INDIVA LIMITED

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

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

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

The following is a discussion and analysis of the financial condition and results of operations of Indiva Limited ("**Indiva**" or the "**Company**") for the three and nine month periods ended September 30, 2019. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three and nine month periods ended September 30, 2019 and 2018 (the "**Interim Financial Statements**").

All amounts in the MD&A are in Canadian dollars unless indicated otherwise. The Company's accounting policies are in accordance with International Financial Reporting Standards (“**IFRS**”).

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

Indiva does not engage in any U.S. marijuana-related activities as defined in *CSA Staff Notice 51-352* (Revised) – Issuers with U.S. Marijuana-Related Activities dated February 8, 2018 (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 licence intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

The effective date of this MD&A is November 29, 2019.

FORWARD-LOOKING STATEMENTS

This MD&A includes certain “forward-looking statements” or “forward-looking information” within the meaning of applicable Canadian securities legislation that are based upon current expectations, estimates, projections, assumptions and views of future events of management at the date hereof, and 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 fact 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. They reflect management's current expectations regarding future results or events. These forward-looking statements are subject to several 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; and
- compliance with TSX Venture Exchange ("**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 and cannabis derived products;
- failure to maintain the Company's licence to cultivate cannabis and obtain the required licenses and authorizations required for the Company's future business objectives;
- share price volatility;
- any adverse change or event impacting the Company's Indiva Facility (as defined below);
- 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 and cannabis derived products, 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 correct. Consequently, all forward-looking statements made in this MD&A and other Company documents 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, tinctures, capsules and edible products.

On July 14, 2017, Indiva LP received its cultivation licence at the Indiva Facility and became a licensed producer of medical cannabis under the ACMPR. Cannabis production commenced at the Indiva 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. At that time, Indiva, through Indiva LP, planned to sell its cannabis products to medical clients and to consumers on the recreational market. While Indiva does not currently have plans to sell cannabis to other licenced 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 adult-use 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 sales 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 agricultural technologies, genetic materials, and tested growing practices to produce cannabis in an environmentally-sustainable manner.

The Indiva Facility consists of offices and approximately 25,000 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 subsequently made the decision to add an ethanol extraction system in the processing space. Management believes that the Indiva Facility has sufficient power and water to support its expanded production operations.

On May 31, 2019, an additional three grow rooms and three processing rooms were licenced by Health Canada and put into operation increasing the expected output of the facility to an estimated 1,000 kg annually. The newly-licensed grow rooms use modern aeroponic grow technology and were fully populated within the first month post-licensing. On October 21, 2019, the Company received the licence from Health Canada for an additional five rooms (three grow and two processing). The Indiva Facility now is expected to have an annual flower capacity of approximately 3,000 kg. The newly-licensed grow rooms will use rock wool and high-pressure sodium lights to provide alternative grow medium and conditions to better meet the requirements of certain strains. The grow rooms will be populated with cannabis in Q4 2019 while the processing rooms were immediately commissioned for pre-roll production and edible products. The final phase of the Indiva Facility expansion includes manufacturing and extraction space. Construction of the space is expected to be completed in Q4 2019 with the amendment submission to Health Canada being submitted during the same timeline.

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

No off-balance sheet arrangements exist.

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

SHARE CAPITAL

Indiva is authorized to issue an unlimited number of Common Shares. As at September 30, 2019, 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 the Indiva facility, and subsequently announced that the design was complete for an extractor with annual expected biomass capacity of approximately 70 tonnes and resulting distillate capacity of over 4 million grams. The capital cost was initially budgeted at USD $1.4 million, but has since been increased to approximately USD $1.7 million. The anticipated production capacity of the extraction equipment will exceed the Company's needs to produce oil tinctures, capsules and derivatives, such as edible products, licensed from Bhang Corporation ("**Bhang**") and DeepCell Industries ("**DeepCell**"), subject to receipt of applicable regulatory approvals. The Company expects to use the available excess capacity to extract biomass for other licensed producers.

Retail Sales

On January 23, 2019, the Company announced that it had completed a 9.9 percent equity investment in RetailGo Inc., valued at $1, and had obtained a five-year promissory note in the amount of $730,000, plus an additional $300,000 to be repaid separately upon RetailGo successfully raising $5,000,000 in either debt or equity financing. As at the date of the transaction, an asset value of $1 has been recognized for the promissory note due to the uncertainty of RetailGo's ability to repay the promissory note. The Company's transactions with RetailGo were considered to be related-party transactions as a former officer and director of the Company is a founder of RetailGo.

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 doing business as the OCS. The Company initially supplied the OCS with two strains of pre-rolls that were manufactured and shipped from the Indiva Facility. Both strains were available for purchase from the OCS online store beginning late February 2019 and in licensed retail stores as of April 1, 2019. Subsequent to Q1 2019, the Company made a third strain available for sale through the OCS. The OCS has also accepted SKUs relating to the Company's indica and sativa capsules. The Company will begin supplying capsules to OCS upon receipt of its oil sales amendment from Health Canada which is anticipated for Q4 2019.

Purchase of Land and Building at 1050 Hargrieve Road

On February 20, 2019, the Company announced the finalization of its purchase of its licensed facility in London, Ontario, for $5.55 million cash plus legal fees and closing costs.

