INDIVA LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following is a discussion and analysis of the financial condition and results of operations of Indiva Limited ("**Indiva**" or the "**Company**") for the three and six month periods ended June 30, 2018. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three and six month periods ended June 30, 2018 (the "**Financial Statements**").

All amounts in the MD&A are in Canadian dollars unless indicated otherwise. The Company's accounting policies are in accordance with IFRS.

The Company's continuous disclosure documents are available on SEDAR at www.sedar.com.

Indiva does not engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 dated February 8, 2012 (the "**CSA Notice**"). While the Company has partnered with U.S.-based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

The effective date of this MD&A is August 28, 2018.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect management's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to, risks and uncertainties related to:

- the Company's future operating and financial results;
- the competitive and business strategies of the Company;
- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business, continue operations, and/or pursue prospective opportunities;
- the development and licensing of the Indiva Facility (as defined herein);
- future production in respect of expansion at the Indiva Facility;
- expectations regarding production costs;

- competitive conditions of the cannabis industry;
- changes in the regulatory environment, including the introduction of new provincial and federal regulatory regimes relating to recreational cannabis;
- expansion into international markets;
- compliance with all applicable laws and regulations applicable to Indiva, both in Canada and internationally, including the CSA Notice (as defined herein); and
- compliance with TSXV policy, including the TSXV Bulletin (as defined herein).

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this Prospectus, including, but not limited to, the following material factors:

- failure to comply with the requirements of the Company's license to cultivate cannabis;
- failure to maintain the Company's license to cultivate cannabis;
- share price volatility;
- any adverse change or event impacting the Company's Indiva Facility;
- delays in the delivery or installation of equipment by suppliers;
- difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints;
- any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis;
- a bankruptcy, liquidation or reorganization of any of Indiva's subsidiaries;
- any delays in transporting the Company's product, breach of security or loss of product;
- increased competition, including increased competition as a result of the legalization of recreational cannabis;
- amendments to laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis, health and safety, privacy, the conduct of operations and the protection of the environment;
- loss of key personnel;

- the failure of the Company to effectively manage growth;
- failure to comply with all applicable laws and regulations applicable to Indiva, both in Canada and internationally, including the CSA Notice; and
- failure to comply with TSXV policy, including the TSXV Bulletin.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Consequently, all forward-looking statements made in this MD&A and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

OVERVIEW

Indiva's Business

Indiva is a Canadian producer of medical cannabis servicing the medical market and preparing, subject to regulatory approval, to serve the new Canadian recreational cannabis markets. The Company is based in London, Ontario, Canada and its common shares (the "**Common Shares**") are listed on the TSXV under the symbol "NDVA". Indiva, through Amalco (as defined below) is the indirect parent of its wholly owned operating subsidiary, Indiva Inc. ("**Indiva LP**"). Indiva LP is a Licensed Producer, as such term is defined in the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**").

The Company's business, conducted through its wholly owned subsidiary Indiva LP, is the production of medical cannabis and cannabis-based products at its facility located in London, Ontario (the "**Indiva Facility**"). Indiva's business objective is to produce cannabis products, including dried flowers, oils and, if and when the law permits, edible products.

On July 14, 2017, Indiva LP received its cultivation license (the "**License**") at the London Facility and became a Licensed Producer of medical cannabis under the ACMPR. Cannabis production commenced at the London Facility on September 12, 2017.

On August 10, 2018 Indiva received an amendment to its License to sell medical cannabis (a "**Sales Amendment**") from Health Canada. Indiva, through Indiva LP, expects to commence selling its cannabis products to medical clients and, when permitted by law, to consumers in the recreational market. While Indiva does not currently have plans to sell medical cannabis to other Licensed Producers, it may do so in the future, depending on market demand, regulatory approvals, and other variables.

The Indiva Facility is a production, processing and distribution facility. At the Indiva Facility, cannabis is produced in individually segregated and highly controlled grow rooms. Indiva's approach to production is

to bring together modern agriculture technologies, genetic materials, and tested growing practices to produce cannabis in an environmentally sustainable manner.

The Indiva Facility is currently comprised of offices and approximately 8,000 square feet of cannabis production and processing space. Indiva has commenced planning and construction of the expansion of the Indiva Facility to approximately 40,000 square feet, which would add approximately 21,000 square feet of cannabis production and processing space for a planned total cannabis production space of approximately 29,000 square feet. Management believes that the Indiva Facility has sufficient power and water to support its expanded production operations.

The expansion of the Indiva Facility is subject to regulatory approval by Health Canada. In order to amend its current License to cover the expanded area of the Indiva Facility the Company will be required to complete construction of the expanded area prior to applying for the amendment to its License. Upon completion of construction, Indiva LP will apply to amend its License. The Company has allocated $13,750,000 to fund such construction (as described below). Subject to regulatory approval, Indiva's management believes construction of the expanded space will be completed, and the amended License will be obtained in the first half of 2019.

All of Indiva’s assets and operations are located in Canada.

No off balance sheet arrangements exist.

Indiva's management team includes individuals with experience in medical cannabis production, finance, corporate and business development, branding and advertising, regulatory and quality assurance and cannabis client care, sales and distribution.

SHARE CAPITAL

Indiva is authorized to issue an unlimited number of common shares. As at June 30, 2018, a total of 80,991,228 common shares were issued and outstanding.

OVERVIEW OF OPERATIONS

During the six months ended June 30, 2018, Indiva LP applied for its Sales Amendment and received the Sales Amendment from Health Canada on August 10, 2018.

