNTS RECEIVABLE

Accounts receivable as at June 30, 2019, and December 31, 2018, consisted of the following:

	June 30, 2019	December 31, 2018
	\$	\$
Trade receivables	228,973	4,815
Other receivables	2,529	1,055
<b>Total accounts receivable</b>	<b>231,502</b>	<b>5,870</b>

## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

The Company has not recognized any expected credit loss related to accounts receivable for the period ended June 30, 2019 (\$nil – December 31, 2018). The fair value of the receivables is identical to cost.

#### 7. INVENTORY

Inventory as at June 30, 2019, and December 31, 2018, consisted of the following:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>		
	<b>Capitalized Cost \$</b>	<b>Biological assets transferred to inventory \$</b>	<b>Total \$</b>	<b>Total \$</b>
Dried Cannabis	1,030,178	6,148	1,036,326	1,008,201
Cannabis oil	453,825	-	453,825	-
Packaging, supplies and other inventory	180,218	-	180,218	151,075
<b>Total inventory</b>	<b>1,664,221</b>	<b>6,148</b>	<b>1,670,369</b>	<b>1,159,276</b>

The inventory expensed to cost of goods sold in the period ended June 30, 2019 was \$351,744.

#### 8. BIOLOGICAL ASSETS

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

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	<b>\$</b>	<b>\$</b>
Carrying amount, beginning of period	-	-
Production costs capitalized	74,255	78,360
Net increase in fair value due to biological transformation less cost to sell	88,083	98,931
Plants sold prior to harvest	-	(25,000)
Transferred to inventory upon harvest	(6,148)	(152,291)
<b>Carrying amount, end of period</b>	<b>156,190</b>	<b>-</b>

As at June 30, 2019, the fair value of biological assets included \$156,190 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.

**Indiva Limited****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

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. For in process biological assets, the fair value at the point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the time the asset has spent in the grow cycle compared to the estimated time of the full life cycle to the point of harvest and is used to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested.

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

<b>Unobservable Inputs</b>	<b>June 30, 2019, Input Values</b>	<b>December 31, 2018 Input Values</b>	<b>Sensitivity Analysis</b>
<b>Average Selling Price</b> Obtained through actual purchase and sale prices observed in the marketplace	\$3.25 - 6.73 per gram	\$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.
<b>Yield per plant</b> Obtained through historical harvest cycle results on a per strain basis or where practicable actual harvest results used	38 - 70 grams per plant	92 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.
<b>Stage of growth</b> Obtained through the estimates of stage of completion within the harvest cycle from historical harvest timelines	4 - 55% complete cycle	100% 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.

**9. PREPAID EXPENSES AND DEPOSITS**

	<b>June 30, 2019</b>	December 31, 2018
	\$	\$
Rent, security and utility deposits	<b>51,464</b>	605,564
Other prepayments	<b>320,652</b>	141,379
<b>Total prepaid expenses and deposits</b>	<b>372,116</b>	746,943

**Indiva Limited****Notes to the Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

**10. 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**

	June 30, 2019	December 31, 2018
	\$	\$
Balance as at January 1	25,741	-
Depreciation for the period	(11,081)	-
<b>Balance at end of period</b>	<b>14,660</b>	<b>-</b>

**Lease Liabilities**

	June 30, 2019
	\$
<b>Maturity Analysis – Contractual undiscounted cashflow</b>	<b>\$</b>
Less than one year	14,280
One to five years	-
More than five years	-
<b>Total undiscounted lease liabilities at June 30, 2019</b>	<b>14,280</b>

	June 30, 2019
	\$
<b>Amounts recognized in profit or loss</b>	<b>\$</b>
Interest on lease liabilities	673
Depreciation of right-of-use asset	11,081
<b>Total recognized in the period</b>	<b>11,754</b>

	For the six months ended June 30, 2019
<b>Amounts recognized in the statement of cash flows</b>	
Total cash outflow for leases	6,120

## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2019 and 2018

(Unaudited, Expressed in Canadian dollars)

#### 11. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and building improvements	Leasehold improvements	Facility equipment	Vehicle	Office equipment & furniture	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
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	252,275	6,068,250	51,100	1,068,810	2,213	79,743	7,522,391
Disposals	-	-	-	(17,343)	(2,250)	(6,647)	(26,240)
Transferred from assets in process	-	2,803,040	-	-	-	99,549	2,902,589
Transfer between building improvements and leaseholds	-	4,408,389	(4,408,389)	-	-	-	-
<b>Balance, June 30, 2019</b>	<b>252,275</b>	<b>13,279,679</b>	<b>-</b>	<b>2,215,865</b>	<b>74,665</b>	<b>409,428</b>	<b>16,231,912</b>
<b>Accumulated depreciation</b>							
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	-	97,922	25,034	120,919	4,276	42,291	290,442
Transfer between building improvements and leaseholds	-	243,059	(243,059)	-	-	-	-
<b>Balance, June 30, 2019</b>	<b>-</b>	<b>340,981</b>	<b>-</b>	<b>351,964</b>	<b>14,713</b>	<b>122,385</b>	<b>830,043</b>
<b>Carrying amounts as at:</b>							
December 31, 2018	-	-	4,139,264	933,353	64,265	156,689	5,293,571
<b>June 30, 2019</b>	<b>252,275</b>	<b>12,938,698</b>	<b>-</b>	<b>1,863,901</b>	<b>59,952</b>	<b>287,043</b>	<b>15,401,869</b>

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 \$107,475 for land transfer tax and \$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.

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**12. ASSETS IN PROCESS**

	<b>Building &amp; building improvements</b>	<b>Leasehold improvements</b>	<b>Facility equipment</b>	<b>Office equipment &amp; furniture</b>	<b>Intangible assets</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>						
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	401,999	960,516	330,750	-	-	1,693,265
Capitalized Interest	556,831	-	-	-	-	556,831
Disposals	-	(38,106)	-	-	-	(38,106)
Transfer between categories	2,414,898	(3,429,670)	1,014,772	-	-	-
Transferred to PPE	(1,434,494)	(1,368,546)	-	(99,549)	-	(2,902,589)
<b>Balance, June 30, 2019</b>	<b>1,939,234</b>	<b>-</b>	<b>1,351,460</b>	<b>3,000</b>	<b>-</b>	<b>3,293,694</b>

During the period ended June 30, 2019, there were additions of \$2,250,096 (\$3,923,473 – year ended December 31, 2018) to assets in process, largely related to 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 improvements have been transferred to building improvements. As at June 30, 2019, \$106,251 (\$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 and accretion of \$556,831 was capitalized to building improvements during the period ended June 30, 2019 (period ended December 31, 2018 - \$295,710).

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**13. INTANGIBLE ASSETS**

	Lease buyout \$	Genetics \$	Book rights \$	Total \$
<b>Cost</b>				
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)	-	(97,375)	(212,375)
<b>Balance, June 30, 2019</b>	<b>-</b>	<b>215,950</b>	<b>-</b>	<b>215,950</b>
<b>Accumulated amortization</b>				
Balance, January 1, 2018	46,667	-	-	46,667
Amortization for the year	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	5,400	9,738	19,505
Disposals	(74,655)	-	(14,607)	(89,262)
<b>Balance, June 30, 2019</b>	<b>-</b>	<b>7,975</b>	<b>-</b>	<b>7,975</b>
<b>Carrying amounts as at:</b>				
December 31, 2018	44,712	209,000	92,506	346,218
<b>June 30, 2019</b>	<b>-</b>	<b>207,975</b>	<b>-</b>	<b>207,975</b>

During the three months ended March 31, 2019, the lease buyouts were fully amortized as the Company purchased its production facility from the landlord.

