INDIVA LIMITED

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

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 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 nine month periods ended September 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 nine month periods ended September 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 November 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 MD&A, including, but not limited to, the following material factors:

- failure to comply with the requirements of the Company's licence to cultivate cannabis;
- failure to maintain the Company's licence 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 cannabis servicing the medical and, as of October 17, 2018, recreational 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**"). On July 14, 2017, Indiva LP became a Licensed Producer, as such term is defined in the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**"). Indiva subsequently transitioned its license to the Cannabis Act regime on November 12, 2018.

The Company's business, conducted through its wholly owned subsidiary Indiva LP, is the production of 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 licence 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 LP received an amendment to its cultivation licence to sell medical cannabis (a "**Sales Amendment**") from Health Canada. Indiva, through Indiva LP, plans to sell its cannabis products to medical clients and 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.

On October 17, 2018, the *Cannabis Act* (Canada) (the "**Cannabis Act**"), including the various regulations enabled thereunder, came into effect. One such set of regulations was the *Cannabis Regulations* (Canada) (the "**Cannabis Regulations**"). The Cannabis Act's enactment caused the creation of the Canadian recreational cannabis market.

On November 12, 2018, Indiva LP successfully migrated its licence granted under the ACMPR to the Health-Canada-operated Cannabis Tracking and Licensing System (the "**CTLS**"), as required under the Cannabis Act. Consequently, Indiva LP completed the conversion of its cultivation and sale licence granted under the ACMPR into the following licences under the Cannabis Act and Cannabis Regulations:

(a) A standard cultivation licence;

(b) A standard processing licence (for the purposes of packaging and labelling Indiva LP's produced cannabis products); and

(c) A sale licence for medical purposes

(collectively, the "**Licence**").

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. Early in 2018, Indiva LP 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 Licence 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 Licence. Upon completion of construction, Indiva LP will apply to amend its Licence. 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 Licence 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 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 September 30, 2018, a total of 83,036,228 Common Shares were issued and outstanding.

OVERVIEW OF OPERATIONS

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.

Import Licence

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.

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.

Retail Sales

On September 24th, 2018, the Company announced plans to open up to ten Indiva brand cannabis dispensaries in Ontario in 2019 with the intention of selling Indiva produced cannabis as well as cannabis from other LP's, as well as cannabis accessories. On November 5, 2018, the Company announced that it had secured lease agreements, or offers to lease in Ottawa, Toronto, and Guelph with multiple locations in both Ottawa and Toronto with expected opening dates of Q2 2019. The Company intends to transfer these and any additional leases into a new corporation in which the Company will maintain a minority equity interest. Additionally, the Company announced its intention to open a retail store at its London production facility on April 1, 2019.

Denmark Licence

On November 21, 2018, Indiva announced the signing of a non-binding letter of intent to acquire 100% of a Danish medical cannabis cultivation and handling licence from AEssence Europe in exchange for 1.6 million Common Shares and USD $1.1 million, payable over three years. The Company intends to incorporate a wholly owned subsidiary ("**Indiva Europe**") which will pursue the cultivation and worldwide distribution of EU-GMP-certified (European Union good manufacturing practices) medical cannabis and cannabis-derived products. Indiva Europe will be responsible for financing and managing the European operations. In a continuing collaboration with AEssense, Indiva Europe plans to construct an indoor grow facility based on AEssense's proprietary AEtrium fully automated aeroponic grow platform, which will enable Indiva Europe to produce consistent, ultraclean, premium-pharmaceutical-quality cannabis product compliant with GACP (good agricultural and collection practices) and EU-GMP standards. Sites have been identified to begin construction of a 1,000-square-foot research lab as part of the greater

production facility, with ample expansion room to create facilities of such scale as to be able to serve Danish patients as well as the European market with high-quality cannabis products.

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 Licence 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 the business becomes self-sustaining through sales.

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 nine months ended September 30, 2018, the Company incurred expenditures of $2,685,528 (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

Medical Cannabis Regulatory Framework in Canada under the Predecessor Regulations

In 2001, Canada became the second country in the world to recognize the medicinal benefits of cannabis and to implement a government-run program for medical cannabis access. Health Canada replaced the prior regulatory framework and issued the *Marihuana for Medical Purposes Regulations* ("**MMPR**") in June 2013 to replace government supply and home-grown medical cannabis with highly secure and regulated commercial operations capable of producing consistent, quality medicine. The MMPR regulations issued in June 2013 covered the production and sale of dried cannabis flowers only. A court injunction in early 2013 preserved the production and access methods of the prior legislation for those granted access prior to the injunction.