Bought Deal Prospectus Offering

On February 13, 2018, the Company completed a "bought deal" short form prospectus offering (the "**Prospectus Offering**") of units ("**Units**") of the Company, which included the exercise of the over-allotment option (the "**Over-Allotment Option**") granted to the Underwriters (defined below) in full.

In connection with closing of the Prospectus Offering, 14,238,150 Units were sold at a price of $1.05 per Unit (the "**Issue Price**") for aggregate gross proceeds of $14,950,058. The Company incurred share issuance costs of $1,441,821 for net proceeds of $13,508,237. In addition, non-cash share issuance costs of $657,802 were incurred as a result of the issuance of finders’ units on the equity transaction. The Prospectus Offering was completed by a syndicate of underwriters including Eight Capital, as sole bookrunner and lead underwriter, and PI Financial Corp. (the "**Underwriters**"). Each Unit was comprised of one Common Share and one Common Share purchase warrant (a "**Warrant**"). Each Warrant entitles

the holder thereof to purchase one Common Share at an exercise price of $1.30 until 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 may, upon providing written notice to the holders of Warrants within 10 days of the occurrence of such event, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.

As consideration for their services, the Underwriters received a cash commission equal to 7% of the gross proceeds of the Prospectus Offering. As additional consideration, the Company issued a total of 996,670 compensation options to the Underwriters. Each compensation option is exercisable into one Unit at the Issue Price until February 13, 2020.

The allocation of the net proceeds of the Prospectus Offering, reflecting the Over-Allotment Option, is as follows:

Use of Proceeds	Amount
Proposed capacity expansion – second site	$4,000,000
Proposed intellectual property and genetics acquisitions	
• Genetics	$1,500,000
• Intellectual Property	$2,500,000
General working capital[(1)]	$5,508,237
Total	**$13,508,237**

Notes

(1) Represents a variance of $5,466 from the disclosure provided in the Management Discussion and Analysis for the year ended December 31, 2017 of the Company dated April 30, 2018. The variance is a result of minor incremental share issuance expenses incurred related to this transaction.

Bhang Corporation Joint Venture

On April 19, 2018, Indiva announced a joint venture with Bhang Corporation ("**Bhang**"), an award-winning licensor of cannabis and CBD edibles and concentrates. This agreement provides Indiva with exclusive rights to manufacture and sell Bhang products in Canada as well as the right to export those products internationally (the "**Bhang JV**"). As part of the Bhang JV agreement, the Company has committed to investing US$5 million into cannabis processing equipment. This joint venture received approval from the TSX Venture Exchange on June 14, 2018. Indiva has prepaid USD $1 million to Bhang for future services to be rendered.

The Company no longer expects to complete an equity investment in Bhang until such time as applicable regulatory approvals for such investment are obtained.

DeepCell Investment

On April 26, 2018, Indiva announced an exclusive license agreement with DeepCell Industries ("**DeepCell**"), a Seattle-based technology development company focusing on material science, microfluidics and cannabinoid molecule discoveries. Pursuant to the license agreement, Indiva acquired exclusive rights in Canada to manufacture and sell DeepCell's complete line of products in exchange for payment of future royalties. Conditional approval for the transaction was obtained from the TSX Venture

Exchange on June 6, 2018. Indiva has prepaid USD $1.5 million to DeepCell for future services to be rendered.

The Company no longer expects to complete an equity investment in DeepCell until such time as applicable regulatory approvals are obtained.

CSE Listing

At its annual general and special meeting of shareholders, held on July 24, 2018, the Company obtained shareholder approval of the voluntary delisting of the Corporation's listed securities from the TSX Venture Exchange and the listing of such securities on the Canadian Securities Exchange (the "CSE"). The Company intends to pursue the CSE listing in due course.

Import License

On July 19, 2018, the Company announced that it had obtained a permit by Health Canada to import high CBD, low THC cannabis strains from Medropharm GmbH and Greenfields Health Care S.A. in Switzerland.

2017

During the year ended December 31, 2017, Indiva's management finished the construction of Phase 1 of its London Facility, brand development and financing initiatives. In addition, Indiva LP obtained its License under Canada's ACMPR from Health Canada on July 14, 2017 and commenced its first harvest as the first step towards obtaining a Sales Amendment.

Reverse Takeover and Concurrent Debt and Equity Financings

Indiva, 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 15, 2017, the Company announced it had completed the acquisition of 100% of the issued and outstanding securities of Indiva Corporation ("**Indiva PrivateCo**") by way of a "three-cornered" statutory amalgamation of Indiva PrivateCo and a wholly-owned subsidiary of the Company in connection with a reverse takeover and change of business transaction on the TSXV (the "**RTO**"). The amalgamated entity, Indiva Amalco Ltd. ("**Amalco**"), wholly owns Indiva LP and Vieva Canada Limited. The effective date of the RTO was December 13, 2017.

On December 15, 2017, the Company announced that it had closed the RTO, pursuant to which the Company acquired 100% of the issued and outstanding securities of Indiva PrivateCo by way of a "three-cornered" statutory amalgamation in consideration for the issuance of 43,540,000 Common Shares to the shareholders of Indiva PrivateCo at an ascribed price of $0.75 per Common Share after giving effect to the Consolidation (as defined below), with a deemed value of $32,655,000.

Immediately prior to the closing of the RTO, the Company (i) completed a consolidation of its common shares (the "**Consolidation**") on the basis of 10.878 pre-Consolidation common shares to one (1) post-Consolidation Common Share, (ii) changed its name from "Rainmaker Resources Ltd." to "Indiva Limited", and (iii) continued under the *Business Corporations Act* (Ontario) in the Province of Ontario.

