



## **INDIVA LIMITED**

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

**FOR THE YEAR ENDED DECEMBER 31, 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 year ended December 31, 2018. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 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](http://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 April 29, 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 further 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 licences to cultivate, process and sell 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 recreational and 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 Indiva Amalco Ltd., 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 licence 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 grow space will be completed in the first half of 2019, and the amended Licence will be obtained late Q2 2019 or early Q3 2019. The Company is also moving forward with the construction of in-house extraction and manufacturing for its derivative products, construction and the amended Licence is expected in Q3 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 December 31, 2018, a total of 83,036,228 Common Shares were issued and outstanding.

## **OVERVIEW OF OPERATIONS**

### **Extraction Facility**

In January 2019, the Company engaged Lucid Lab Group to design, construct and commission an ethanol-based extraction operation at its London, Ontario facility and subsequently announced that the design

was complete for an extractor with annual expected biomass capacity of approximately 70 tons and resulting distillate capacity of over 4 million grams. The capital cost was initially budgeted at US\$1.4 million but has since been increased to approximately US\$1.7 million. The anticipated production capacity of the extraction equipment will exceed the Company's requirements for internal needs in order to produce oil tinctures and capsules in house as well as the wide spectrum of derivative and edible products licensed from Bhang Corporation ("Bhang") and DeepCell Industries ("DeepCell") and Indiva branded product, subject to receipt of applicable regulatory approvals.

### **Retail Sales**

On January 22, 2019, the Company announced that it had completed a 9.9% equity investment in RetailGo Inc. and had obtained a five-year promissory note in the amount of \$730,000, plus an additional \$300,000 to be repaid separately.

### **Supply Agreement with Ontario Cannabis Store ("OCS")**

On February 8, 2019, the Company announced the signing of a supply agreement with the Ontario Cannabis Retail Corporation ("OCRC") doing business as the OCS. The Company initially supplied the OCS with two strains of pre-rolls, manufactured and shipped from its London, Ontario facility which were available for purchase from the OCS online store beginning in late February 2019 and in licensed retail stores as of April 1, 2019.

### **Purchase of land and building at 1050 Hargrieve Road**

On February 20, 2019, the Company announced the closing of its purchase of its licensed facility in London, Ontario for \$5.55 million cash.

## **2018**

During the year ended December 31, 2018, Indiva's management began the construction of Phases 2-4 of its London Facility, as well as undertaking significant brand development and financing initiatives. In addition, Indiva LP obtained its 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 value of the unit is attributed as \$0.94 for the common share and \$0.11 to the warrant unit using the residual method. 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	Original Amount	Adjusted Amount	Variance
<b>Proposed capacity expansion – second site</b>	\$4,000,000	-(2)	(\$4,000,000)
<b>Expansion at current site</b>	-	\$4,200,000(3)	\$4,200,000
<b>Acquisition of land and building – 1050 Hargrieve</b>	-	\$5,600,000(4)	\$5,600,000
<b>Proposed intellectual property and genetics acquisitions</b>			
• Genetics	\$1,500,000	\$150,000(5)	(\$1,350,000)
• Intellectual Property	\$2,500,000	-	(\$2,500,000)
<b>General working capital(1)</b>	\$5,508,237	\$3,558,237	(\$1,950,000)
<b>Total .....</b>	<b>\$13,508,237</b>	<b>\$13,508,237</b>	<b>-</b>

#### 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.
- (2) Represents a reduction of \$4,000,000 due to focus on London facility only.
- (3) Represents an additional \$4,200,000 in construction and equipment costs to add extraction and manufacturing to the London Facility.
- (4) Represents an additional \$5,600,000 costs to acquire the land and building on which its London Facility sits.
- (5) Represents a reduction of \$1,350,000 related to funds spent on acquiring genetics.
- (6) Represents a reduction in short term planned IP acquisition.

#### **Bhang Corporation Joint Venture**

On April 19, 2018, Indiva announced a joint venture with 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 does not currently intend to complete an equity investment in Bhang.

### **DeepCell Licence Agreement**

On April 26, 2018, Indiva announced an exclusive license agreement with 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. 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 does not currently intend to complete an equity investment in DeepCell .

### **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 Company'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 24<sup>th</sup>, 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 intended 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 in Q2 2019.

On December 13, 2018, the Ontario Government announced new regulations with respect to the retail licensing process and that 25 licences would be allocated based on a lottery system. The new regulations also did not allow for an LP to hold one of the initial 25 licences. As a result, the Company still intends to apply for a retail licence for its London production facility when regulations allow for such.