On July 8, 2015, Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) ("**CDSA**"), which included a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis, which permitted Licensed Producers to apply for a supplemental licence to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this did not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

On August 24, 2016, the Government of Canada introduced new regulations governing the use of cannabis for medical purposes. These new regulations, known as the ACMPR, were introduced in response to the February 24, 2016, decision rendered by the Federal Court of Canada in the *Allard v. Canada*, 2016 FC 236 ("**Allard**"). The plaintiffs in the Allard argued that the MMPR violated their Charter rights and the Court, in a lengthy and detailed judgment, agreed with the plaintiffs. The Court gave the Government of Canada until August 24, 2016, to determine how existing regulations should be amended to ensure that patients have the access to medical cannabis that they need.

The ACMPR remained largely consistent with the former MMPR, but restored the ability of patients to grow their own medical cannabis at home, including the ability to designate a third-party grower through regulations akin to the former MMPR. Under the ACMPR, patients who chose to grow at home, subject to a maximum number of plants, were required to register their production sites with the Minister of Health and provide copies of their medical authorization to Health Canada in order to allow for monitoring and auditing of their activities.

Under ACMPR, patients were required to obtain medical approval from their healthcare practitioner and provide a medical document to the Licensed Producer from which they wish to purchase cannabis. The requirements under the ACMPR were both simpler and involved fewer obstacles to access than the previous regulatory regime. Moreover, the ACMPR system allowed for competition among Licensed Producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

When recreational cannabis was legalized on October 17, 2017, the ACMPR was replaced by a new regulatory framework that covers both the medical and recreational markets.

Regulatory Framework of Medical and Recreational Cannabis in Canada under the Cannabis Act

Until October 17, 2018, when the federal Cannabis Act, including all federal regulations (such as the Cannabis Regulations) enabled thereunder, came into force, cannabis was only legally available in Canada for medical use. The medical cannabis regime was regulated federally pursuant to the CDSA and ACMPR. The ACMPR regulated the production, sale and distribution of cannabis and cannabis oil extracts for medical purposes in Canada. The ACMPR provided for three possible options for Canadian residents who had been authorized by their health care practitioners to access cannabis for medical purposes:

- to access quality-controlled cannabis by registering with a Licensed Producer;
- to register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials (including marijuana seeds and plants) must be purchased from a Licensed Producer); or

- to designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials (such as marijuana seeds and plants) had to be purchased from a Licensed Producer).

Key milestones of progress on legalization of recreational cannabis included the following:

In its December 2015 Speech from the Throne, the Government of Canada reaffirmed its intent to "legalize, regulate, and restrict access to marihuana."

- On April 20, 2016, the Government of Canada announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of marihuana in Canada.

- On June 30, 2016, Health Canada announced the creation of a task force on cannabis legalization and regulation (the "**Task Force**"). The Task Force consisted of high-level experts in the fields of law enforcement, medicine, policy creation and health care administration. The Task Force's objectives were to consult with governments, industry, the public and all other relevant stakeholders in order to provide advice on the design of a new legislative and regulatory framework to the ministers.

- On August 24, 2016, the MMPR was repealed and the ACMPR came into force. Health Canada stated in the August 2016 publication titled "Understanding the New Access to Cannabis for Medical Purposes Regulations" that the ACMPR is designed to provide an immediate solution required to address the Federal Court of Canada's judgement.

- On November 30, 2016, the Task Force published its final report titled: "A Framework for the Legalization and Regulation of Cannabis in Canada." In the final report, the Task Force recommended that the Government of Canada regulate the production of cannabis and its derivatives (e.g. edibles and concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system. The Task Force also recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities. Further, the Task Force recommended allowing personal cultivation of cannabis for recreational purposes with the following conditions: (i) a limit of four plants per residence; (ii) a maximum height limit of 100 cm on the plants; (iii) a prohibition on dangerous manufacturing processes; (iv) reasonable security measures to prevent theft and youth access; and (v) oversight and approval by local authorities.