Prior to and in connection with the RTO, the Company completed the issuance of an aggregate of 16,073,085 subscription receipts (the "**Subscription Receipts**") at a price of $0.75 per Subscription Receipt in three tranches (on August 28, 2017, November 2, 2017 and December 6, 2017) for aggregate gross proceeds of $12,054,813.75 (the "**Subscription Receipt Offering**").

On completion of the RTO, the net proceeds of the Subscription Receipt Offering were released to the Company from escrow and each Subscription Receipt was exchanged, without any further action by the holder thereof and for no additional consideration, for one unit (a "**Subscription Receipt Unit**") of the Company. Each Subscription Receipt Unit consisted of one Common Share and one-half of one Common Share purchase warrant (each whole warrant, a "**Subscription Receipt Warrant**"). Each Subscription Receipt Warrant entitles the holder thereof to acquire one Common Share (a "**Subscription Receipt Warrant Share**") for an exercise price of $0.90 per Subscription Receipt Warrant Share until December 13, 2019.

Transaction costs of 7% of the gross proceeds of the Subscription Receipt Offering were paid in cash. In connection with the Subscription Receipt Offering, the Company issued 845,113 broker warrants (the "**Subscription Receipt Broker Warrants**"). Each Subscription Receipt Broker Warrant is exercisable into one Common Share at an exercise price of $0.75 per Subscription Receipt Broker Warrant, expiring December 13, 2019.

The Subscription Receipt Offering was completed concurrently with the offering in tranches (the "**Convertible Debenture Financing**") of 10% senior convertible debentures ("**Convertible Debentures**") of Indiva PrivateCo at a price of $1,000 per Convertible Debenture for aggregate gross proceeds of $11,000,000. The Convertible Debentures mature on December 13, 2019 (the "**Maturity Date**"). The Convertible Debentures will bear interest at a rate of 10.0% per annum, commencing on December 13, 2017, and will be payable in cash semi-annually in arrears on June 30 and December 31 in each year.

The principal amount of the Convertible Debentures and, subject to the approval of the TSXV, any unpaid and accrued interest thereon, are convertible, at the option of the holder, into Common Shares at any time prior to the close of business on the last business day immediately preceding the Maturity Date at a conversion price equal to $0.75 per Common Share (the "**Conversion Price**"), subject to adjustment in certain events. The Company is permitted to force conversion of the Convertible Debentures if the 10-day volume weighted average trading price (the "**VWAP**") of the Common Shares is equal to or greater than $1.32 per Common Share, which is 175% of the Conversion Price, provided that a minimum of 100,000 Common Shares have traded in each day of such 10-day trading period.

Transaction costs of 7% of the gross proceeds of the convertible debentures were payable in cash. In connection with the Convertible Debenture Financing, the Company issued 1,024,000 broker warrants (the "**Convertible Debenture Financing Broker Warrants**"). Each Convertible Debenture Financing Broker Warrant is exercisable into one Common Share at an exercise price of $0.75 per Convertible Debenture Financing Broker Warrant, expiring December 13, 2019.

The purpose of both the Subscription Receipt Offering and Convertible Debenture Financing was to raise sufficient capital to allow the Company to continue its goal of expanding the London Facility and sustaining operations until such a time that its Sales Amendment is obtained.

Planned expansion at the Indiva Facility is fully funded from the proceeds of the Subscription Receipt Offering and the Convertible Debenture Offering. Upon completion of the RTO and Subscription Receipt Offering and Convertible Debenture Offering, the Company had $23,725,386 available to it, and allocated such amount as follows:

Available Funds	Original Amount	Adjusted Amount	Variance
Expansion of Indiva Facility	$10,550,000	$13,750,000[(2)]	$3,200,000
General, administrative and operating expenditures, net of anticipated revenues	$4,795,953	$4,795,953	-
General working capital[(1)]	$8,379,433	$5,179,433	($3,200,000)
Total	$23,725,386	$23,725,386	-

Notes

(1) Represents a variance of $7,173,026 from the disclosure provided in the Filing Statement (as defined herein). The variance is a result of additional funds raised in the second tranche of the Convertible Debenture Offering and the third tranche of the Subscription Receipt Offering.

(2) Represents an additional $3,200,000 allocated to the facility expansion for additional equipment purchases due to the decision to move to aeroponic tubs rather than growing in soil.

As described above, the Company has allocated $13,750,000 to fund expansion of the Indiva Facility. For the six months ended June 30, 2018, the Company incurred expenditures of $388,296 (year ended December 31, 2017 - $102,483) on the London facility expansion.

Indiva PrivateCo Offerings

In early 2017, Indiva PrivateCo completed non-brokered private placements that resulted in the issuance of 2,462 common shares of Indiva PrivateCo at a price of $1,280 per share (post-split equivalent to 9,848,000 Common Shares at $0.32 per Common Share) for gross proceeds of $3,151,360.

On June 15, 2017, Indiva PrivateCo completed a non-brokered private placement with one investor, issuing a $2,100,000 unsecured convertible debenture, with no coupon, which converted into Common Shares upon closing of the RTO at $0.75.

2016

In 2016, Indiva PrivateCo's management focused on construction, brand development and financing activities. By the end of December, 2016, approximately 50% of the Phase 1 retrofit of the London Facility had been completed. Regarding the brand development, in 2016 Indiva PrivateCo settled on a brand name, logo, primary and secondary product package designs and commenced developing its corporate website.