### **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 AEssence, Indiva Europe plans to construct an indoor grow facility based on AEssence'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.

### **Reverse Takeover and Concurrent Financings**

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**"). As part of the RTO, the Company issued 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 a consolidation of the Common Shares, with a deemed value of \$32,655,000. The amalgamated entity, Indiva Amalco Ltd., wholly owns Indiva LP and Vieva Canada Limited. The effective date of the RTO was December 13, 2017.

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**").

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.

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 <sup>(2)</sup>	\$3,200,000
General, administrative and operating expenditures, net of anticipated revenues	\$4,795,953	\$4,795,953	-
General working capital <sup>(1)</sup>	\$8,379,433	\$5,179,433	(\$3,200,000)
<b>Total</b> .....	<u>\$23,725,386</u>	<u>\$23,725,386</u>	<u>-</u>
<b>Notes</b>			

(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 year ended December 31, 2018, the Company incurred expenditures of \$4,374,318 (year ended December 31, 2017 - \$102,483) on the London Facility expansion.

## INDUSTRY TRENDS

### *Medical Cannabis Regulatory Framework in Canada under the Predecessor Regulations*

#### *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) came into force, cannabis was only legally available in Canada for medical use. The medical cannabis regime was regulated federally pursuant to the *Controlled Drugs and Substances Act* (Canada), as amended, 1996 (“**CDSA**”) and the 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 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 cannabis 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 cannabis 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 (“**Task Force**”). The Task Force consisted of 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 *Marihuana for Medical Purposes Regulations* (Canada) 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 in the case of *Allard et al v. Canada*, 2016 FC 236.
- 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 Government of Canada 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 adult 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 Cannabis Act. Health Canada’s consultation addressed licensing, security requirements for producers and their facilities, product standards, labelling and packaging, and the 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 consultations were open until January 20, 2018, and were considered by the Government of Canada in its drafting of the regulations currently existing under the Cannabis Act.

- On July 11, 2018, the Government of Canada published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations, the new *Industrial Hemp Regulations* (Canada) (together with the Cannabis Regulations, the “**Regulations**”), along with proposed amendments to the Narcotic Control Regulations (“**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 the Regulations came into effect and now govern the licensing process. In accordance with a Health Canada notice dated June 27, 2018, the process for transitioning an ACMPR application into an application under the new Cannabis Act was a two-stage process with intermediate steps within each stage. According to Health Canada, companies that were in the application queue at the time the Cannabis Act and Regulations became effective would retain their position in the process following the transition to the new regulatory scheme.

The Cannabis Regulations allow eligible persons to apply for six classes of licences:

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

Within these classes of licences there exists subclasses for cultivation licences (standard cultivation, micro-cultivation 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. Upon the coming into effect of the Cannabis Act and Regulations, producers holding production and sale licences under the ACMPR were deemed to be holders of the functionally equivalent licences under the Cannabis Act and Cannabis Regulations.

Licences issued pursuant to the Cannabis Regulations are valid for a period of no more than five years. The Cannabis Regulations 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 holder’s licence. No cultivation licences with respect to outdoor facilities have been granted as of the date of this Prospectus.

In turn, the implications of outdoor cultivation being permitted are not yet definitively known, but this 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 lower than those associated with indoor cultivation. See *“Risk Factors – Failure to Obtain Cultivation Licence for Brant Outdoor Facility”* for more information.

### ***Security Clearances***

Certain people associated with cannabis licencees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (“**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 expanded the range of persons required to receive security clearance from the requirements under the ACMPR. In addition to those persons that were previously required to have security clearance under the ACMPR, the Cannabis Regulations require that security clearances also be obtained by:

- 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 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 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 introduced the CTLS. Licence-holders are required to use the CTLS to submit monthly reports to the Minister, 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. On December 20, 2018, the Government of Canada released a draft version of the amended Cannabis Regulations intended to regulate, among other things, the possession, production and sale of commercially manufactured edible cannabis, cannabis extracts (including concentrates) and cannabis topicals (**"Draft Cannabis Regulations"**). The Draft Cannabis Regulations were the subject of a public consultation period overseen by the Government of Canada, which opened on December 20, 2018, and closed on February 20, 2019. The final form of the Draft Cannabis Regulations and the consequential amendments to the existing Cannabis Regulations are expected to come into effect in October 2019. See *"Risk Factors – Changes in Laws, Regulations and Guidelines"* for more information.