**14. DERIVATIVE FINANCIAL INSTRUMENT AND CONVERTIBLE DEBENTURES**December 2017 Convertible Debentures

On December 13, 2017, the Company issued \$11,000,000 in unsecured convertible debentures, 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 debentures are considered to be compound instruments 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.

## Indiva Limited

### Notes to the Condensed Consolidated Interim Financial Statements

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The Company paid transaction costs of 7% cash (\$770,000) and legal costs of \$68,079 and 7% warrants (1,024,000 warrants). The debentures, net of the equity component, are accreted using the effective interest method over the term of the debentures 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. 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	257,223	-	257,223
Accretion of transaction costs	114,855	-	114,855
<b>Balance, June 30, 2019</b>	<b>4,769,688</b>	<b>559,766</b>	<b>5,329,454</b>

#### 15. 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 debentures 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. 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



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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 which 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.

	<b>Warrants outstanding #</b>	<b>Weighted average exercise price \$</b>
Outstanding, January 1, 2018	12,101,931	0.88
Granted	15,234,820	1.28
Exercised	(51,667)	0.77
Outstanding, December 31, 2018	27,285,084	1.10
Granted	-	-
Exercised	-	-
Expired/cancelled	196,000	0.75
<b>Outstanding, June 30, 2019</b>	<b>27,089,084</b>	<b>1.11</b>

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The following warrants remain outstanding as at June 30, 2019:

Warrant Description	# of Warrants #	Expiry Date	Exercise Price \$
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 debentures	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
<b>Total warrants and weighted average exercise price</b>	<b>27,089,084</b>		<b>1.11</b>

As at June 30, 2019, the warrants outstanding have a weighted average remaining life of 0.58 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 by using the historical volatility of other companies that the Company considers comparable to its current business activities:

	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 in 2017.

As at June 30, 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 2,929,308 (3,925,308 – December 31, 2018) additional stock options beyond what was issued and outstanding as at June 30, 2019. TSXV approval is required to reserve the related

## Indiva Limited

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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 June 30, 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
Forfeited	(920,000)	0.78
Outstanding, December 31, 2018	4,278,315	0.78
Granted	1,151,000	0.79
Forfeited	(55,000)	0.80
<b>Outstanding, June 30, 2019</b>	<b>5,374,315</b>	<b>0.78</b>

During the six month period ended June 30, 2019, the Company recognized \$366,971 (2018 - \$488,310) of share-based compensation related to stock options.

On June 24, 2019, the Company granted 341,000 stock options to certain consultants, exercisable for common shares at a price of \$0.75 per share, 18,750 options vest immediately and expire two years from the grant date with an additional 56,250 options vesting over one year and expiring two years from the grant date. The remaining 266,000 options vest immediately and expire five years from the grant date.

On May 10, 2019, the Company granted 810,000 stock options, exercisable for common shares at a price of \$0.80 per share, vesting over three years. The options expire five years from the date of grant.

On November 9, 2018, the Company granted 495,000 stock options, exercisable for common shares at a 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.

On May 31, 2018, the Company granted 350,000 stock options, exercisable for common shares at a 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 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 June 30, 2019, have a weighted average remaining contractual life of 3.76 years (December 31, 2018 – 3.97 years).

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	2019	2018
Share price	<b>\$0.48</b>	\$0.59 - \$0.83
Expected dividend yield	<b>nil</b>	nil
Volatility	<b>56.03% to 87.17%</b>	80.74% to 96.27%
Expected life (years)	<b>2 to 5</b>	5
Forfeiture rate	<b>nil</b>	nil
Risk-free rate	<b>1.34% to 1.55%</b>	1.74% to 2.31%

The following table presents information related to stock options at June 30, 2019:

Weighted average exercise price	Number of Options	Vested	Weighted average remaining life (years)
\$0.75	3,251,000	1,454,755	3.54
\$0.76	105,811	105,811	0.45
\$0.80	1,600,000	200,000	4.52
\$0.87	390,000	321,668	0.65
\$1.47	27,504	27,504	0.45
<b>Balance as at June 30, 2019</b>	<b>5,374,315</b>	<b>2,109,738</b>	<b>3.76</b>