Indiva PrivateCo launched a non-brokered private placement financing in late 2015, holding "rolling" closings, which continued throughout 2016. By December 31, 2016, Indiva PrivateCo had raised $3,484,160 and issued 2,722 common shares (pre-stock split) at a price of $1,280 per share (pre-stock split) .

On November 29, 2016, Indiva PrivateCo completed a private placement for gross proceeds of $768,000 from the sale of a secured debenture with a 12% coupon (the "**MIL Debenture"**). The MIL Debenture was convertible into common shares of Indiva PrivateCo at a rate of $1,280 per share (pre-stock split) at any time and matured December 31, 2017. The coupon was payable on a monthly basis, however the holder of the MIL Debenture could elect to receive the equivalent value in shares at a rate of $1,280 per share (pre-stock split) rather than in cash. 100% of the MIL Debenture was converted to Common Shares of the Company at a ratio of 4,000 Common Shares to 1 Indiva PrivateCo common share (4,000:1) ratio

concurrent with closing of the RTO financing in December 2017.

INDUSTRY TRENDS

Summary of the ACMPR

The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the "**MMPR**") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The replacement regulations were implemented as a result of the ruling by the Federal Court of Canada in the case of *Allard v Canada* which found the MMPR unconstitutional in violation of the plaintiffs' rights under Section 7 of the *Canadian Charter of Rights and Freedoms* due to the restrictions placed on a patient's ability to reasonably access medical cannabis.

The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the *Controlled Drugs and Substances Act* into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;
b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
c) they can designate someone else to produce it for them.

With respect to (b) and (c), starting materials, such as plants or seeds, must be obtained from Licensed Producers.

Reporting Obligations under ACMPR

The ACMPR imposes certain reporting requirements on Licensed Producers such as Indiva LP, including the requirement to keep records regarding, among other things, activities with cannabis, including all transactions (sale, exportation and importation), all fresh or dried cannabis or cannabis oils returned from patients, and an inventory of cannabis. Records, including communications regarding reports for healthcare licensing authorities (both sent and received) must be kept for at least two years in an easily auditable format and be made available to Health Canada upon request.

If there are any serious adverse reactions to fresh or dried cannabis or cannabis oil, Licensed Producers must also provide a case report to Health Canada within 15 days of a Licensed Producer becoming aware of such reaction. Licensed Producers are also required to prepare, on an annual basis, and maintain a summary report that contains a concise and critical analysis of all adverse reactions to have occurred during the previous 12 months, and such serious adverse reactions reports must be retained by the Licensed Producer for 25 years after the day on which they were made.

Recent Regulatory Developments in Canada

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the "**Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "**Cannabis Act**"), which proposes to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed the Cannabis Act, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 19, 2018, the Canadian Senate passed the Cannabis Act, which was given Royal Assent on June 20, 2018. The bill will come into effect on October 17, 2018, legalizing recreational use of cannabis nationwide.

On September 8, 2017, the Ontario government announced its proposed retail and distribution model of legalized recreational cannabis via the Ontario Cannabis Store ("**OCS**") to be modelled on the current Liquor Control Board of Ontario ("**LCBO**") framework.

On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of recreational cannabis by the federal government's October 17, 2018 legalization deadline.

The *Cannabis Act, 2017* (Ontario) will, among other matters:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers will be able to legally purchase recreational cannabis;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and
- ban the use of cannabis in public places, workplaces and motor vehicles, as is the case with alcohol.

Other details of Ontario's approach will be set out in regulations to the *Cannabis Act, 2017* (Ontario) developed over winter 2018 for public comment.

To date, the provinces of Ontario, New Brunswick, Quebec, PEI and Nova Scotia have announced that their provincial liquor control agencies will oversee the distribution and retail on non-medicinal cannabis. The provinces of Manitoba, Newfoundland & Labrador, Saskatchewan, Alberta, British Columbia and the Yukon Territory have announced that the provincial liquor control agency will be responsible for distribution and oversee the private retail of non-medicinal cannabis. On November 21, 2017, Health Canada released a consultation paper entitled "Proposed Approach to the Regulation of Cannabis" (the "**Proposed Regulations**"). Recognizing the federal government's commitment to bringing the Cannabis Act into force no later than the summer of 2018, the Proposed Regulations, among other things, seek to solicit public input and views on the appropriate regulatory approach to a recreational cannabis market by building upon established regulatory requirements that are currently in place for medical cannabis.

Interested stakeholders were invited to share their views on the Proposed Regulations until January 20, 2018. At the end of this 60-day consultation period, Health Canada published a summary of the comments

received. The summary provided further detail regarding the manner in which the Proposed Regulations may be implemented. In particular, the summary provided guidance on the various licenses available under the Proposed Regulations, and advertising and branding restrictions.

The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Licenses, Permits and Authorizations

The Proposed Regulations would establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and non- medical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Proposed Regulations is to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be.

The Proposed Regulations provide that all licenses issued under the Cannabis Act would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Proposed Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Security Clearances

It is proposed that select personnel (including individuals occupying a "key position", directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licenses issued under the Cannabis Act would be obliged to hold a valid security clearance issued by the Minister of Health. The Proposed Regulations would enable the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an

association with, drug trafficking, corruption or violent offences. This is the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes.

Health Canada acknowledges in the Proposed Regulations that there are individuals who may have histories of non- violent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis. Part of the purpose of the Proposed Regulations is to solicit feedback from interested parties on the degree to which such individuals should be permitted to participate in the legal cannabis industry.