- 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*, which proposed the enactment of the Cannabis Act to regulate the production, distribution and sale of cannabis for unqualified recreational use. On November 27, 2017, the House of Commons passed Bill C-45. On June 20, 2018, the Senate approved Bill C-45 and the Cannabis Act received Royal Assent on June 21, 2018.

- On November 22, 2017, Health Canada released for public consultation its proposed approach to the regulation of cannabis. The purpose of the consultation paper was to solicit public feedback on an initial set of regulatory proposals that Health Canada was

considering, focused on the regulations that would facilitate the coming into force of the proposed Cannabis Act. Health Canada's consultation addressed licensing, security requirements for producers and their facilities, product standards, labelling and packaging, and the proposed cannabis tracking system. It also addressed cannabis for medical purposes and health products containing cannabis. Health Canada proposed a risk-based approach to regulation, balancing the protection of health and safety of Canadians while enabling a competitive legal industry made up of large and small enterprises in all regions of Canada producing quality-controlled cannabis. The regulatory proposals outlined in the consultation paper were made for consultation purposes only, and should not be interpreted as representing the final views of the Governor in Council, the Minister, or the Government of Canada. The consultations were open until January 20, 2018.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the *Cannabis Regulations* (the "**Cannabis Regulations**"), the new *Industrial Hemp Regulations* (Canada) (together with the Cannabis Regulations, the "**Regulations**"), along with proposed amendments to the NCR and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted, and set standards for cannabis and hemp products that became available for legal sale as of October 17, 2018. The ACMPR and the prior *Industrial Hemp Regulations* (Canada) were no longer in force as of October 17, 2018, and were supplanted by the Cannabis Act and the Regulations. Once the Cannabis Act came into force, cannabis was longer regulated under the CDSA and instead became regulated under the Cannabis Act.

Licences, Permits and Authorizations

On October 17, 2018, the Cannabis Act and its regulations came into effect and now govern the licensing process. Per a Health Canada notice dated June 27, 2018, the process for transitioning an ACMPR application into an application under the new Cannabis Act is a two-stage process with intermediate steps within each stage. According to Health Canada, companies currently in the application queue will retain their position in the process following this transition.

The Cannabis Regulations establish six classes of licences:

- Cultivation licences;
- Processing licences;
- Analytical testing licences;
- Sales for medical purposes licences;
- Research licences; and
- Cannabis drug licences.

The Cannabis Regulations also create subclasses for cultivation licences (standard cultivation, microcultivation and nursery) and processing licences (standard processing and micro-processing).

Different licences and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and each sub-class. Producers holding production and sale licences under the ACMPR will be transferred to similar licences under the Cannabis Act.

Licences issued pursuant to the Cannabis Regulations will be valid for a period of no more than five years. The Cannabis Regulations will permit cultivation-licence-holders to conduct both outdoor and indoor cultivation of cannabis. A holder of a licence must only conduct authorized activities (except for destruction, antimicrobial treatment and distribution) at the location set out in the licence. 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

Certain people associated with cannabis licensees, including individuals occupying a "key position" such as directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or in association with, drug trafficking, corruption or violent offences. This was largely the approach in place previously under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded by legislation from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

In addition, the Cannabis Regulations expand the ACMPR security clearance requirements to include:

- any "responsible person", "head of security", "master grower", "quality assurance person", or alternates for these positions;
- any partners of a partnership that hold a licence; and
- any individuals who exercise - or are in a position to exercise - direct control over a corporate or cooperative licence-holder, including all:
    - directors and officers of the individual, if a corporation;
    - partners of the individual, if a partnership; and,
    - directors and officers of the individual if it is a corporate partner in a partnership.

Cannabis Tracking and Licensing System

Under the Cannabis Act, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The Cannabis Regulations 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. Accordingly, the Minister of Health has introduced the CTLS. Licence-holders are required to use the CTLS to submit monthly reports to the Minister of Health, among other things, pursuant to the *Cannabis Tracking System Order*, SOR/2018-178.

Cannabis Products

At the retail level, the Cannabis Regulations permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but are expected to be permitted within one year.