Letter of Intent with Société québécoise du cannabis

On July 21, 2019, the Company announced the signing of a letter of intent with Société québécoise du cannabis ("**SQDC**") to provide a minimum of 216.66 kg of dried cannabis (or equivalent derivative product) in Q4 2019 and 220 kg in Q1 2020. The products to be supplied to the SQDC include dried flower, pre-rolls and capsules.

TerrAscend Extraction Agreement

On August 7, 2019, the Company announced the signing of an agreement with TerrAscend to provide extraction services for cannabis oil and distillate. Under the agreement, TerrAscend committed to delivering an annual minimum of 800 kg of dry flower to be extracted and refined at the Indiva Facility.

Debt Financing Agreement

On October 15, 2019, the Company announced the signing of definitive documentation with an institutional lender for a $7,500,000 secured bridge loan, secured by eligible receivables, and a $6,500,000 secured demand loan facility at an interest rate of 9% above the Bank of Montreal prime rate, secured by the Company's assets. This agreement allows for aggregate debt financing in an amount up to $11,000,000. Part of the proceeds from the secured demand loan were used to fully repay the remaining outstanding convertible debentures of $5,150,000 of principle and interest of $143,056. In addition, the Company has agreed to pay a finder's fee of 2% of the value of the facility, paid as $100,000 cash and 375,000 common shares at a price of $0.32 per share. The common shares were issued on October 22, 2019.

Supreme Production Agreement

On October 22, 2019, the Company announced the signing of an agreement with The Supreme Cannabis Company ("**Supreme Cannabis**") to manufacture and distribute pre-rolls for the Supreme Cannabis portfolio of brands, including 7Acres, Blissco and KKE. The agreement is for a one-year renewable term and production began in Q4 2019.

2018

During the year ended December 31, 2018, Indiva's management began the construction of phases 2-4 of the Indiva Facility. The Company also undertook significant brand development and financing initiatives. 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 percent 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
Proposed capacity expansion – second site	$4,000,000	-(2)	($4,000,000)
Expansion at current site	-	$4,200,000(3)	$4,200,000
Acquisition of land and building – 1050 Hargrieve	-	$5,600,000(4)	$5,600,000
Proposed intellectual property and genetics acquisitions			
• Genetics	$1,500,000	$150,000(5)	($1,350,000)
• Intellectual property	$2,500,000	-(6)	($2,500,000)
General working capital(1)	$5,508,237	$3,558,237	($1,950,000)
Total	**$13,508,237**	**$13,508,237**	**-**

Notes

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

(2) Represents a reduction of $4,000,000 due to a focus on the Indiva Facility in London.

(3) Represents an additional $4,200,000 in construction and equipment costs to add extraction and manufacturing to the Indiva Facility.

(4) Represents an additional $5,600,000 of costs to acquire the land and building on which the Indiva 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 cannabidiol ("**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, the Company has committed to investing USD $5 million into cannabis processing equipment. The joint venture received approval from the TSXV on June 14, 2018. Indiva has prepaid USD $1 million to Bhang for future services to be rendered.

At this time, the Company does not intend to complete an equity investment in Bhang.

DeepCell Licence Agreement

On April 26, 2018, Indiva announced an exclusive licence agreement with DeepCell, a Seattle-based technology development company focusing on material science, microfluidics and cannabinoid molecule discoveries. Pursuant to the licence 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 TSXV 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 tetrahydrocannabinol (“**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 for the voluntary delisting of the Common Shares 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, 2018, the Company announced plans to open up to ten Indiva-branded cannabis dispensaries in Ontario in 2019 with the intention of selling Indiva produced cannabis and cannabis from other LPs, 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 that the Company would 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. On August 23, 2019, the Ontario Government announced the 42 successful winners of its second lottery. Licenced producers continued to be excluded from participating in the lottery. The Company still intends to apply for a retail licence at its Indiva Facility when regulations allow.

Denmark Licence

On November 21, 2018, Indiva announced the signing of a non-binding letter of intent to acquire 100 percent 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 European operations. In a continuing collaboration with AEssense, Indiva Europe plans to construct an indoor grow facility based on AEssense's proprietary AEtrium fully-automated aeroponic grow platform, which will enable Indiva Europe to produce consistent, ultraclean, premium, pharmaceutical-quality cannabis product compliant with GACP (good agricultural and collection practices) and EU-GMP standards. Sites have been identified to begin construction of a 1,000-square-foot research lab as part of the greater production facility, with ample expansion room to create facilities of such scale as to be able to serve Danish patients as well as the European market with high-quality cannabis products.

Reverse Takeover and Concurrent Financings

On December 15, 2017, the Company announced it had completed the acquisition of 100 percent 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 $12,054,814 (the "**Subscription Receipt Offering**").

The Subscription Receipt Offering was completed concurrently with the offering in tranches (the "**Convertible Debenture Financing**") of 10 percent 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 bears interest at a rate of 10% per annum, commencing on December 13, 2017, and is 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.

Upon completion of the RTO and Subscription Receipt Offering and Convertible Debenture Offering, the Company had $23,725,386 available to it, and allocated such amount as follows:

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

Notes

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

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

As described above, the Company has allocated $13,750,000 to fund the expansion of the Indiva Facility. During the nine months ended September 30, 2019, the Company incurred expenditures of $4,134,496 (year ended December 31, 2018 - $4,374,318) on the Indiva Facility expansion.