### ***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, a 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.

### ***Advertising***

The Cannabis Act places a general ban on promotion of cannabis, cannabis accessories or any service related to cannabis, unless the promotional activity is specifically authorized under the Cannabis Act. Cannabis products may be promoted at their point of sale if the promotion indicates only its availability and/or price. Further, brand preference and informational promotion is permitted if such promotion is:

- in a communication that is addressed and sent to an individual who is 18 years of age or older and is identified by name;
- in a place where young persons are not permitted; or
- communicated by means of a telecommunication, where the person responsible for the content of the promotion has taken reasonable steps to ensure that the promotion cannot be accessed by a young person.

### ***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. Similar to the medical cannabis regime under the ACMPR, under the Cannabis Regulations, customers (patients) need to obtain a medical document (i.e., prescription) from their doctors and then register as a client with a cannabis company that has a licence to sell cannabis. The

registration is only valid for up to one year. The client can then order from the cannabis company online or via telephone and the cannabis will be shipped directly to the client, up to a maximum 150 grams per month.

Under the ACMPR regime, medical cannabis was sold online by 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 may elect to purchase cannabis from retailers of recreational cannabis. The Government of Canada intends to review the medical cannabis system in five years.

### ***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 tetrahydrocannabinol (“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 Government of Canada, the Cannabis Act authorizes the provinces and territories of Canada 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 enacted regulatory regimes for the distribution and sale of cannabis for recreational purposes within their respective 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 is the only wholesale distributor of recreational cannabis and operates cannabis retail stores. They are also 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* (“**CSLAA**”), which received Royal Assent on October 17, 2018. The CSLAA did the following: (i) it amended 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 enacted the *Cannabis Licence Act, 2018*, which established the licensing system for Ontario’s private retail stores that is administered by the Alcohol and Gaming Commission of Ontario (“**AGCO**”). On December 13, 2018, the Ontario government announced that, until December 13, 2019, the AGCO would only grant 25 retail operator licences and retail sale authorizations to prospective retailers across five regions, with the intention of having private retail stores open and operational by April 1, 2019. The 25 permitted retailers, as well as the prospective retailers placed on the waiting list, were selected using a lottery system. The lottery selection was

completed on January 11, 2019, and 25 winners, along with certain waitlisted persons, were announced. 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 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 permits recreational cannabis to be sold by private retailers. Under the *Cannabis Control (Saskatchewan) Act*, 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, approximately half of which have been issued to date. The province's municipalities also have the option of opting out of having a cannabis store if they choose.

**Manitoba:** The Government of Manitoba regulates the distribution of recreational cannabis within its jurisdiction through the Manitoba Liquor and Lotteries Corporation ("**MBLL**") and the Liquor, Gaming and Cannabis Authority of Manitoba ("**LGCAM**"). The LGCAM regulates the industry and oversees the licensing process for prospective private retailers and wholesale distributors, whereas the MBLL operates and monitors wholesale distribution of recreational cannabis to licensed retailers. The province permits both private retailers and private wholesale distributors in addition to MBLL's wholesale distribution activity. The province's initial application process for prospective retailers 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 cannabis is managed and sold by SQDC outlets and is available for sale online.

**Newfoundland and Labrador:** In May 2018, Newfoundland and Labrador introduced legislation relating to the legalization of cannabis including the *Cannabis Control Act* whereby recreational cannabis would be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. ("**NLC**"), overseeing the distribution to private sellers who may sell to consumers, approximately 25 of which are currently operating private retail stores. Pursuant to the *Cannabis Control Act*, the NLC controls the possession, sale and delivery of cannabis, and sets prices. The NLC also operates the province's online recreational cannabis store.

**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:** The *Cannabis Control and Regulation Act*, permits the distribution and sale of recreational cannabis to take place by way of government outlets, government-run online stores and private retailers. The Yukon Cannabis Licensing Board began accepting applications for licences to operate private retail stores in February 2019 and the first private retail store opened on April 17, 2019.

**Nunavut:** The *Nunavut Cannabis Act* establishes the licensing system for the retail sale of recreational cannabis. The Nunavut legislation permits the sale of cannabis through both public and licensed private retail stores and online. Currently, only online sales are available in Nunavut and are completed through an agent of the Nunavut Liquor and Cannabis Commission. 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. The associated application process has not yet commenced.