Cannabis Tracking System

As currently proposed under the Cannabis Act, the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Proposed Regulations would provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Cannabis Products

The Proposed Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. It is proposed that the sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) would only be permitted within one year following the coming into force of the Cannabis Act.

The Proposed Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Proposed Regulations include "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling

The Proposed Regulations would set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements would promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Proposed Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging, and products would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

Cannabis for Medical Purposes

The proposed medical access regulatory framework would remain substantively the same as currently exists under the ACMPR, with proposed adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Health Products and Cosmetics Containing Cannabis

Health Canada is proposing a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Proposed Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, is proposed to be permitted and subject to provisions of the *Cannabis Act* (Canada).

On August 13, 2018, the Ontario provincial government announced it intended to introduce legislation that, if passed, would introduce private retail model for cannabis that would launch by April 1, 2019.

CORPORATE POSITION ON CONDUCTING BUSINESS IN THE UNITED STATES AND OTHER INTERNATIONAL JURISDICTIONS WHERE CANNABIS IS FEDERALLY-ILLEGAL

Indiva does not engage in any U.S. marijuana-related activities as defined in the CSA Notice. While the Company has, subject to TSXV approval, partnered with U.S.-based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

Indiva will only conduct business activities related to growing or processing cannabis, in jurisdictions where it is federally legal to do so. Indiva believes that conducting activities which are federally-illegal, or investing in companies which do, puts the company at risk of prosecution, puts at risk its ability to operate freely, and potentially could jeopardize its listing on major exchanges now and in the future, limiting access to capital from large and reputable global funds.

Recent Regulatory Developments in United States

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the ACMPR, in the United States, cannabis is largely regulated at the state level. To the Company's knowledge, as at June 30, 2018 there are to date a total of 30 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form, and 9 states and the District of Columbia have legalized recreational cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the *Controlled Substances Act* and as such, violates federal law in the United States. As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation.

The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the ''**Cole Memorandum**'') addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at

the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memo**") that rescinded the Cole Memorandum. The Sessions Memo rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that already in place. Those principals are included in chapter 9.27.000 of the U.S. Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

The result of the rescission of the Cole Memorandum is that federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions; however, discretion is still given to the federal prosecutor to weigh all relevant considerations of the crime, including the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community. No direction was given to federal prosecutors as to the priority they should ascribe to such activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities.

For the reasons set forth above, the Company's proposed investments in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Subsequent to June 30, 2018, further liberalization of cannabis occurred as follows: (i) recreational cannabis was legalized in Vermont on July 1, 2018; (ii) the lawmakers of Maine overrode their state Governor's veto on medical marijuana on July 10, 2018; and (iii) medical cannabis was legalized in Oklahoma on July 26, 2016.

TSXV Policy Regarding Business Activities Related to Marijuana In the United States

On October 16, 2017, the TSXV released a bulletin entitled "*Business Activities Related to Marijuana in the United States*" (the "**TSXV Bulletin**"). Pursuant to the TSXV Bulletin, the TSXV indicated that it considers marijuana-related activities in the United States to be a violation of TSXV policy due to the U.S. federal prohibition on marijuana. Specifically, issuers with ongoing business activities that violate U.S. federal law

regarding cannabis are not in compliance with the TSXV's Listing Requirements (the "**Requirements**"). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the Requirements, the TSX has the discretion to initiate a delisting review.

For the reasons set forth above, while the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities, such transactions remain subject to TSXV approval, and should they be approved, it is possible that the Company's proposed investments in the United States may become the subject of heightened scrutiny by the TSXV. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

SELECTED FINANCIAL INFORMATION

RESULTS OF OPERATIONS

Summary of Cash Flows for the six months ended June 30, 2018 and June 30, 2017.

(in thousands of $)	**2018**	**2017**
Cash flows used in operating activities	($5,375.8)	($679.9)
Cash flows used in investing activities	($1,858.6)	($2,489.1)
Cash flows provided by financing activities	$13,181.7	$4,952.9
Cash, end of period	$27,251.3	$2,053.8

Summary of Q2 Results

	Three months ended June 30	
	2018	2017
	$	$
Expenses		
Salaries	**523,613**	149,648
Stock-based compensation	**216,286**	-
Marketing and branding	**209,732**	59,364
Accretion of debenture discount	**188,945**	21,018
Interest and bank charges, net	**166,538**	(1,335)
Consulting fees	**115,932**	83,573
Rental	**112,630**	57,178
Professional fees	**105,162**	7,900
Investor Relations	**102,272**	-
Travel	**87,804**	17,902
Production costs	**56,130**	12,456
Utilities	**37,402**	14,453
Office	**23,962**	11,372
Telecommunications and IT	**17,147**	2,324
Meals and entertainment	**13,539**	3,586
Insurance	**9,952**	23,640
Facility costs	**5,106**	5,710
Agent fees	**2,790**	4,129
Write off of employee advance	**-**	50,000
Repairs and maintenance	**(5,289)**	105,818
Realized exchange gain	**(32,021)**	-
Amortization	**99,844**	10,743
Loss on disposal of equipment	**5,189**	608
Total expenses	**2,062,665**	640,087
Net Loss	**(2,062,665)**	
Gain on investment	**5,555**	-
Unrealized exchange loss	**(15,321)**	-
Transaction costs on derivative financial instrument	**-**	162,252
Total comprehensive loss	**(2,072,431)**	(802,339)

Salaries for Q2 2018 as compared to Q2 2017 increased by $373,965 as a result of several additional hires as the business has grown. Compared to the same period ended in 2017, the Company has hired 4 additional executives, 4 in production, 2 in Quality Assurance, 5 in Marketing, and 5 in Finance. Stock-based compensation of $216,286 was recorded in Q2 2018 while no stock-based compensation plan existed in the comparable quarter in 2017.