INDUSTRY TRENDS

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

Licences, Permits and Authorizations

Prior to the Cannabis Act, and associated regulations coming into effect, 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.

On October 17, 2018, the Cannabis Act, as well as the Cannabis Regulations and the new *Industrial Hemp Regulations* (Canada) (together with the Cannabis Regulations, 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 came into effect 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.

The Cannabis Regulations also create 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 have different rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and each sub-class. Producers holding production and sale licences under the ACMPR were transferred to similar licences under the Cannabis Act pursuant to a two-stage process.

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 licence. The implications of the proposal to allow outdoor cultivation are no yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically lower than those associated with indoor growing.

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 ACPMR, 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 licenced entity. Similar to the medical cannabis regime under the ACPMR, 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 of 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, however, elect to purchase cannabis from retailers of recreational cannabis. The Government of Canada intends to review the medical cannabis system in five years.

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

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

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

Cannabis Tracking and Licensing System

Under the Cannabis Act, the Minister 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 currently permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds.

The Cannabis Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Cannabis Regulations include vaporization cartridges manufactured with dried cannabis. For additional information on new product forms, see "Regulatory Framework for Cannabis Edibles, Extracts and Topicals" below.

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.

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.

Health Products and Cosmetics Containing Cannabis

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

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the 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.

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*:* British Columbia passed the *Cannabis Control and Licensing Act* (British Columbia) and the *Cannabis Distribution Act* (British Columbia), and issued the *Private Retail Licensing Guide* to regulate the recreational cannabis industry in the province. British Columbia's Liquor Distribution Branch is the only wholesale distributor of recreational cannabis. It operates cannabis retail stores, and is responsible for licensing and monitoring private, recreational cannabis stores.

Ontario: Ontario introduced regulated private retail model for cannabis in Ontario by way of the *Cannabis Statute Law Amendment Act, 2018* (Bill 36)("**CSLAA**"). It emphasizes three public policy objectives: to implement a safe, legal system for cannabis that will protect consumers, to undermine the illegal market, and to protect public safety. The CSLAA does the following: (i) it amends the *Cannabis Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017*, the *Liquor Control Act*, the *Smoke-Free Ontario Act, 2017*, the *Highway Traffic Act*, and other related statutes; and (ii) it enacts the *Cannabis Licence Act, 2018*, which establishes the licensing system for Ontario's private retail stores, which is administered by the Alcohol and Gaming Commission of Ontario ("**AGCO**"). 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 by lottery on January 11, 2019, and 25 winners were announced. Until April 1, 2019, when private retail locations began to open, the Ontario Cannabis Retail Corporation was the only authorized vendor of recreational cannabis in Ontario and such sales could only be completed online through the Ontario Cannabis Store website.

Alberta: Alberta has a cannabis framework providing for the purchase of cannabis products from private retailers, which receive their products from a government-regulated distributor. Under the *Gaming, Liquor and Cannabis Act*, only licenced retail outlets are permitted to sell cannabis, with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. Under the *Cannabis Control (Saskatchewan) Act*, the Saskatchewan Liquor and Gaming Authority has committed to issuing up to 60 retail permits to private retailers in approximately 40 municipalities and First Nation communities across the province.

Manitoba: Manitoba has a hybrid model for cannabis distribution. The supply of cannabis in Manitoba is secured and tracked by the Manitoba Liquor & Lotteries Corporation; however licenced private retail stores are permitted to sell recreational cannabis.

Québec: Québec passed its Cannabis law, Bill 157. In Québec, the sale of all recreational cannabis is managed and conducted through the stores of the Société québécoise du cannabis, a subsidiary of Société des alcools du Québec, and its online website.

Newfoundland and Labrador: In Newfoundland and Labrador, pursuant to the *Cannabis Control Act*, recreational cannabis is sold through licenced private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. ("**NLC**"), overseeing the distribution to private sellers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licences may later be issued to private retailers.

Nova Scotia: The *Cannabis Control Act* establishes the licensing system for the retail sale of recreational cannabis in Nova Scotia. 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 of the New Brunswick Liquor Corporation.

Prince Edward Island: Under the *Cannabis Management Corporation Act*, the sale of recreational cannabis in Prince Edward Island is controlled and supervised by the Cannabis Management Corporation, which operates retail stores and online sales.

Yukon: Under the *Cannabis Control and Regulation Act*, the distribution and sale of recreational cannabis in the Yukon is limited to government outlets, and government-run online stores, however it does contemplate the later licencing of private retailers.

Nunavut: Pursuant to the Nunavut Cannabis Act, the Nunavut Liquor and Cannabis Commission ("**NULC**") controls the distribution and sale of cannabis, online and in physical stores. The NULC also has the authority to contract with agents for the sale of cannabis.

Northwest Territories: The *Cannabis Legalization and Regulation Implementation Act* governs the distribution and sale of recreational cannabis. The N.W.T. Liquor and Cannabis Commission controls the importation, distribution, sale and pricing of cannabis products; however it is allowing private retailers to apply for retail licences. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

Regulatory Framework for Cannabis Edibles, Extracts and Topicals

On October 17, 2019, the *Regulations Amending the Cannabis Regulations* came into force (the "**Further Regulations**"). The Further Regulations amend the Cannabis Act and Cannabis Regulations to, among other things, allow the production and sale of extracts (including concentrates), edibles and topicals by parties holding the appropriate licences in addition to dried cannabis, fresh cannabis, cannabis seeds, cannabis plants and cannabis oil. The first notices of new cannabis products in respect of the new product forms authorized under the Further Regulations could be submitted as of October 17, 2019 with sale being permitted 60 calendar days after the applicable date of submission.