**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.

#### ***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 licensing agreements associated with entities located 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 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 currently will only conduct business activities related to growing or processing cannabis, in jurisdictions where it is federally legal to do so.

## SELECTED FINANCIAL INFORMATION

### ANNUAL FINANCIAL DATA

(in thousands of \$, except per share figures)	Year ended December 31,		
	2018	2017	2016
Revenue	58.3	nil	nil
Total loss from continuing operations	(\$8,526.6)	(\$3,059.7)	(\$1,173.1)
Loss from continuing operations per share	(\$0.11)	(\$0.08)	(\$0.05)
Loss from continuing operations per share (Diluted)	(\$0.11)	(\$0.08)	(\$0.05)
Total comprehensive loss	(\$8,541.2)	(\$4,557.2)	(\$1,173.1)
Total comprehensive loss per share	(\$0.11)	(\$0.12)	(\$0.05)
Total comprehensive loss per share (Diluted)	(\$0.11)	(\$0.12)	(\$0.05)

(in thousands of \$, except per share figures)	Year ended December 31,		
	2018	2017	2016
Total assets	\$35,845.9	\$27,548.6	\$4,288.8
Total non-current financial liabilities	nil	\$8,728.5	nil
Distributions	nil	nil	nil

### RESULTS OF OPERATIONS

Summary of Cash Flows for the years ended December 31, 2018, December 31, 2017 and December 31, 2016

(in thousands of \$)	2018	2017	2016
Cash flows used in operating activities	(\$9,537.2)	(\$2,210.3)	(\$1,191.7)
Cash flows used in investing activities	(\$5,100.1)	(\$3,204.1)	(\$2,527.4)
Cash flows provided by financing activities	\$12,899.1	\$26,448.3	\$3,943.6
Cash and cash equivalents, end of year	\$19,565.6	\$21,304.0	\$269.9

## Summary of Q4 Results

	Three months ended December 31	
	2018	2017
	\$	\$
Cannabis Sales	58,307	-
Cost of goods sold	(55,788)	-
<b>Gross margin before fair value adjustments and amortization</b>	<b>2,519</b>	-
Fair value adjustment on biological assets	77,494	-
<b>Gross margin before depreciation</b>	<b>80,013</b>	-
<b>Operating expenses</b>		
Salaries	745,604	381,306
Rent, utilities, and facility costs	361,361	97,403
Stock-based compensation	349,679	220,179
Consulting fees	254,884	64,638
Professional fees	243,940	86,548
Pre-production costs	207,552	38,204
Marketing and branding	186,200	81,278
Travel, meals and entertainment	163,022	29,826
Investor relations and public company costs	102,611	-
Office, telecommunications and IT	91,660	22,142
Insurance	24,407	6,349
Depreciation	112,196	86,974
Interest	23,268	135,018
Unrealized exchange gain	(117,064)	-
Accretion of debenture discount	(21,167)	23,774
Realized exchange loss	42,312	-
Loss on disposal of equipment	-	435
<b>Total operating expenses</b>	<b>2,770,465</b>	<b>1,315,981</b>
<b>Net loss before interest income and tax</b>	<b>(2,690,452)</b>	<b>(1,315,981)</b>
Interest income	44,868	25,694
<b>Net loss before tax</b>	<b>(2,645,584)</b>	<b>(1,290,287)</b>
Deferred tax recovery	92,101	47,959
<b>Net loss</b>	<b>(2,553,483)</b>	<b>(1,242,328)</b>
Transaction costs on reverse takeover	-	(1,407,815)
Loss on investment	-	(5,000)
<b>Total comprehensive loss</b>	<b>(2,553,483)</b>	<b>(2,655,143)</b>

The majority of cannabis sales, \$58,107, relates to 2 bulk cannabis sales to other Licensed Producers.

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, recognizing Q4 cost of goods sold of \$55,788. 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 \$77,494 as a result of its valuation of biological assets at harvest.

Salaries for Q4 2018 as compared to Q4 2017 increased by \$364,298 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 level employees and 22 finance, administrative and marketing employees. Stock-based compensation was \$349,679 in Q4 2018 compared to \$220,179 in the comparable period in 2017. This is due to additional grants of options to employees as the head count has continued to grow.

