INDIVA LIMITED

(formerly Rainmaker Resources Ltd.)

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and nine month periods ended September 30, 2018 and 2017

INDIVA Limited
Condensed Consolidated Interim Statement of Financial Position
(Unaudited, Expressed in Canadian dollars)

As at	September 30, 2018	December 31, 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**24,307,610**	21,303,886
Taxes and other receivables	**542,423**	195,845
Investment	**-**	89,164
Biological assets (Note 5)	**87,924**	-
Inventory (Note 6)	**677,346**	-
Prepaid expenses and other	**862,209**	489,404
Total current assets	**26,477,512**	22,078,299
Other non-current assets		
Property, plant and equipment (Note 7)	**5,219,413**	5,256,123
Assets in process (Note 8)	**2,332,695**	102,483
Intangible assets (Note 9)	**153,957**	93,850
Loan to associate (Note 12)	**1,294,450**	-
Investment in associate (Note 12)	**50**	-
Long term prepaid (Note 13)	**1,948,950**	17,840
Total assets	**37,427,027**	27,548,595
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**1,507,456**	353,302
Total current liabilities	**1,507,456**	353,302
Other non-current liabilities		
Deferred tax liability	**-**	282,303
Convertible debenture (Note 10)	**4,228,612**	8,092,903
Total liabilities	**5,736,068**	8,728,508
Equity		
Share capital (Note 11)	**37,308,948**	20,483,947
Reserves (Note 11)	**6,264,356**	4,230,800
Accumulated other comprehensive loss	**(19,537)**	(5,000)
Accumulated deficit	**(11,862,808)**	(5,889,660)
Total equity	**31,690,959**	18,820,087
Total liabilities and equity	**37,427,027**	27,548,595

Commitments (Note 20) and Subsequent Events (Note 23)

These condensed consolidated interim financial statements were approved by the Board of Directors of INDIVA Limited on November 27, 2018.

N. Marotta	*J. Yersh*
Carmine (Niel) Marotta	James Yersh

INDIVA Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine month periods ended September 30, 2018 and 2017

(Unaudited, Expressed in Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2018	2017	**2018**	2017
	$	$	**$**	$
Cost of goods sold	**310,712**	-	**310,712**	-
Gross margin before fair value adjustments and amortization	**(310,712)**	-	**(310,712)**	-
Fair value adjustment on biological assets	**21,437**	-	**21,437**	-
Gross margin before amortization	**(289,275)**	-	**(289,275)**	-
Operating expenses				
Salaries	**513,484**	138,573	**1,494,644**	485,912
Accretion of debenture discount	**212,583**	22,354	**641,303**	63,135
Stock-based compensation	**71,725**	16,025	**560,035**	16,025
Interest and bank charges	**158,274**	23,305	**520,813**	26,721
Marketing and branding	**58,713**	51,715	**419,257**	189,137
Professional fees	**125,701**	14,283	**323,658**	28,730
Consulting fees	**52,454**	88,276	**282,454**	231,074
Travel, meals and entertainment	**80,879**	21,544	**269,794**	54,313
Investor relations	**97,576**	-	**258,932**	-
Rent and facility costs	**47,901**	88,110	**245,250**	313,457
Production costs	**15,580**	45,090	**186,996**	58,625
Office, telecommunications and IT	**32,834**	22,209	**106,610**	41,157
Utilities	**14,269**	19,992	**92,721**	44,375
Insurance	**18,048**	6,228	**34,105**	33,790
Agent fees	**13,187**	1,181	**29,202**	5,310
Depreciation and amortization	**102,257**	81,830	**294,892**	101,391
Write off of employee advance	**-**	-	**-**	50,000
Unrealized exchange loss	**39,370**	-	**54,691**	-
Realized exchange loss (gain)	**1,958**	-	**(31,298)**	-
Loss on disposal of equipment	**-**	-	**5,189**	608
Total operating expenses	**1,656,793**	640,715	**5,789,248**	1,743,760
Net loss from operations	**(1,946,068)**	(640,715)	**(6,078,523)**	(1,743,760)
Interest income	**67,594**	3	**68,013**	3,955
Deferred tax recovery	**-**	-	**37,362**	-
Net loss	**(1,878,474)**	(640,712)	**(5,973,148)**	(1,739,805)
Gain (loss) on investment	**7,407**	-	**(14,537)**	-
Transaction costs on derivative financial instrument	**-**	-	**-**	(162,252)
Total comprehensive loss	**(1,871,067)**	**(640,712)**	**(5,987,685)**	**(1,902,057)**
Net loss per common share, basic and diluted	**(0.02)**	(0.02)	**(0.08)**	(0.05)
Weighted average number of common shares outstanding, basic and diluted	**81,497,587**	38,220,000	**78,376,649**	36,996,000