In keeping with the federal government's public health approach to the legalization and strict regulation of cannabis, the Further Regulations seek to reduce the health risks of these cannabis products. At the same time, the amendments provide for a broad diversity of cannabis products, which will help displace the illegal market.

With respect to edible cannabis, the Further Regulations, include, among other things:

- restrictions on the use of ingredients that could increase the appeal of edible cannabis, increase the risk of food-borne illness, and encourage over consumption;
- a maximum of 10 mg of THC in a package of edible cannabis;
- child-resistant and plain packaging for edible cannabis to lower the risk of accidental consumption and make packages less appealing to young persons;
- packaging will be required to display the standardized cannabis symbol and a health warning message and will be prohibited from making claims respecting health benefits or nutrition;
- there can be no elements that would associate the product with alcoholic beverages, tobacco products, or vaping products; and,
- manufacturing controls for the production of edible cannabis to reduce the risk of food-borne illness, including prohibiting the production of food and cannabis in the same facility.

With respect to cannabis extracts, the Further Regulations include, among other things:

- prohibitions on the use of certain ingredients that could appeal to young persons, such as sweeteners and colourants, or flavours and ingredients that could increase the appeal of cannabis extracts;
- a maximum of 10 mg of THC in a unit of cannabis extract, such as a capsule. The total amount of THC in a package of a cannabis extract is capped at 1,000 mg (e.g., 100 10-mg capsules);
- there can be no elements that would associate the product with alcoholic beverages, tobacco products, or vaping products;
- child-resistant and plain packaging, and displaying the standardized cannabis symbol and a health warning messages on all packages, including certain-pre filled accessories such as vape pens; and,
- prohibitions on claims respecting health benefits and strict manufacturing controls to control the quality of the products.

Cannabis topicals follow the same general set of amendments above, including a maximum of 1,000 mg of THC per package and prohibitions on the label regarding any health or cosmetic benefits. Topical products are for use on skin, hair and nails only and not for use in eyes or on damaged skin. As with any new regulatory framework, federally-licensed processors will need time to comply with the new rules and provincially-authorized distributors and retailers will need time to purchase and obtain the new products and make them available for sale. As such, adult consumers should expect to see a limited selection of new products appear gradually in physical or online stores, likely no earlier than mid-December 2019.

Indiva will need to obtain an amendment to its Licence in order to produce and sell these new products. In addition, Indiva will be required to provide Health Canada with a written notice at least 60 days before making a new cannabis product available for sale. The notice must state the product class to which the new product belongs, describe the product (including the brand name), and indicate the date on which the product is expected to be made available for sale. Health Canada has begun approving amendments to federal licences to authorize the production and sale of the new products and started to review notifications for new products. There can be no assurance that Indiva will be successful in obtaining an amendment to its licence.

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 TSXV reminded issuers that, among other things, should the TSXV find that a listed issuer is engaging in activities contrary to the Requirements, the TSXV 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 on February 8, 2018, the Canadian Securities Administrators revised their previously released 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 and provided guidance on disclosure expectations for issuers with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties, in the United States.

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.

Health Canada Statement on Changes to Cannabis Licencing Process

On May 8, 2019, Health Canada introduced changes to the cannabis licencing process to align the approach with other regulated sectors, such as pharmaceuticals.

Under the new approach, Health Canada will require new applicants for licences to cultivate cannabis, process cannabis, or sell cannabis for medical purposes to have a fully-built site that meets all the requirements of the Regulations at the time of their application, as well as satisfying other application criteria.

With respect to existing applications, Health Canada will complete a high-level review of applications currently in the queue. If the application passes this review, Health Canada will provide a status update letter to the applicant, indicating that is has no concerns with what is proposed in the application. Once the applicant has a completed site that meets the regulatory requirements, Health Canada will review the application in detail, in priority based on the original application date.

Health Canada is implementing these adjustments following a review of its current licencing process, which identified that a significant amount of resources are being used to review applications from entities that are not ready to begin operations, contributing to wait times for more mature applications and an inefficient allocation of resources. To support the applicants, Health Canada has made available additional guidance on the licence application process and on the regulatory requirements regarding Good Production Practices and physical security measures. Health Canada is also working to establish service standards for the review of applications, which will increase the predictability for applicants.

SELECTED FINANCIAL INFORMATION

Results of Operations

Summary of cash flows for the nine months ended September 30, 2019 and September 30, 2018.