The Cannabis 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 Cannabis Regulations include 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 Cannabis Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The Cannabis Regulations further require mandatory health warnings, standardized cannabis symbol and specific product information. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Cannabis for Medical Purposes

Part 14 of the Cannabis Regulations entitled "Access to Cannabis for Medical Purposes" sets out the regime for medical cannabis following legalization, which remains substantively the same as previously existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for recreational use, improve patient access, and reduce the risk of abuse within the medical access system. The sale of medical cannabis remains federally regulated and in each case, sales can only be made by an entity that holds a licence to sell under the Cannabis Regulations to patients that have a medical document and have registered with the licensed entity. Just as with the medical cannabis regime under the ACMPR, under the Cannabis Regulations, customer (patients) need to obtain a medical document (i.e., prescription) from their doctor and then register as a client with a cannabis company that has a licence to sell (the registration is only good for up to a year). The client can then order from the cannabis company online or via telephone and the cannabis will be shipped directly to the client (to a maximum 150 grams per month).

Under the ACMPR regime, medical cannabis was sold online by federally licensed producers (i.e., Licensed Producers) only. This did not change on October 17, 2018, with the introduction of the Cannabis Act and Cannabis Regulations. Users of medical cannabis, of course, may elect to purchase cannabis from retailers of recreational cannabis. The Federal government intends to review the medical cannabis system in five years to determine if the introduction of retail cannabis sales has had an impact on the demand for medical cannabis.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidence-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 Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, are permitted and subject to provisions of the Cannabis Act.

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions.

Each of these Canadian jurisdictions has established a minimum age of 19 years for cannabis use, except for Quebec and Alberta, where the minimum age is 18.

British Columbia*:* On May 31, 2018, the Government of British Columbia passed the *Cannabis Control and Licensing Act* (British Columbia), the *Cannabis Distribution Act* (British Columbia), and issued the *Private Retail Licensing Guide* to regulate the recreational cannabis industry in the province. The Province's Liquor Distribution Branch will be the only wholesale distributor of recreational cannabis and will operate cannabis retail stores. They will also be responsible for licensing and monitoring private, recreational cannabis stores.

Ontario: On August 13, 2018, the Ontario government introduced a new regulated private retail model for cannabis in Ontario by way of the *Cannabis Statute Law Amendment Act, 2018* (Bill 36) (the "**CSLAA**"), which received Royal Assent on October 17, 2018. It emphasizes three public policy objectives: to implement a safe, legal system for cannabis that will protect consumers, to undermine the illegal market, and to protect public safety. The CSLAA does the following: (i) it amends the *Cannabis Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017*, the *Liquor Control Act*, the *Smoke-Free Ontario Act, 2017*, the *Highway Traffic Act*, and other related statutes; and (ii) it enacts the *Cannabis Licence Act, 2018*, which establishes the licensing system for Ontario's private retail stores that is administered by the Alcohol and Gaming Commission of Ontario (the "**AGCO**"). The AGCO began accepting applications for retail operator licences and retail store authorizations on December 17, 2018, with the intention of having private retail stores open and operational by April 1, 2019. Between October 17, 2018, and the date on which Ontario's private retail stores become operational, the Ontario Cannabis Retail Corporation is the only authorized vendor of recreational cannabis in the province by way of online sales through the Ontario Cannabis Store website.

Alberta: The Government of Alberta has a cannabis framework providing for the purchase of cannabis products from private retailers that will receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Under the *Gaming, Liquor*

and Cannabis Act, only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: The Government of Saskatchewan announced that recreational cannabis will be sold by private retailers. Under the *Cannabis Control (Saskatchewan) Act* (Bill 121), the Saskatchewan Liquor and Gaming Authority will issue 51 permits to private stores located in roughly 40 municipalities and First Nation communities across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

Manitoba: The Government of Manitoba has a ''hybrid model'' for cannabis distribution. The supply of cannabis in the Province of Manitoba is secured and tracked by the MLLC; however, licensed private retail stores are permitted to sell recreational cannabis. This process was open until December 22, 2017, with retail stores having opened as early as October 17, 2018.

Quebec: The Government of Quebec passed its Cannabis law, Bill 157. Bill 157 sets the legal age for cannabis consumption in the province at 18 years of age. All recreational marijuana is managed and sold by Société québécoise du cannabis outlets and are available for sale online, the entire process controlled by the Société des alcools du Québec.