Interest and accretion expenses of $166,538 and $188,945 were incurred on the Convertible Debentures during Q2 2018 compared to $(1,335) and $21,018 in Q2 2017 on the MIL Debenture. This increase in each is due to the Convertible Debentures' principal balance outstanding being $6.65 million during Q2 2018 as opposed to $768,000 in Q2 2017, and the fact that the MIL Debenture interest in Q2 2017 was capitalized as part of the facility construction financing.

Marketing and branding increased by $150,368 in Q2 2018 compared to Q2 2017 as the Company continued to develop its brand. This involved significant work undertaken by external consultants for the

rebranding, as well as website and SEO consulting fees. Indiva representatives were present at 3 major trade conferences in the quarter, incurring conference fees of $48,950 also further increasing the marketing expense relative to the comparative quarter in 2017.

Investor relations costs of $102,272 were incurred in Q2 2018, while there were no comparable expenses in Q2 2017 as the company was still private and closely held.

Professional fees increased to $105,162 in Q2 2018 compared to $7,900 in Q2 2017 largely due to additional accounting fees incurred for the prior year audit and the accrual for the review of Q2 2018 financial statements. Comparative period accounting fees were substantially less as the Company was not yet public and had much smaller and less complex operations. In addition, an increase in legal fees due to an increased volume of general corporate legal work and work related to the Bhang and DeepCell arrangements.

Q2 2018 saw significant increases in production supplies and expenses and utilities relative to Q2 2017, increases of $43,674 and $22,949 respectively. These higher costs are a result of production beginning at the facility subsequent to the Company's receipt of its Cultivation License from Health Canada.

These incremental costs in Q2 2018 are offset by $162,252 in Transaction Costs incurred in Q2 2017 related to the convertible debenture issued in June 2017 while no similar transaction occurred in the comparative period in 2018.

The remainder of the differences largely resulted from the increased scale of the business and change from construction of the facility to cultivation of medical marijuana.

Summary of Year to Date Results

	Six months ended June 30	
	2018	2017
	$	$
Expenses		
Salaries	**981,160**	347,338
Stock-based compensation	**488,310**	-
Accretion of debenture discount	**428,720**	40,781
Interest and bank charges, net	**362,120**	(535)
Marketing and branding	**360,544**	137,422
Consulting fees	**230,000**	142,798
Rental	**201,096**	109,320
Professional fees	**197,957**	14,448
Production costs	**171,416**	13,536
Travel	**168,454**	26,837
Investor Relations	**161,356**	-
Utilities	**78,453**	24,383
Office	**40,554**	14,882
Telecommunications and IT	**33,221**	4,064
Meals and entertainment	**20,462**	5,932
Facility costs	**16,110**	5,710
Insurance	**16,057**	27,562
Agent fees	**16,015**	4,129
Write off of employee advance	**-**	50,000
Realized exchange gain	**(33,256)**	-
Repairs and maintenance	**(19,857)**	110,318
Amortization	**192,634**	19,560
Loss on disposal of equipment	**5,189**	608
Total expenses	**4,116,715**	1,099,093
Net loss before taxes	**(4,116,715)**	(1,099,093)
Deferred tax recovery	**37,362**	-
Net Loss	**(4,079,353)**	(1,099,093)
Gain on investment	**(21,944)**	-
Unrealized exchange loss	**(15,321)**	-
Transaction costs on derivative financial instrument	**-**	162,252
Total comprehensive loss	**(4,116,618)**	(1,261,345)

Salaries for YTD 2018 as compared to YTD 2017 increased by $633,822 as a result of a significant number of additional hires as the business has grown. Compared to the same period ended in 2017, the Company has hired 4 additional executives, 4 in production, 2 in Quality Assurance, 5 in Marketing, and 5 in Finance. Stock-based compensation of $488,310 was recorded YTD 2018 while no stock-based compensation plan existed in the comparable period in 2017.

Interest and accretion expenses of $362,120 and $428,720 were incurred on the Convertible Debentures during the six months ended June 30, 2018 compared to $(535) and $40,781 in the six months ended June 30, 2017 on the MIL Debenture. This increase in each is due to the Convertible Debentures' principal balance outstanding being between $11 million and $6.65 million during 2018 as opposed to $768,000 in

2017, and the fact that the MIL Debenture interest in 2017 was capitalized as part of the facility construction financing.

Marketing and branding increased by $223,122 in the six months ended June 30, 2018 compared to 2017 as the Company continued to develop its brand. This involved significant work undertaken by external consultants for the rebranding, as well as website and SEO consulting fees. Indiva representatives were present at 5 major trade conferences year to date, incurring conference fees of $57,858 also further driving up the marketing expense relative to the comparative period in 2017.

Investor relations costs of $161,356 were incurred in the six months ended June 30, 2018, while there were no comparable expenses in Q2 2017 as the company was still private and closely held.

Professional fees increased to $197,957 in the six months ended June 30, 2018 compared to $14,448 in the comparative period in 2017 largely due to additional accounting fees incurred for the year end audit and to the increased cost of quarterly reviews of financial statements due to the businesses increasing complexity and being publicly traded in 2018. In addition, there has been a considerable increase in legal fees due to an increased volume of general corporate legal work and work related to the Bhang and DeepCell arrangements.