INDIVA Limited
Condensed Consolidated Interim Statements of Changes in Equity
For the nine month period ended September 30, 2018 and 2017
(Unaudited, Expressed in Canadian dollars)

	Share capital					
	Shares	**Amount**	**Reserves**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2018	60,946,413	20,483,947	4,230,800	(5,889,660)	(5,000)	18,820,087
Share capital issued	14,238,150	14,950,058	-	-	-	14,950,058
Share issuance costs	-	(1,441,821)	-	-	-	(1,441,821)
Issuance of warrants	-	(1,566,197)	1,566,197	-	-	-
Issuance of finders warrants	-	(657,802)	657,802	-	-	-
Partial conversion of December 2017 debenture	7,799,998	5,501,255	(995,661)	-	-	4,505,594
Exercise of warrants	51,667	51,950	(12,200)	-	-	39,750
Stock-based compensation	-	-	560,035	-	-	560,035
Deferred tax recovery	-	(12,442)	257,383	-	-	244,941
Net loss for the period	-	-	-	(5,973,148)	-	(5,973,148)
Other comprehensive loss	-	-	-	-	(14,537)	(14,537)
Balance, September 30, 2018	**83,036,228**	**37,308,948**	**6,264,356**	**(11,862,808)**	**(19,537)**	**31,690,959**

	Share capital					
	Shares	**Amount**	**Reserves**	**Accumulated deficit**	**Accumulated other comprehensive loss**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2017	26,940,000	3,712,218	93,231	(1,337,460)	-	2,467,989
Share capital issued for cash	9,312,000	2,979,840	-	-	-	2,979,840
Share capital issued in consideration for accrued interest	240,000	76,800	-	-	-	76,800
Share capital issued for services	680,000	217,600	-	-	-	217,600
Share capital issued as employee compensation	400,000	128,000	-	-	-	128,000
Share issuance costs	-	(85,568)	-	-	-	(85,568)
Stock option exercise	696,000	222,720	-	-	-	222,720
Stock-based compensation	-	-	16,025	-		16,025
Issuance of warrants	-	-	15,252	-	-	15,252
Net loss for the period	-	-	-	(1,902,057)	-	(1,902,057)
Balance, September 30, 2017	**38,268,000**	**7,251,610**	**124,508**	**(3,239,517)**	**-**	**4,136,601**

INDIVA Limited
Condensed Consolidated Interim Statements of Cash Flows
For the nine month periods ended September 30, 2018 and 2017
(Unaudited, Expressed in Canadian dollars)

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**(5,973,148)**	(1,902,057)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization	**294,892**	101,391
Interest income	**(68,013)**	(3,955)
Accretion of convertible debenture discount	**641,303**	-
Interest on convertible debenture	**515,639**	88,824
Fair value adjustment on biological assets	**(21,437)**	-
Transaction costs on convertible debenture	**-**	162,252
Loss on disposal of property, plant and equipment	**5,189**	608
Unrealized exchange loss	**54,691**	-
Shares issued to employee for no consideration	**-**	42,667
Deferred tax expense	**(37,362)**	-
Stock-based compensation	**560,035**	16,025
Non-cash consulting fees	**98,480**	111,227
Changes in non-cash operating working capital (Note 15)	**(2,935,157)**	(10,032)
Total cash outflows used in operating activities	**(6,864,888)**	(1,393,050)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to associate (Note 12)	**(1,294,450)**	-
Investment in associate (Note 12)	**(50)**	-
Acquisition of assets in process (Note 8)	**(1,512,238)**	(2,636,563)
Acquisition of property, plant and equipment (Note 7)	**(545,177)**	(37,597)
Acquisition of intangible assets (Note 9)	**(78,693)**	-
Proceeds on disposal of investment	**73,609**	-
Proceeds on disposal of equipment	**1,000**	2,035
Interest received	**68,013**	3,955
Total cash outflows used in investing activities	**(3,287,986)**	(2,668,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from financing (Note 11)	**14,950,058**	2,979,840
Share issuance costs	**(1,446,321)**	(206,399)
Proceeds from issuance of stock options	**-**	222,720
Net proceeds from convertible debenture (Note 10)	**-**	1,953,000
Proceeds from exercise of warrants	**39,750**	-
Interest paid on convertible debentures	**(386,889)**	-
Total cash inflows from financing activities	**13,156,598**	4,949,161
Increase in cash	**3,003,724**	887,941
Cash and cash equivalents, beginning of period	**21,303,886**	269,910
Cash and cash equivalents, end of period	**24,307,610**	1,157,851