Newfoundland and Labrador: In May 2018, Newfoundland and Labrador introduced legislation relating to the legalization of cannabis including the *Cannabis Control Act* (the "**CCA**") whereby recreational cannabis is sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the "**NLC**"), overseeing the distribution to private sellers who may sell to consumers. Pursuant to the CCA, the NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licences may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Nova Scotia: Bill 108, *Cannabis Control Act* received royal assent on April 18, 2018, and establishes the licensing system for the retail sale of recreational cannabis. The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

New Brunswick: Under the *Cannabis Control Act,* the Cannabis Management Corporation controls and oversees the sale of recreational cannabis in New Brunswick. Retail sales, whether in stores or online, are exclusively through Cannabis NB, a subsidiary under the control of the New Brunswick Liquor Corporation.

Prince Edward Island: Similar to Nova Scotia and New Brunswick, under the *Cannabis Management Corporation Act*, the sale of recreational cannabis is controlled and supervised by the Cannabis Management Corporation, which operates retail stores and online sales.

Yukon: Under the *Cannabis Control and Regulation Act*, the distribution and sale of recreational cannabis is limited to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Nunavut: The *Nunavut Cannabis Act* establishes the licensing system for the retail sale of recreational cannabis. The Nunavut legislation contemplates the sale of cannabis through both public and licensed private retail stores and online. Sales will initially only be through the Liquor and Cannabis Commission and its agent. Under the *Nunavut Cannabis Act*, a person can submit an application for a licence to operate

a cannabis store, remote sales store, or cannabis lounge. This application process will not be in place until 2019.

Northwest Territories: The *Cannabis Legalization and Regulation Implementation Act* governs the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

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 the date of this MD&A, there are a total of 33 states, plus the District of Columbia, Puerto Rico, the Northern Mariana Islands and Guam, that have legalized cannabis in some form, and 10 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.

Further liberalization of cannabis in the United States has occurred as follows; recreational cannabis was legalized in Vermont on July 1, 2018, as well as Michigan on November 7, 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 as well as Utah and Missouri on November 7, 2018.

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, 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.

CSA Staff Notice 51-352 (Revised) Regarding Issuers with U.S. Marijuana-Related Activities

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released "*CSA Staff Notice 51-352 Issuers with U.S. Marijuana Related Activities*" (the "**CSA Notice**") setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. The CSA Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The CSA Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related

activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

The Company views the CSA Notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

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 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.

SELECTED FINANCIAL INFORMATION

RESULTS OF OPERATIONS

Summary of Cash Flows for the nine months ended September 30, 2018 and September 30, 2017.

(in thousands of $)	**2018**	2017
Cash flows used in operating activities	**($6,864.9)**	($1,393.1)
Cash flows used in investing activities	**($3,288.0)**	($2,668.2)
Cash flows provided by financing activities	**$13,156.6**	$4,949.2
Cash and cash equivalents, end of period	**$24,307.6**	$1,157.9

Summary of Q3 Results

	Three months ended September 30	
	2018	2017
	$	$
Cost of goods sold	**310,712**	-
Gross margin before fair value adjustments and amortization	**(310,712)**	-
Fair value adjustment on biological assets	**21,437**	-
Gross margin before amortization	**(289,275)**	-
Operating expenses		
Salaries	**513,484**	138,573
Accretion of debenture discount	**212,583**	22,354
Interest and bank charges	**158,274**	23,305
Professional fees	**125,701**	14,283
Investor relations	**97,576**	-
Travel, meals and entertainment	**80,879**	21,544
Stock-based compensation	**71,725**	16,025
Marketing and branding	**58,713**	51,715
Consulting fees	**52,454**	88,276
Rent and facility costs	**47,901**	88,110
Office, telecommunications and IT	**32,834**	22,209
Insurance	**18,048**	6,228
Production costs	**15,580**	45,090
Utilities	**14,269**	19,992
Agent fees	**13,187**	1,181
Depreciation and amortization	**102,257**	81,830
Unrealized exchange loss	**39,370**	-
Realized exchange loss	**1,958**	-
Total operating expenses	**1,656,793**	640,715
Net loss from operations	**(1,946,068)**	(640,715)
Interest income	**67,594**	3
Net loss	**(1,878,474)**	(640,712)
Gain on investment	**7,407**	-
Total comprehensive loss	**(1,871,067)**	**(640,712)**

Upon receipt of the Sales Amendment on August 10, 2018, the Company began capitalizing costs related to cannabis production and recognizing cost of goods sold. The Company incurred cost of goods sold of $310,712 related to payroll and associated payroll expenses and benefits for production employees, consultant fees, and the portion of rent and utilities attributable to the production of cannabis. The cost of goods sold in the comparative period is nil as the Company had not yet received its Sales Amendment. The Company also recognized a fair value adjustment on biological assets of $21,437 as a result of its valuation of biological assets at September 30, 2018.