**Indiva Limited****Notes to the Condensed Consolidated Interim Financial Statements**

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**16. OPERATING EXPENSES BY NATURE**

	Three months ended		Six months ended	
	2019	2018	2019	2018
	\$	\$	\$	\$
Salaries and benefits	<b>886,730</b>	524,082	<b>1,621,209</b>	981,159
Severance payments	-	-	<b>616,630</b>	-
Write off of non-refundable deposits	-	-	<b>552,217</b>	-
General and administrative	<b>451,668</b>	215,030	<b>739,301</b>	419,320
Rent, utilities and facility costs	<b>165,849</b>	150,042	<b>383,740</b>	275,800
Share-based compensation	<b>228,366</b>	216,286	<b>366,971</b>	488,310
Marketing and sales	<b>192,951</b>	263,740	<b>338,325</b>	351,810
Professional fees	<b>67,526</b>	111,421	<b>298,457</b>	194,027
Consulting	<b>60,239</b>	115,932	<b>161,085</b>	230,000
Travel, meals and entertainment	<b>74,025</b>	42,699	<b>122,690</b>	188,709
Research and development	<b>1,507</b>	-	<b>2,744</b>	-
Depreciation of property, plant and equipment	<b>161,707</b>	92,810	<b>290,442</b>	180,600
Amortization of intangible assets	<b>7,568</b>	7,034	<b>19,504</b>	12,034
<b>Total operating expenses</b>	<b>2,298,136</b>	1,739,076	<b>5,513,315</b>	3,321,769

The following table summarizes the nature of share-based compensation in the period:

	Three months ended	Six months ended
	June 30, 2019	June 30, 2019
	\$	\$
General and administrative related share-based compensation	<b>195,249</b>	<b>300,420</b>
Marketing and sales related share-based compensation	<b>28,064</b>	<b>56,698</b>
Research and development related share-based compensation	<b>5,053</b>	<b>9,853</b>
<b>Total share-based compensation</b>	<b>228,366</b>	<b>366,971</b>

**17. EARNINGS (LOSS) PER SHARE**

For the period ended June 30, 2019, 5,374,315 stock options, 27,089,084 warrants and 6,866,667 convertible debenture shares (June 30, 2018 – 4,523,315 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.

**18. 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

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

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are not expected to be sold in Canada until October 17, 2019 at the earliest. This agreement has a term of five years. The royalty investment will be expensed on a per unit basis at a rate of 10% of sales as the Company produces and sells DeepCell trademarked product.

#### **19. 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\$1,308,650) 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, 2019. The assets of the JV are held entirely in prepayments as at June 30, 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 June 30, 2019 (2018 - \$nil).

#### **20. 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 licence holder. The partnership with the retail licence 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 rent at potential retail locations.

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 repayable in five years.

The Company recognized an expected credit loss of \$300,000 in the six months ended June 30, 2019 for amounts paid to a potential partner on behalf of RetailGo. Using IFRS 9, Management has assessed this

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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 licence 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.

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

#### 21. SUPPLEMENTAL CASH FLOWS

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

	2019	2018
	\$	\$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Taxes receivable	216,791	(153,565)
Accounts receivable	(225,632)	-
Biological assets	(156,190)	-
Inventory	(511,093)	(245,820)
Prepaid expenses and deposits	900,705	(333,129)
Royalty investment	(96,768)	-
Right of use assets	(14,660)	-
Long term prepaid	(422,178)	(2,011,585)
Accounts payable and accrued liabilities	290,132	444,328
Lease liability	8,054	-
	<b>(10,839)</b>	<b>(2,299,771)</b>
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Investment in associate	(1)	-
Prepaid expenses and deposits	(525,882)	(312,786)
Accounts payable and accrued liabilities	(763,804)	(249,347)
Promissory note	(1)	-
	<b>(1,289,688)</b>	<b>(562,133)</b>
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Accounts payable and accrued liabilities, related to share issuance costs	-	4,500
Accounts payable and accrued liabilities, related to transaction costs	-	26,063
	-	<b>30,563</b>

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#### **22. SEGMENTED INFORMATION**

The Company operates in one segment being the licenced production and processing of cannabis. All fixed assets, assets in process and intangible assets are located in Canada.