YTD 2018 saw significant increases in production supplies and expenses and utilities relative to the comparative period in 2017, increases of $157,880 and $54,070 respectively. These higher costs are a result of production beginning at the facility subsequent to the Company's receipt of its Cultivation License from Health Canada under the ACMPR regulations.

Consulting fees for the 6 months ended June 30, 2018 are $87,202 higher than the same period in 2017, this has been driven by consulting fees for advisory work, as well as marketing, ERP and HR consultants.

These incremental costs in the six months ended June 30, 2018 are offset by $162,252 in Transaction Costs incurred in the comparative period in 2017 related to the convertible debenture issued in June 2017 while no similar transaction occurred in the comparative period in 2018.

The remainder of the differences largely resulted from the increased scale of the business and change from construction of the facility to cultivation of medical marijuana.

SUMMARY OF QUARTERLY RESULTS

The following tables sets out selected quarterly information for the last 8 completed fiscal quarters of the Company (in thousands of $):

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net sales/revenue	nil	nil	nil	nil	nil	nil	nil	nil
Comprehensive net income (loss)	(2,072.4)	(2,044.2)	(2,655.2)	(640.7)	(802.3)	(459.0)	(386.2)	(305.6)
Basic and diluted loss per share	(0.03)	(0.03)	(0.07)	(0.02)	(0.02)	(0.01)	(0.02)	(0.01)

In Q1 2018, the Company experienced increased costs as a result of interest and accretion on its convertible debentures outstanding, costs related to having listed on the TSXV late in Q4 2017, as well as increased staffing costs as the Company grew in anticipation of receiving its Sales Amendment. Q2 2018 continues to see consistent losses largely due to interest and accretion on convertible debentures, and increased staffing costs.

In Q1 and Q2 of 2017, the Company was primarily engaged in the construction and set up of the production facility resulting in capital expenditure. Q2 saw an increase in comprehensive net loss caused by transaction costs of $162,252 on issuance of a convertible debenture. In Q3, the Company was granted its Health Canada cultivation license and began preliminary production while staffing levels remained relatively consistent with prior quarters. In Q4, staffing levels increased significantly, and bonuses were paid to key executive staff resulting in an increase in payroll of $242,733 from Q3. Transaction costs of $1,407,815 related to the Company's reverse takeover transaction also contributed significantly to the increase in comprehensive loss in Q4 relative to prior quarters and is not a recurring cost.

LIQUIDITY

The table below sets out the cash, short-term debt and working capital at June 30, 2018.

(in thousands of $)	As at June 30, 2018
Cash	$27,251.3
Account payables and accrued liabilities	$797.5
Working capital	$28,384.9

Management notes the working capital surplus is sufficient for plans to complete construction at the London Facility as well as to meet all expected operating costs beyond the next fiscal year.

DISCUSSION OF SELECTED FINANCIAL INFORMATION

Revenue

The Company did not have any revenue for the six months ended June 30, 2018 and June 30, 2017. During this period the Company continued to construct the London Facility and continued to work towards obtaining its Sales Amendment under the ACMPR from Health Canada which was subsequently received in Q3 2018.

Profit or Loss

Loss from continuing operations for the six months ended June 30, 2018 expanded to $4,079,353 or $0.05 per share on a basic and fully diluted basis versus a loss from continuing operations of $1,099,093 or $0.03 per share on a basic and fully diluted basis for the six months ended June 30, 2017 as a result of higher operating expenses with no realized revenue. Higher operating expenses reflect higher payroll expense, higher convertible debenture interest, increased marketing, investor relations and consulting fees as well as higher production and utility expenses as the Company expanded its workforce to complete construction of the London Facility and advance its ACMPR license application with Health Canada.

Loss from continuing operations for the three months ended June 30, 2018 expanded to $2,062,665 or $0.03 per share on a basic and fully diluted basis versus a loss from continuing operations of $640,087 or $0.02 per share on a basic and fully diluted basis for the three months ended June 30, 2017 as a result of higher operating expenses with no realized revenue. Higher operating expenses reflect higher payroll expense, higher convertible debenture interest, increased marketing, investor relations and consulting fees as well as higher production and utility expenses as the Company expanded its workforce to complete construction of the London Facility and advance its ACMPR license application with Health Canada.

Total Assets

Total assets increased to $38,270,134 as at June 30, 2018 compared to $27,548,595 as at December 31, 2017 primarily as a result of cash raised through the February 2018 Prospectus Offering.

Distributions or Cash Dividends

No distributions or dividends were made in the three or six month periods ended June 30, 2018 and June 30, 2017.

Costs

The Company did not have any recorded cost of goods sold for the three or six months ended June 30, 2018 as it only received its License early in Q3 2017 and commenced its first harvest late in the same quarter. With no ability to sell harvests until the Company receives its Sales Amendment, no costs of production have been classified as cost of goods sold. As at June 30, 2017, the Company had reached 100% completion of the planned retrofit of some 10,000 square feet at its London facility. The Company notified Health Canada in May 2017 of its readiness for physical inspection of the production facility with the goal of receiving its License. The Company received its License under the ACMPR on July 14, 2017.

Remaining total costs for Phase 2 and 3 of construction at the London Facility are estimated to be approximately $13,259,221 which will add another approximately 29,000 square feet to the production facility.

Cash

As at June 30, 2018, the Company had cash available of $27,251,286 compared to $21,303,886 at December 31, 2017.