Salaries for Q3 2018 as compared to Q3 2017 increased by $374,911 as a result of a significant number of additional non-production hires as the business has grown. Compared to the same period ended in 2017, the Company has hired three additional executives and 13 finance, administrative and marketing employees. Stock-based compensation of $71,725 was recorded in Q3 2018 while only minimal stock-based compensation plan existed in the comparable period in 2017. This is due to additional grants of options to employees as the head count has continued to grow.

Interest and accretion expenses increased by $134,969 and $190,229 respectively for the three months ended September 30, 2018 compared to the three months ended September 30, 2017. This increase in each is due to the convertible debentures' principal balance outstanding being between $6.65 million and $5.15 million during Q3 2018 as opposed to $768,000 in Q3 2017. Interest expense was offset by $67,594 in interest earned in Q3 2018 compared to a negligible return in the comparable period in 2017.

Professional fees increased to $125,701 in the three months ended September 30, 2018 compared to $14,283 in the comparative period in 2017 largely due to additional accounting fees accrued for the year end audit and to the increased cost of quarterly reviews of financial statements due to the business' 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 various corporate transactions.

Investor relations costs of $97,576 were incurred in the three months ended September 30, 2018, while there were no comparable expenses in Q3 2017 as the company was still private and closely held.

Travel, meals and entertainment expenses have increased to $80,879 for Q3 2018 compared to $21,544 for Q3 2017 due to several key initiatives the Company has undertaken including its joint venture with Bhang Corporation and licensing arrangement with DeepCell, as well as travel related to international opportunities.

Insurance and agent fees have increased by $11,820 and $12,006 respectively, both largely due to the increased complexity of the Company's operations resulting in the need for greater insurance as the facility continues towards completion and operations commence, and increased agent fees as a result of being publicly traded as well as costs related to the annual general meeting held on July 24, 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

	Nine months ended September 30	
	2018	2017
	$	$
Cost of goods sold	**310,712**	-
Gross margin before fair value adjustments and amortization	**(310,712)**	-
Fair value adjustment on biological assets	**21,437**	-
Gross margin before amortization	**(289,275)**	-
Operating expenses		
Salaries	**1,494,644**	485,912
Accretion of debenture discount	**641,303**	63,135
Stock-based compensation	**560,035**	16,025
Interest and bank charges	**520,813**	26,721
Marketing and branding	**419,257**	189,137
Professional fees	**323,658**	28,730
Consulting fees	**282,454**	231,074
Travel, meals and entertainment	**269,794**	54,313
Investor relations	**258,932**	-
Rent and facility costs	**245,250**	313,457
Production costs	**186,996**	58,625
Office, telecommunications and IT	**106,610**	41,157
Utilities	**92,721**	44,375
Insurance	**34,105**	33,790
Agent fees	**29,202**	5,310
Depreciation and amortization	**294,892**	101,391
Write off of employee advance	**-**	50,000
Unrealized exchange loss	**54,691**	-
Realized exchange loss (gain)	**(31,298)**	-
Loss on disposal of equipment	**5,189**	608
Total operating expenses	**5,789,248**	1,743,760
Net loss from operations	**(6,078,523)**	(1,743,760)
Interest income	**68,013**	3,955
Deferred tax recovery	**37,362**	-
Net loss	**(5,973,148)**	(1,739,805)
Loss on investment	**(14,537)**	-
Transaction costs on derivative financial instrument	**-**	(162,252)
Total comprehensive loss	**(5,987,685)**	(1,902,057)

Upon receipt of the Sales Amendment on August 10, 2018, the Company began capitalizing costs related to cannabis production and recognizing cost of goods sold. The Company incurred cost of goods sold of $310,712 relating to payroll and associated payroll expenses and benefits of production employees, consultant fees, amortization of facility equipment and the portion of rent and utilities attributable to the

production of cannabis from August 10th onwards. The cost of goods sold in the comparative period is nil as the Company had not yet received its Sales Amendment. The Company also recognized a fair value adjustment on biological assets of $21,437 as a result of its valuation of biological assets at September 30, 2018.