Rent, utilities and facility costs increased by \$263,958 relative to the comparative period in 2017 largely driven by rental costs of potential retail locations of \$144,800 for the quarter and additional administration and warehousing space added in 2018 of \$17,788. The Company also rented additional space at the Indiva Facility for an aggregate cost of \$22,780, 11,097 square feet of which become operational in Q4 2017 and 2,734 square feet of which become operation in Q2 2018. The remaining difference relates to incremental repairs and maintenance, higher utilities due to increased grow activities in 2018, and facility maintenance costs due to the commencement of operations and additional space.

Consulting fees have increased by \$190,246 compared to Q4 2017. Significant incremental expenses relate to horticultural consultants for \$34,896, and quality assurance and derivative product consultants for \$81,650. Professional fees have also increased by \$157,392, driven by \$84,944 in fees for architects and \$139,371 in general legal services. There were no comparable charges for architecture services in 2017 and the legal work was significantly less due to the relatively reduced size and complexity of the business in Q4 2017.

Interest and accretion expenses changed by (\$111,750) and (\$44,941) respectively for the three months ended December 31, 2018 compared to the same period in 2017. This change is a result of the convertible debentures' principal balance outstanding being \$5.15 million during Q4 2018 as opposed to \$768,000 in Q4 2017. Interest expense was capitalized to assets in process in Q4 2018 for resulting in a negative interest expense in the quarter and deferred tax implications booked in Q4 2018 resulted in negative accretion. A further \$44,868 in interest earned in Q4 2018 compared to \$25,694 in the comparable period in 2017, largely due to a significant portion of funds being held in GICs in 2018.

Marketing and branding have increased by \$104,922 relative to the same period in 2017. This is largely due to \$100,216 in expenses paid to a third-party advertising agency for work related to the Company as well as retail branding for potential storefront locations.

Travel, meals and entertainment expenses have increased by \$133,196 for Q4 2018 compared to the same period in Q4 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.

Investor relations and public company costs of \$102,611 were incurred in the three months ended December 31, 2018, while there were no comparable expenses in Q4 2017 due to the Company being privately held until mid-December 2017. No investor relations expenses were incurred in 2017 upon commencement of trading on the TSXV.

The combination of the above factors represents 92% of the year over year changes in net loss for Q4 2018 relative to the same period in 2017; other changes are largely from operations largely resulted from the increased scale of the business and change from construction of the facility to cultivation of medical marijuana.

Expenses of \$1,407,815 were incurred in Q4 2017 related to the reverse takeover and subsequent public listing of the Company. No such expenses or transactions have occurred in the comparative period of 2018.

### 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 \$):

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net sales/revenue	58.3	nil	nil	nil	nil	nil	nil	nil
Comprehensive net loss	(2,553.5)	(1,871.1)	(2,072.4)	(2,044.2)	(2,655.2)	(640.7)	(802.3)	(459.0)
Basic and diluted loss per share	(0.03)	(0.02)	(0.03)	(0.03)	(0.07)	(0.02)	(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 through Q4 2018 continued to see consistent losses largely due to interest and accretion on convertible debentures and increased staffing costs as the Company experienced significant growth during the year. The Company recorded initial sales in Q4 2018.

In Q1 and Q2 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 the 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 December 31, 2018.

(in thousands of \$)	As at December 31, 2018	As at December 31, 2017
Cash and cash equivalents	\$19,565.6	\$21,303.9
Account payable, accrued liabilities, and convertible debenture	\$6,450.8	\$353.3
Working capital	\$16,457.8	\$21,725.0

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 had revenue totaling \$58,307 for the year ended December 31, 2018 and no revenue for the same period in December 31, 2017. After receiving the necessary Sales Amendment, the Company made a bulk sale to two other licensed producers as well as some medical cannabis to the first patients onboarded in Q4 2018.

### *Profit or Loss*

Net loss for the year ended December 31, 2018 expanded to \$8,526,631 or \$0.11 per share on a basic and fully diluted basis as compared to a loss from continuing operations of \$2,982,133 or \$0.08 per share on a basic and fully diluted basis for year ended December 31, 2017. The increased losses resulted from higher operating expenses with minimal 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 \$35,845,902 as at December 31, 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 paid in the year ended December 31, 2018 or December 31, 2017.

### *Costs*

The Company has recorded \$55,788 in cost of goods sold for the year ended December 31, 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 costs for construction at the London Facility are estimated to be approximately \$5 million which will add another approximately 29,000 square feet to the production facility, including 8 new grow rooms, in-house ethanol extraction, derivative manufacturing space and a footprint for the Company's eventual on-site retail store.