(in thousands of $)	**2019**	**2018**
Cash flows used in operating activities	($6,193.4)	($6,864.9)
Cash flows used in investing activities	($12,918.9)	($3,288.0)
Cash flows provided by financing activities	($Nil)	$13,156.6
Cash and cash equivalents, end of period	$453.3	$24,307.6

Revenue and Gross Margin

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Gross revenue	**211,386**	-	**703,801**	-
Excise taxes	**(25,847)**	-	**(103,393)**	-
Net revenue	**185,539**	-	**600,408**	-
Cost of goods sold	**(158,723)**	-	**(691,272)**	-
Gross margin before fair value adjustments	**26,816**	-	**(90,864)**	-
Fair value adjustment on sale of inventory	**(8,118)**	-	**(58,726)**	
Unrealized fair value adjustment on biological assets	**108,908**	21,437	**196,991**	21,437
Gross margin	**127,606**	21,437	**47,401**	21,437

Gross revenues have increased from $nil in the comparable periods due to the Company initiating sales to the OCS in 2019. Year-to-date, total sales were 81 kg of pre-rolls ($651,264) to the OCS and for the three months ended September 30, 2019 total sales were 20 kg of pre-rolls ($162,816), comprising the majority of gross revenue. Some minor medical cannabis sales have occurred, as well as sales of genetic material to other licensed producers.

Excise taxes are payable on each discrete unit of cannabis sold either for the adult recreational market or to medical patients, however this does not apply to genetic material sold to other licensed producers. Excise taxes are consistent as a function of recreational sales on a quarterly basis for 2019, based on the quantity sold. Since no cannabis was sold in comparable periods, the excise tax is nil.

Cost of goods sold are mainly comprised of three factors: the dry cannabis, packaging and labelling materials, and labour. The improved gross margin, before fair value adjustments quarter-over-quarter, resulted from increased production efficiencies and ongoing process improvements resulting in the labour component of the cost of goods sold which decreased considerably in the second quarter of 2019. The cost of cannabis used in production and packaging supplies has also decreased on a per unit basis due to reduction of wastage, sourcing from new vendors and increased purchasing power.

The unrealized fair value adjustment of biological assets reflects the fair value of plants in process at the period end. For the nine months ended September 30, 2019, the total unrealized fair value of $196,991 reflects an increased quantity of plants from the comparative period which was $nil. Given the Company received the sales amendment to its licence on August 13, 2018, and was operating in a much smaller footprint, a much smaller fair value was assigned to plants in process as less plants were in process. For the three months ended September 30, 2019, the incremental increase from Q2 2019 is due to a slightly lower number of clones in process, and flowering plants being offset by several batches which were harvested in the quarter.

Operating Expenses

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
	$	$	**$**	$
Salaries and benefits	**1,083,730**	513,485	**2,704,939**	1,494,644
General and administrative	**489,356**	419,907	**1,228,657**	839,227
Severance payments	**-**	-	**616,630**	-
Rent, utilities and facility costs	**213,086**	93,128	**596,826**	368,928
Write off of non-refundable deposits	**-**	-	**552,217**	-
Consulting	**360,345**	56,454	**521,430**	286,454
Share-based compensation	**135,485**	71,725	**502,456**	560,035
Marketing and sales	**78,403**	64,530	**416,728**	416,340
Professional fees	**116,779**	154,903	**415,236**	348,930
Travel, meals and entertainment	**50,683**	78,930	**173,373**	267,639
Research and development	**1,047**	-	**3,791**	-
Depreciation of property, plant and equipment	**210,382**	95,706	**500,824**	276,306
Amortization of intangible assets	**2,763**	6,552	**22,267**	18,586
Total operating expenses	**2,742,059**	1,555,320	**8,255,374**	4,877,089

Salaries and benefits have increased by $1,210,295 year-to-date compared to the prior period and $570,245 for the three months ended September 30, 2019 as a result of increased headcount compared to the prior period. New hiring occurred across all departments in order to support the growth of the organization and in anticipation of the Company receiving its sales amendment for oils (as of October 17, 2019 amendment modified to include extracts, edibles and topicals). This amendment will allow for the launch of tinctures, capsules as well as Bhang® Chocolate, Ruby® Cannabis Sugar and Sapphire™ Cannabis Salt and Gems™. Total non-production headcount at September 30, 2019, is 37 as compared to 21 at September 30, 2018.

One-time, non-recurring expenses related to severance and the write off of non-refundable deposits on retail space of $616,630 and $552,217 respectively, occurred in the first quarter of 2019 increasing 2019 total operating expenses by $1,168,847. No comparable expenditures were incurred in 2018.

Rent expense has remained relatively consistent. While the Company purchased the Indiva Facility in Q1 2019 reducing ongoing rent, $30,000 in lease buyouts were expensed at the time of purchase. The Company expects rent costs to significantly decrease in future quarters as ongoing rent relates only to administrative offices and warehousing space. Utilities have increased, largely due to an incremental increase in hydro of $74,086 for the year-to-date period due to increased production space and incremental lighting for these rooms. Lastly, facility costs, repairs and maintenance have increased largely due to $23,000 in property taxes for the now-owned production facility, incremental landscaping and property maintenance costs, and an increased volume of repairs due to having more operational equipment that requires regular, preventative maintenance.

Stock-based compensation expense has decreased $57,579 for the nine-month period ended September 30, 2019, as compared to the same period in 2018. The decrease is attributable to multi-year vesting grants having first tranches vested, as well as having some options forfeited upon the departure of employees. For the three months ended September 30, 2019, stock-based compensation has increased $63,760 as compared to the same three-month period in 2018 as a result of forfeitures of $132,911 in 2018 upon the departure of certain employees with no significant forfeitures in 2019.