Salaries for the nine month period ended September 30, 2018 as compared to the same period in 2017 increased by $1,008,732 as a result of several additional hires as the business has grown. Compared to the same period ended in 2017, the Company has hired three additional executives as well as a number of new hires in all departments. Production staff wages were expensed as operating expenses until receipt of the Sales Amendment. Stock-based compensation of $560,035 was recorded for the nine months ended September 30, 2018 as compared to $16,025 in the comparable period in 2017 due to additional grants of options to employees as the head count has continued to grow, while Q3 2018 has seen lower than average stock based compensation due to option forfeitures in the quarter.

Interest and accretion expenses increased by $494,092 and $578,168 respectively for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. This increase in each is due to the convertible debentures' average month end principal balance outstanding of $6,672,222 for the nine months ended September 30, 2018 as opposed to $768,000 during the nine months ended September 30, 2017. Also, a portion of the interest incurred on the $768,000 debenture was capitalized as part of the facility construction financing during the first six months of 2017. Interest expense was offset by $68,013 in interest in Q3 2018 compared to a negligible return in the comparable period in 2017.

Marketing and branding increased by $230,120 for the nine month period ended September 30, 2018 as compared to same period of 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. Further, Indiva representatives were present at several major trade conferences, incurring conference fees of approximately $70,000, and further increasing the marketing expense relative to the comparative period of 2017.

Professional fees increased to $323,658 for the nine month period ended September 30, 2018 as compared to $28,730 for the nine months ended September 30, 2017 largely due to additional audit fees incurred and the accrual for the review of Q1 - Q3 2018 financial statements. The Company also incurred increased legal fees as a result of being publicly traded and due to work on various opportunities. Comparative period accounting fees were substantially less as the Company was not yet public and had much smaller and less complex operations.

Travel, meal and entertainment expenses have increased by $215,481 for the nine months ended September 30, 2018 when compared to the same period in 2017. This is due to several key initiatives the Company has undertaken including its joint venture with Bhang Corporation and licensing arrangement with DeepCell, as well as travel related to international opportunities. Conference related travel accounted for $39,235 of travel expenses for this period in 2018 compared to a negligible amount in 2017.

Investor relations costs of $258,932 were incurred in the nine months ended September 30, 2018, while there were no comparable expenses in the same period in 2017 as the Company was still private and closely held.

2018 saw significant increases in production supplies and expenses and utilities relative to 2017, increases of $128,371 and $48,346 respectively. These higher costs are a result of production beginning at the

facility subsequent to the Company's receipt of its Cultivation Licence and before the Sales Amendment from Health Canada whereas production was just beginning at the end of the comparable period in 2017.

Agent fees have increased by $23,892 as a result of being publicly traded as well as costs related to the annual general meeting on July 24, 2018. In 2017 the Company was private and did not hold its AGM until Q4 2017.

Amortization expense has increased by $193,501 for the nine months ended September 30, 2018 compared to the same period in 2017. This is due to incremental amortization of facility equipment now that production has started and before the Sales Amendment, as well as associated leasehold improvements for the areas currently commissioned for production. The Company also acquired and amortized additional computer hardware and software for both the production facility and support functions. Lease buyouts for several units at the production facility are also being amortized in 2018 now that the Company has taken possession of the space.

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

Summary of Quarterly Results

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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net sales/revenue	nil	nil	nil	nil	nil	nil	nil	nil
Comprehensive net loss	(1,871.1)	(2,072.4)	(2,044.2)	(2,655.2)	(640.7)	(802.3)	(459.0)	(386.2)
Basic and diluted loss per share	(0.02)	(0.03)	(0.03)	(0.07)	(0.02)	(0.02)	(0.01)	(0.02)

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 and Q3 2018 continues to see consistent losses largely due to interest and accretion on convertible debentures, and increased staffing costs while sales have not yet begun.

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 licence 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 and cash equivalents, short-term debt and working capital at September 30, 2018.

(in thousands of $)	As at September 30, 2018	As at September 30, 2017
Cash and cash equivalents	$24,307.6	$1,157.9
Account payables and accrued liabilities	$1,507.5	$242.0
Working capital	$24,970.1	$875.0

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 nine months ended September 30, 2018 and September 30, 2017. During this period the Company continued to expand the London Facility and continued to work towards obtaining its Sales Amendment under the ACMPR from Health Canada which was received in Q3 2018.