### *Cash and cash equivalents*

As at December 31, 2018, the Company had cash and cash equivalents available of \$19,565,606 compared to \$21,303,886 at December 31, 2017.

As at December 31, 2018, the Company had convertible debentures outstanding in the amount of \$4,397,610 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 \$9,537,245 (2017 - \$2,210,268) in cash related to operating activities during the year ended December 31, 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 \$5,100,133 (2017 - \$3,204,054) in cash related to investing activities during the year ended December 31, 2018, primarily as a result of the \$1,294,950 loan to the Bhang joint venture, and roughly \$3,992,624 spent on assets in process, intangibles and property plant and equipment. This is offset by interest income on cash deposits.

#### *Cash from Financing Activities*

The Company received \$12,899,098 (2017 – \$26,448,298) in cash from financing activities during year ended December 31, 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. In addition, the Company relies on certain key employees in order to achieve necessary licensing and complete cultivation activities successfully. The Company estimates that as at December 31, 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 intends 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 does expect that as it continues to ramp up throughout 2019, revenues from sales of cannabis will contribute to the funding of operational expenditures. 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 December 31, 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 is evaluating offers and opportunities to raise debt capital in order to replace funds invested in the strategic purchase of its licensed production facility and to support working capital requirements over the next 12 months, including interest payable on the convertible debentures, as the company complete its planned expansion of the London Facility.

Management believes that with the approved Sales Amendment, sales will provide further liquidity to the Company.

### CONTRACTUAL OBLIGATIONS

The Company had the following contractual obligations at December 31, 2018:

	Payments Due by Period				Total
	< 1 Year	1-3 Years	4-5 Years	> 5 Years	
	\$	\$	\$	\$	\$
Operating leases	259,907	3,213	-	-	263,120
Purchase obligations	200,307	-	-	-	200,307
Other obligations	525,607	10,043	-	-	535,650
<b>Total contractual obligations</b>	<b>985,821</b>	<b>13,256</b>	<b>-</b>	<b>-</b>	<b>999,077</b>

Subsequent to period end, the Company entered into commitments totaling \$8,404,980. These commitments are comprised of the purchase of the land and building the production facility is located on, cannabis extraction and derivative manufacturing equipment, and agreements related to consulting fees and facility costs, all with minimum commitment terms of less than three years.

### SHARE CAPITAL

As at April 29, 2018, the Company had the following securities outstanding:

	Securities	# of common shares convertible into
	#	\$
Common shares	83,036,228	N/A
Options	4,278,315	4,278,315
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 year ended December 31, 2018, the Company incurred \$21,851 for legal services and \$10,170 in rent for office space to a law firm owned by an executive of the Company (2017 - \$19,609 and \$Nil)

The Company had no other transactions with related parties for the year ended December 31, 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.

### *Reliance on the Licence*

The continuation of Indiva's business cultivating cannabis is dependent on the good standing of its Licence. Indiva's ability to operate in Canada is dependent on maintaining its Licence in good standing with Health Canada. Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer. Although Indiva believes it will meet the requirements of the Cannabis Act for future extensions or renewal of the Licence, there can be no guarantee that Health Canada will extend or renew the Licence or that, if extended or renewed, the Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence or should it renew the Licence on different terms, the business, financial condition and results of the operation of the Resulting Issuer would be materially and adversely affected.

### *Expansion of London Facility*

The ongoing expansion of the London Facility is subject to various potential problems and uncertainties and may be delayed or adversely affected by a number of factors beyond Indiva's control. These uncertainties include the failure to obtain regulatory approvals, permits, 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. Additionally, sufficient power will be required to expand the London Facility, which the Company may not be able to secure, or secure at economically viable rates. The actual cost of construction may exceed the amount budgeted for expansion. As the result of potential construction delays, cost overruns, changes in market circumstances or other factors, Indiva may not be able to achieve the intended economic benefits from the expansion of operations at existing facilities, which in turn may affect Indiva's business, prospects, financial condition and results of operations. In particular, any expansion of the London Facility is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Indiva and may result in Indiva not meeting anticipated or future demand when it arises.

### *Reliance on the London Facility*

Indiva has a single facility which is licensed to produce recreational and medical cannabis under the Cannabis Act, the London Facility. Indiva's operations and the conditions of the London Facility are, and

will be, subject to hazards inherent in the cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the London Facility. Any adverse change or event affecting the London Facility may have a material and adverse effect on the Indiva's business, results of operations and financial condition.