Consulting fees have increased by $234,976 for the nine months ended September 30, 2019, and $303,891 for the three months ended September 30, 2019, relative to the respective comparable periods. The significant driver for this change relates to the consulting work incurred related to the design, setup and commissioning of the edibles production equipment, totaling $261,679.

Depreciation of property, plant and equipment has increased by $114,676 and $224,518 for the three and nine month periods ended September 30, 2019 respectively, to the comparative period. This is due to an increased amount of production equipment being commissioned, as well as the licensing and opening of phases two and three of the expansion. Also, as a result of acquiring the Indiva Facility, there was an incremental depreciation of the building which was previously rented in the comparable periods.

Non-Operating Expenses and Income

	Three months ended September 30,		**Nine months ended September 30,**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Realized foreign exchange gain (loss)	**(12,338)**	(1,958)	**(26,476)**	31,298
Unrealized exchange gain (loss)	**216**	(39,370)	**(55,284)**	(54,691)
Interest and financing expenses	**(5,197)**	(158,693)	**(33,030)**	(520,813)
Accretion of Convertible Debentures	**-**	(212,583)	**(47,692)**	(641,303)
Interest income	**5,040**	68,013	**139,473**	68,013
Expected credit loss	**-**	-	**(326,726)**	-
Gain (loss) on investment	**-**	7,407	**-**	(14,537)
Non-operating expenses and income	**(12,279)**	(337,184)	**(349,735)**	(1,132,033)

In 2018, accretion and interest on the Convertible Debentures were expensed while in the three and nine months ended September 30, 2019, these amounts have been capitalized to the facility build out due to the majority of the proceeds of the debentures being used to fund construction. This results in a reduction of non-operating expenses in 2019 as compared to the same periods in 2018.

The expected credit loss recognized in the nine months ended September 30, 2019 relates to two assets. An expected credit loss of $26,726 has been recorded against the investment in the joint venture in the three months ended March 31, 2019 and has not been further adjusted since, as no conditions have changed to indicate any increase or decrease in the expected loss. Management has also recorded an expected credit loss of $300,000 related to the promissory note received from RetailGo as it has not yet been successful in obtaining a retail licence in Ontario nor is there any assurance that it will be able to do so in the future due to current limitations in the number of licences being issued by the Government of Ontario. Management continues to assess, on a quarterly basis, whether a change in circumstances would require a modification in its assessment of expected credit losses. No expected credit losses have been recognized in either of the comparative periods of 2018 as the Company did not have any financial instruments which would require the recognition of an expected credit loss in this period.

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 $, except for loss per share):

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Net sales/revenue	185.5	173.5	241.4	58.3	nil	nil	nil	nil
Comprehensive net loss	(2,626.7)	(2,302.5)	(3,628.5)	(2,553.5)	(1,871.1)	(2,072.4)	(2,044.2)	(2,655.2)
Basic and diluted loss per share	(0.03)	(0.03)	(0.04)	(0.03)	(0.02)	(0.03)	(0.03)	(0.07)

In Q3 2019, the Company continued sales of pre-rolls to the OCS while ramping up operations for future sales to the province of Québec. Salary and benefit expenses continue to increase as part of production continuing to ramp up with the newly-licensed space, as well as one-time consulting fees for the commissioning of the Company's edibles production line.

In Q2 2019, the Company continued sales of cannabis pre-rolls to the OCS, and incurred fewer one-time costs compared to Q1. As a result, the comprehensive net loss in Q2 decreased relative to the first quarter of 2019. The loss is largely due to the Company's payroll and spending reflecting the ramp up in production to satisfy future sales commitments and the Company's growth plan.

In Q1 2019, the Company began its first shipments of cannabis product to the OCS resulting in an increase in revenue over prior periods. Incremental payroll, rent and utilities, have increased expenses, offset by reduced accretion and interest on the convertible debentures compared to prior periods.

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 Q4 2017, staffing levels increased significantly and bonuses were paid to key executive staff resulting in an increase in payroll of $242,733 from Q3 2017. Transaction costs of $1,407,815 related to the Company's reverse takeover transaction also contributed significantly to the increase in comprehensive loss in Q4 relative to prior quarters and is not a recurring cost.

Liquidity

The table below sets out the cash and cash equivalents, short-term debt and working capital at September 30, 2019.

(in thousands of $)	As at September 30, 2019	As at December 31, 2018
Cash and cash equivalents	$453.3	$19,565.6
Account payable, accrued liabilities, and other current liabilities	$9,697.7	$6,450.8
Working capital	($3,553.4)	$15,619.6

In order to meet ongoing working capital requirements and complete the Company's planned expansion on schedule during the last quarter of 2019, management anticipates raising funds through debt and/or equity in order to replace capital spent to purchase the Indiva Facility. This will also fund additional capital expenditures relating to the manufacturing operation.

On October 15, 2019, the Company announced the signing of definitive documentation with an institutional lender for a $7,500,000 secured bridge loan, secured by eligible receivables, and a $6,500,000 secured demand loan facility at an interest rate of 9% above the Bank of Montreal prime rate, secured by certain Company assets. This agreement allows for aggregate debt financing in an amount up to $11,000,000. Part of the proceeds from the secured demand loan were used to fully repay the Convertible Debentures. In addition, the Company paid a finder's fee. of 2% of the value of the Facility, paid as $100,000 cash and 375,000 common shares at a price of $0.32 per share.