Profit or Loss

Net loss for the three and nine months ended September 30, 2018 expanded to $1,878,474 and $5,973,148 respectively or $0.02 and $0.08 per share on a basic and fully diluted basis as compared to a loss from continuing operations of $640,712 and $1,739,805 or $0.02 and $0.05 per share on a basic and fully diluted basis for the three and nine months ended September 30, 2017 respectively. The increased losses resulted from higher operating expenses with no realized revenue. Higher operating expenses reflect higher payroll expense, higher convertible debenture interest and accretion, 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 licence application with Health Canada.

Total Assets

Total assets increased to $37,427,027 as at September 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 used to finance increases in inventory, prepaid expenses, assets in progress as part of the facility expansion and a loan to an associate.

Distributions or Cash Dividends

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

Costs

The Company has recorded $310,712 in cost of goods sold for both the three and nine month periods ended September 30, 2018 as it has received its Sales Amendment on August 10, 2018. The Company did not commence sales immediately upon receipt of its Sales Amendment as inventory levels are being grown in anticipation of better serving the medical and recreational markets.

Remaining total costs for Phase 2 and 3 of construction at the London Facility are estimated to be approximately $11,064,472 which will add another approximately 29,000 square feet to the production facility.

Cash and cash equivalents

As at September 30, 2018, the Company had cash available of $24,307,610 compared to $21,303,886 at December 31, 2017.

As at September 30, 2018, the Company had convertible debentures outstanding in the amount of $4,228,612 with a principal balance of $5,150,000. 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 to fund its working capital and capital expenditures beyond the next twelve months.

Cash from Operating Activities

The Company consumed $6,864,888 (2017 - $1,393,050) in cash related to operating activities during the nine months ended September 30, 2018, primarily due to a net loss from operating expenses exceeding revenues offset by non-cash expenses related to interest on the convertible debenture, stock-based compensation and amortization. Prepaids have increased substantially, caused largely by a prepayment to DeepCell for future royalties on services to rendered.

Cash from Investing Activities

The Company consumed $3,287,986 (2017 - $2,668,170) in cash related to investing activities during the nine months ended September 30, 2018, primarily as a result of the $1,294,950 loan to the Bhang joint venture, and roughly $2,136,000 spent on assets in process and facility equipment, leasehold improvements, and other fixed assets at its London facility, including the purchase of equipment to be used in the cultivation process. This is offset by interest income on cash deposits.

Cash from Financing Activities

The Company received $13,156,598 (2017 – $4,949,161) in cash from financing activities during the nine months ended September 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 the expansion 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 September 30, 2018, it will not require further financing to fully complete the expansion 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 September 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 continues to progress.

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 provide further liquidity to the Company.

CONTRACTUAL OBLIGATIONS

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

	Payments Due by Period				
	< 1 Year	**1-3 Years**	**4-5 Years**	**> 5 Years**	**Total**
	$	$	$	$	**$**
Operating leases	467,328	918,217	946,158	1,668,024	**3,999,727**
Purchase obligations	189,102	-	-	-	**189,102**
Other obligations	289,986	16,983	4,274	-	**311,243**
Total contractual obligations	**946,416**	**935,200**	**950,432**	**1,668,024**	**4,500,072**

Subsequent to period end, the Company entered into commitments totaling $5,983,185. These commitments are comprised of the purchase of the land and building the production facility is located in, retail leases and production equipment, all with minimum commitment terms of less than one year.

SHARE CAPITAL

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

	Securities		# of common shares convertible into
	#	$	#
Common shares	83,036,228		N/A
Options	3,903,315		3,903,315
Warrants	27,285,084		28,327,583
Convertible debentures		5,150,000	6,866,667

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 nine month period ended September 30, 2018, the Company incurred $13,000 for legal services and $8,475 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 nine months ended September 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 nine months ended September 30, 2018, a loss of $14,537 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 nine months ended September 30, 2018.

(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 nine months ended September 30, 2018 as this was the first period the Company had an investment in an equity accounted associate.

(d) Biological Assets

The Company's biological assets consist of cannabis plants. With the exception of depreciation which is directly expensed in the period and presented separately in the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss, the Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, quality control and testing costs. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The identified capitalized direct and indirect costs of biological assets are

subsequently recorded within the line item “cost of goods sold” on the statement of loss and comprehensive loss in the period that the related product is sold. The new unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year. Biological assets are considered level 3 fair value estimates.

SUBSEQUENT EVENTS

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

APPROVAL

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