As at June 30, 2018 the Company had Convertible Debentures outstanding in the amount of $5,257,919, with a principal balance of $6,650,000. The Convertible Debentures are unsecured and the Company has adequate capital to satisfy all obligated coupon payments and principal repayment.

The Company expects to have sufficient cash for the fiscal 2018 year to fund its working capital and capital expenditures.

Cash from Operating Activities

The Company consumed $5,375,753 (2017 - $679,885) in operating activities during the 6 months ended June 30, 2018, primarily due to operating expenses exceeding revenues offset by non-cash expenses

related to interest on the convertible debenture, stock-based compensation and amortization. Prepayments have increased by roughly $2,672,000 largely related to payments made DeepCell for services to be rendered and to the general contractor and equipment providers for work related to the expansion of the facility.

Cash from Investing Activities

The Company consumed $1,858,583 (2017 - $2,489,134) in investing activities during the 6 months ended June 30, 2018, primarily as a result of investment in the Bhang joint venture, construction activities and leasehold improvements at its London facility, including the purchase of equipment to be used in the cultivation process.

Cash from Financing Activities

The Company received $13,181,736 (2017 – $4,952,873) from financing activities during the 6 months ended June 30, 2018, as a result of the bought deal equity issuance in the gross amount of $14,950,058, offset by share issuance costs and interest paid on the convertible debenture.

The Company is reliant on cash flow from financing activities to complete construction of its London Facility, and to begin sales activities. In addition, the Company is reliant on certain key employees in order to achieve necessary licensing and complete cultivation activities successfully. The Company estimates that as at June 30, 2018, it will not require further financing to fully complete construction at its London Facility.

LIQUIDITY AND CAPITAL RESOURCES

On February 13, 2018, the Company completed the Prospectus Offering, selling a total of 14,238,150 Units at a price of $1.05 for total gross proceeds of $14,950,058 (net proceeds - $13,508,237), these funds will allow the Company to sustain continued growth as well as to meet all capital expenditure and operating expenses.

To date and for the foreseeable future, the Company expects to finance its operations through cash received from financing activities including the issuance of Common Shares until the point at which its operations are profitable and self-funding. The Company periodically evaluates the opportunity to raise additional funds through either the public or private placement of equity and/or debt capital to strengthen its financial position and to provide sufficient cash reserves for growth and development of the business. The Company's subsidiaries do not have any legal or practical restrictions on their ability to transfer funds to the Company. The Company is not in default or arrears, or at risk of such, on its lease payments or interest payments on debt.

As at June 30, 2018, the Company has signed a construction management contract for the remaining construction at the London Facility for phase 2 and 3 of construction and construction has commenced.

As at the date of this MD&A, the Company has sufficient working capital to fund its planned expansion of the London Facility over the next 12 months as well as fund its general operations, including interest payable on the Convertible Debentures, beyond that same period.

Management believes that with the recently approved Sales Amendment, sales will further fund the capital resources of the Company and provide further liquidity.

CONTRACTUAL OBLIGATIONS

The Company had the following contractual obligations at June 30, 2018:

	Payments Due by Period				
	< 1 Year	**1-3 Years**	**4-5 Years**	**> 5 Years**	**Total**
	$	$	$	$	$
Operating Leases	404,482	769,357	790,037	1,749,839	3,713,715
Purchase Obligations	1,545,406	-	-	-	1,545,406
Other Obligations	219,719	14,085	2,400	-	236,204
Total Contractual Obligations	**2,169,607**	**783,442**	**792,437**	**1,749,839**	**5,495,325**

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

SHARE CAPITAL

As at August 28, 2018, the Company had the following securities outstanding:

	Securities		**# of common shares convertible into**
	#	$	#
Common shares	80,991,228		NA
Options	4,523,315		4,523,315
Warrants	27,330,084		28,365,916
Convertible debentures		6,650,000	8,864,000

TRANSACTIONS WITH RELATED PARTIES

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

During the six month period ended June 30, 2018, the Company incurred $6,102 for legal services and $,1500 in rent for office space to a law firm owned by an executive of the Company (2017 - $3,186 and $Nil)

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

On November 29, 2016, the Company entered into an agreement to issue the MIL Debenture to a company controlled by a family member of the CEO. The MIL Debenture was fully converted into Common Shares of the Company upon completion of the RTO in accordance with its terms on December 13, 2017.

RISKS AND UNCERTAINTIES

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. Reference is made to the disclosure set out under the heading "Risks and Uncertainties" in the Company's Management's Discussion and Analysis dated as of April 30, 2018 (the "**Annual MD&A**").

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the accompanying financial statements relate to market interest rates, estimated useful lives and amortization of property, plant and equipment and intangible assets, fair value of options and warrants and fair value of financial liabilities designated at fair value through profit and loss. Actual results could differ from these estimates.

ADOPTION OF NEW ACCOUNTING POLICIES

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

(a) Financial Instruments

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

(b) Inventory

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

This policy was adopted for the period ended June 30 ,2018 and there was no impact on the condensed consolidated financial statements for the three and six months ended June 30, 2018 as this was the first period the Company held inventory.

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

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

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

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

This policy was adopted for the period ended June 30, 2018 and there was no impact on the condensed consolidated financial statements for the three and six months ended June 30, 2018 as this was the first period the Company had an investment in an equity accounted associate.

SUBSEQUENT EVENTS

Reference is made to the disclosure set out in the accompanying condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

APPROVAL

The directors of Indiva have approved the disclosures contained in this MD&A.