DISCUSSION OF SELECTED FINANCIAL INFORMATION

Revenue

The Company had net revenue totaling $703,801 for the nine-month period ended September 30, 2019, with no revenue for the comparable period ended September 30, 2018. After receiving the necessary Sales Amendment and completing a master supply agreement with the OCS, sales of Indiva product to the recreational market began in Q1 2019. Minor sales of genetic materials have also been made to other licensed producers.

Profit or Loss

Net loss from operations for the nine-month period ended September 30, 2019, increased to $8,557,708 or $0.10 per share on a basic and fully-diluted basis as compared to a loss from continuing operations of $5,973,148 or $0.08 per share on a basic and fully-diluted basis for the nine months ended September 30, 2018. The net loss from operations for the three-month period ended September 30, 2019 increased to $2,626,732 or $0.03 per sshare on a basic and fully-diluted basis as compared to a loss from continuing operations of $1,878,474 or $0.02 per share on a basic and fully-diluted basis for the three months ended September 30, 2018.

The increased losses in both periods relative to the comparable periods are aresult of higher operating expenses as the business grew in anticipation of the Company's launch of derivative products, including extract and edible products, expected in Q4 2019. Higher operating expenses reflect higher payroll expense as operations ramp up, as well as one-time consulting fees related to new production launches. These were offset by decreases in the interest and accretion on the convertible debentures and stock-based compensation.

Total Assets

Total assets decreased to $31,037,528 as at September 30, 2019, compared to $35,845,902 as at December 31, 2018, primarily as a result of cash spent on operating activities, which were offset by higher inventory, property, plant and equipment and assets in process.

Distributions or Cash Dividends

No distributions or dividends were paid in the nine months ended September 30, 2019 or September 30, 2018.

Costs

The Company has recorded $691,272 in cost of goods sold for the nine-month period ended September 30, 2019, as it received its Sales Amendment on August 10, 2018, and started selling product through the OCS in Q1 2019. Fair value adjustments on sale of inventory for the nine-month period ended September 30, 2019 was $58,726 with no comparable amount in the nine-month period ended September 30, 2018, as sales had not begun at that point.

Remaining costs for construction and equipment at the Indiva Facility are estimated to be approximately $3.5 million. Once completed, the Indiva Facility will add an in-house ethanol extractor, derivative manufacturing space an on-site retail store.

Cash

As at September 30, 2019, the Company had cash available of $453,324 compared to $19,565,606 at December 31, 2018.

As at September 30, 2019, the Company had Convertible Debentures outstanding in the amount of $4,975,719 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. Subsequent to September 30, 2019, the Company raised additional debt financing and used some $5,293,056 of the proceeds to repay the outstanding principal and accrued interest on the Convertible Debentures.

Cash Used in Operating Activities

The Company consumed $6,193,352 (2018 - $6,864,888) in cash related to operating activities during the nine months ended September 30, 2019, primarily due to the net loss from operating activities offset by a positive change in non-cash operating working capital.

Cash Used in Investing Activities

The Company consumed $12,918,930 (2018 - $3,287,986) in cash related to investing activities during the nine months ended September 30, 2019, primarily as a result of $5,498,871 in acquisitions of assets in process and $7,251,156 in property, plant and equipment.

Cash from Financing Activities

The Company did not receive or use any cash in financing activities during the nine months ended September 30, 2019 (2018 – $13,156,598).

The Company is reliant on cash flows from financing activities to complete the expansion of the Indiva 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 September 30, 2019, it will require further financing to fully complete the expansion at its facility. Refer to liquidity and capital resources discussion below for information on financing obtained by the Company in early October 2019.

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.

On October 15, 2019, the Company announced the signing of definitive documentation with an institutional lender for a $7,500,000 secured bridge loan, secured by eligible receivables, and a $6,500,000 secured demand loan facility at an interest rate of 9% above the Bank of Montreal prime rate, secured by certain Company assets. This agreement allows for aggregate debt financing in an amount up to $11,000,000. Part of the proceeds from the secured demand loan were used to fully repay the outstanding principal and accrued interest on the Convertible Debentures. In addition, the Company has agreed to pay a finder’s fee of 2% of the value of the facility, paid as $100,000 cash and 375,000 common shares at a price of $0.32 per share.

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 through 2019 and into 2020, revenues from the sale 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 of September 30, 2019, the Company has signed a construction management contract for phases three and four of construction at the Indiva Facility. Construction continues to progress.

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 September 30, 2019:

	Payments Due by Period				
	< 1 Year	**1-3 Years**	**4-5 Years**	**> 5 Years**	**Total**
	$	$	$	$	**$**
Operating leases	101,714	254,100	254,100	285,863	**895,777**
Purchase obligations	1,331,428	-	-	-	**1,331,428**
Other obligations	221,490	77,807	-	-	**299,297**
Total contractual obligations	**1,654,632**	**331,907**	**254,100**	**285,863**	**2,526,502**

Subsequent to period end, the Company entered into commitments totaling $453,741. These commitments are comprised of IT services and a lease for office space.