#### *Unfavourable Publicity or Consumer Perception*

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational and medical cannabis markets or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### *Product Liability*

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.

Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect

against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

#### *Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

#### *Competition*

The introduction of a recreational model for cannabis production and distribution will have impact on the comprehensive cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

There is potential for the Company to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could materially and adversely affect the proposed business, financial condition and results of operations of the Company.

To date, the government has only issued a limited number of licences under the Cannabis Act to produce and sell cannabis. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of the Company.

### *Volatile Market Price of the Common Shares*

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by Indiva or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares. Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

### *Regulatory Risks*

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and the Company and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's ability to grow, store and sell cannabis in Canada is dependent maintaining the Licence in good standing. Failure to: (i) comply with the requirements of the Licence; and (ii) maintain this License would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or may give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business with an agricultural product in a regulated industry, the Company will need to continue to build

brand awareness through significant investment in strategy, production capacity and quality assurance. The Company's brand and products may not be effectively promoted as intended. The cannabis industry is marked by competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

#### *Negative Cash Flow from Operating Activities*

The Company has not yet achieved positive operating cash flow, and the Company will continue to experience negative cash flow from operations in the foreseeable future. The Company has incurred net losses in the past and may incur losses in the future unless it can derive sufficient revenues from its business. Such future losses could have an adverse effect on the Company's businesses, financial conditions and results of operations, and the market price of the Company's securities, which could cause investors to lose part or all of their investment.

#### *Changes in Laws, Regulations and Guidelines*

The Company's operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect the Company's businesses, financial conditions and results of operations.

The Company intends to enter the edibles market once the federal government legalizes their sale, with an estimated legalization date of October 17, 2019. Any delay or change in the government's stance on edibles legalization would prohibit the Company from proceeding with its intentions in this market and could have a material adverse impact on the business, financial condition and operating results of the Company.

#### *Reliance on Management*

Another risk associated with the production and sale of cannabis is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

#### *Difficulty to Forecast*

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors

could have a material adverse effect on the business, results of operations and financial condition of the Company.

#### *Restrictions on Sales and Marketing*

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's businesses, operating results and financial conditions.

#### *TSXV Restrictions on Business*

As a condition to listing on the TSXV, the TSXV required that the Company deliver an undertaking (the "**Undertaking**") confirming that, while listed on TSXV, the Company currently will only conduct the business of the production, sale and distribution of medicinal marijuana in Canada pursuant to one or more licences issued by Health Canada in accordance with applicable law, unless prior approval is obtained from TSXV. The Undertaking could have an adverse effect on the Company's ability to do business or operate outside of Canada and on its ability to expand its business into other areas, if the Company is still listed on the TSXV and remains subject to the Undertaking at such time. The Undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

#### Risks Specifically Related to the United States Regulatory System

##### *Failure to Comply with TSXV Bulletin*

Pursuant to the TSXV Bulletin, if the Company were determined not be in compliance with the Requirements of the TSXV, the TSXV has the discretion to initiate a delisting review. If the TSXV were to initiate a delisting review in respect of the Company, there could be an adverse effect on the trading price of the Company's shares.

The Company's licensing agreements associated with the United States are subject to applicable anti-money laundering laws and regulations

The Company's US-related licensing agreements cause the Company to be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended, and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's licensing agreements associated with the United States, or any proceeds thereof, or any profits or revenues accruing from such licensing agreements related in the United States were found to be in violation of money laundering legislation or otherwise, such

arrangements may be viewed as generating proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, affect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, in the event that a determination was made that the licensing agreements with Bhang or DeepCell (or any future permitted arrangement in the United States) could reasonably be shown to generate proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. Any future exposure to money laundering or proceeds of crime could subject the Company to financial losses, business disruption and damage to the Company's reputation. In addition, there is a risk that the Company may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Company has failed to comply with the Company's legal obligations relating to the reporting of money laundering or other offences.

### **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.

### **NEW ACCOUNTING POLICIES**

#### *Leases*

In January 2016, the IASB issued IFRS 16, Leases, was issued in January 2016, and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions. The Company has assessed the impact of the new IFRS standard, and notes it will have no material impact on the Company's financial statement.

### **SUBSEQUENT EVENTS**

Reference is made to the disclosure set out in the accompanying audited consolidated financial statements for the year ended December 31, 2018.

### **APPROVAL**

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