#### **23. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash and cash equivalents, investments, promissory note, accounts payable and accrued liabilities and convertible debentures. 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 June 30, 2019, the Company held cash denominated in U.S. dollars of US\$130 (US\$17,594 - December 31, 2018). 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, accrued liabilities, lease liabilities and convertible debentures are due within one year of the end of the reporting periods. As at June 30, 2019, the Company had sufficient resources to meet its outstanding obligations.

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

The Company's cash and cash equivalents are 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 and cash equivalents 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 \$1,308,650 with an expected credit loss of \$26,726 as of June 30, 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 June 30, 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.



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#### (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.

#### 24. FAIR VALUE MEASUREMENTS

As at June 30, 2019, the Company's cash and cash equivalents balance of \$3,875,924 (December 31, 2018 - \$19,565,606) and the Company's investment in RetailGo are the only assets recorded at fair value. Cash and cash equivalents are 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 June 30, 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 cash equivalents are a Level 1 and the investment in RetailGo is Level 3. 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

	June 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	3,875,924	-	-	19,565,606	-	-
Investment in RetailGo	-	-	1	-	-	-
Total	3,875,924	-	1	19,565,606	-	-

#### 25. CAPITAL MANAGEMENT

As at June 30, 2019, the Company's capital consisted of \$4,769,688 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 its production facility in London, Ontario and to ramp up production and sales at the facility, as well as to cover general operating expenditures and sustain future development of

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the business. The Company achieves its objectives by allocating capital in accordance with management's strategies and periodically raising capital from through debt or equity.

#### 26. COMMITMENTS

The Company has contractual obligations for leased office and storage space under leases with terms of less than one 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.

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

	< 1 Year	1 to 5 Years	> 5 Years	Total
	\$	\$	\$	\$
Minimum lease payments	43,203	-	-	<b>43,203</b>
Other commitments	1,779,189	117,407	-	<b>1,896,596</b>
<b>Total</b>	<b>1,822,392</b>	<b>117,407</b>	-	<b>1,939,799</b>

Subsequent to period end, the Company entered into commitments totalling \$562,891. These commitments are comprised of consulting services, facility equipment, production supplies and facility maintenance services.

#### 27. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the 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 12.53% of the outstanding shares of the Company as at June 30, 2019 (December 31, 2018 – 18.05%).

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term key management personnel compensation	<b>173,750</b>	210,000	<b>396,300</b>	373,169
Share-based payments	<b>41,148</b>	153,012	<b>114,401</b>	309,099
Termination payments	-	-	<b>480,000</b>	-

#### 28. 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 20 for further details. No other related-party transactions occurred in the six month period ended June 30, 2019. For the six month period ended June 30, 2018, the Company paid \$6,102 for legal services and \$1,500 in rent to a law firm owned by the former officer and director.

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(Unaudited, Expressed in Canadian dollars)

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**29. SUBSEQUENT EVENTS**

On July 24, 2019, the Company announced the signing of a letter of intent with the Société québécoise du cannabis ("SQDC") to distribute cannabis products in Quebec.

On August 7, 2019, the Company announced the signing of an agreement with TerrAscend to provide extraction and refinement services. TerrAscend has committed to delivering a minimum of 800 kg on an annual basis of dry flower for Indiva to process and return in bulk-formulated oil or distillate form.

**30. COMPARATIVE FIGURES**

Certain comparative amounts in these financial statements have been re-classified as a result of a change in presentation of certain expenses on a functional basis during the current year, as well as presentation between long and short term on the balance sheet of prepaid expenses and deposits. The Company notes no material changes have been made to any of these figures other than re-classification.