SHARE CAPITAL

As at November 29, 2019, the Company had the following securities outstanding:

	Securities		**# of common shares convertible into**
	#	$	#
Common shares	83,588,269		N/A
Options	5,049,315		5,049,315
Warrants	27,089,084		28,131,583
Convertible debentures		5,150,000	6,866,667

TRANSACTIONS WITH RELATED PARTIES

The Company's transactions with RetailGo were considered related-party transactions as a former director of the Company is a founder of RetailGo. Refer to Note 20 of the *Interim Financial Statements* for further details. No other related-party transactions occurred in the nine-month period ended September 30, 2019. For the nine-month period ended September 30, 2018, the Company paid $6,102 for legal services and $1,500 in rent to a law firm owned by the former officer and director.

RISKS AND UNCERTAINTIES

The Company's overall performance and results of operations are subject to several risks and uncertainties.

Reliance on the Licence

The continuation of Indiva's business cultivating and processing 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 Indiva Facility

The ongoing expansion of the Indiva Facility is subject to various potential problems 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 Indiva 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 Indiva 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 Indiva Facility

Indiva has a single facility which is licensed to produce recreational and medical cannabis under the Cannabis Act. Indiva's operations and the conditions of the Indiva 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 Indiva Facility. Any adverse change or event affecting the Indiva Facility may have a material and adverse effect on 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 and 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. 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 its Licence in good standing. Failure to: (i) comply with the requirements of the Licence; and (ii) maintain this Licence 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 to an early stage business with an agricultural product in a highly-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.

Recent Announcements and Risks Regarding Vaporizer Products

On October 4, 2019, the U.S. Food and Drug Administration issued a warning to the public to stop using vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential, but unconfirmed link to lung injuries such as severe pulmonary illness. Such warnings appear to be particularly focused on the use of vaping liquids purchased from unlicensed or unregulated retailers. Lung injuries associated with the use of cannabis derivative containing vaping liquid have equally been reported in Canada but to a lesser extent. In response, Health Canada has issued an information update advising Canadians who use cannabis derivative containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public’s perception of cannabis containing vaping liquids, may result in a reduced market for the

Company's products. Federal, provincial and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the financial condition and results of operations of the Company.

Laws and Regulations Governing Cannabis in Foreign Jurisdictions

The Company's ability to achieve its business objectives in foreign jurisdictions is contingent, in part, upon its compliance with regulatory requirements enacted by governmental authorities and the Company obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the impact of the compliance regimes countries such as Germany, Italy, Lesotho, Malta, Colombia, Argentina or Jamaica are implementing and the method in which their governmental authorities will manage the adult-use or medical cannabis industry. Similarly, the Company cannot predict how long it will take to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of the various compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company currently incurs and will continue to incur ongoing costs and obligations related to regulatory compliance. A failure on the Company's part to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on its 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 give rise to material liabilities, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Long-term Health Impacts Associated with Use of Cannabis and Cannabis Derivative Products are Unknown

Although there is a long history of human consumption of cannabis, there is little in the way of longitudinal studies on the short-term and long-term effects of cannabis use on human health, whether used for recreational or medicinal purposes. As such, there are inherent risks associated with using the Company's cannabis and cannabis derivative products. The Company's cannabis and cannabis-derivative products should always be used only as specifically instructed by the Company on the packaging and associated product information or product insert prepared by the Company. Consumers should never modify cannabis products or cannabis derivative products or add substances to such products as this may result in increased health risks and unpredictable adverse reactions. Previously unknown or unforeseeable adverse reactions arising from human consumption of cannabis products may occur and consumers should consume cannabis at their own risk or in accordance with the direction of a health care practitioner.

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 manufacturing, 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 Company obtains the required approvals from Health Canada. Any delay in the approval process, the production of the Company's edible products, 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.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meetings its development and future operating cost requirements in instances where cash positions are unable to be maintained of appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Common Shares.

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.

Results from Future Clinical Research

Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in the early stages. There have been relatively few clinical trials on the benefits of CBD and THC. Although the Company believes that the articles, reports and studies support its beliefs regarding the therapeutic benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may provide such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, investors should not place undue reliance on such articles, reports, and studies. Future research studies and clinical trials may draw opposing or negative conclusions regarding the facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

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 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.

The Company has publicly announced its intention to delist its Common Shares from the TSXV and list the Common Shares on the CSE in order to access the U.S. cannabis markets without violating any TSXV requirements. The Company may be materially and adversely affected by certain business restrictions implemented by the TSXV until this de-listing process is complete.

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.

Anti-Money Laundering Legislation

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

The Company's U.S.-related licensing agreements may 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, several estimates related to biological assets, and the probabilities of expected credit losses. Actual results could differ from these estimates.

ADOPTION OF NEW ACCOUNTING POLICIES

The accounting policies adopted in the Condensed Consolidated Interim Financial Statements are consistent with those followed in the preparation of the Company's 2018 Annual Financial Statements except as noted below related to IFRS 16, Leases.

(a) LEASES

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

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

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

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

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

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

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

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

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

After considering the above practical expedients, the Company had one long term lease for office space in London, Ontario. All other leases have had the practical expedient for short term leases applied. For the nine months ended September 30, 2019, the lease expenses for these leases totaled $97,667.

SUBSEQUENT EVENTS

Reference is made to the disclosure set out in the accompanying condensed consolidated interim financial statements for the three and nine months ended September 30, 2019.

APPROVAL

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