Supplemental cash flow information is provided in Note 15.

1. CORPORATE INFORMATION

INDIVA Limited (the "Company"), formerly Rainmaker Resources Ltd. ("Rainmaker"), was incorporated on September 13, 1979 as "Thunder Sword Resources Inc." under the Laws of British Columbia. On November 20, 2009, the Company changed its name to Rainmaker Mining Corp., and on May 8, 2014 as part of the Company's rebranding, the Company again changed its name to Rainmaker Resources Ltd.

On December 13, 2017, the Company completed a reverse takeover transaction, pursuant to which INDIVA Corporation amalgamated with a wholly-owned subsidiary of the Company and was subsequently renamed INDIVA Limited. The Company's common shares resumed trading on the TSX Venture Exchange (the "TSXV") under the symbol "NDVA" on December 19, 2017.

Its wholly-owned subsidiary, INDIVA Inc. is a licensed producer of marijuana under the Cannabis Act (formerly Health Canada's Access to Cannabis for Medical Purposes Regulations "ACMPR"), focused on cultivating cannabis as well as expanding its production facility in London, Ontario. The Company received the sales amendment to their license August 10, 2018.

The address of the Company's corporate office is 343 Preston Street, 11th Floor, Ottawa, Ontario, K1S 1N4.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on November 27, 2018.

(b) BASIS OF MEASUREMENT

These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017 (the "2017 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the 2017 Annual Financial Statements, with the exception of those disclosed in Note 3.

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value and biological assets which are measured at fair value less cost to sell, and are presented in Canadian dollars.

The preparation of consolidated financial statements in accordance with IAS 34 requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these Interim Financial Statements, are disclosed in Note 4.

These interim consolidated financial statements have been prepared on the basis of principles applicable to a going concern which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company raises funds in the debt and equity market to conduct its activities. The Company has incurred losses in the current and prior periods, with a net loss of $5,973,148 during the nine month period ended September 30, 2018 and an accumulated deficit of $11,862,808 at September 30, 2018 (December 31, 2017 - $5,889,660). Based on the Company's current estimate of planned expenditures, funds on hand at September 30, 2018 can fund operations beyond the next twelve months. In order to fund further operations, the Company must raise additional debt or equity capital. On August 10, 2018, the Company received its sales amendment from Health Canada. There is no assurance that the Company will be able to raise additional funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in these Interim Financial Statements are consistent with those followed in the preparation of the Company's 2017 Annual Financial Statements except as noted below related to IFRS 9, Financial Instruments, IAS 2, Inventories, IAS 41, Agriculture, and IFRS 11, Joint Arrangements.

(a) Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or fair value through other comprehensive income. The effective date of this standard was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, January 1, 2018. The 2017 comparatives were not restated. As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available for sale investments as fair value through other comprehensive income. Due to the adoption of IFRS 9, during the nine months ended September 30, 2018, a loss of $14,537 on the investments held as fair value through other comprehensive income were recorded in other comprehensive income. The new classification and measurement of the Company's financial assets are as follows:

(i) Equity instruments at fair value through other comprehensive income ("FVTOCI")

This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its investment as an equity instrument at FVTOCI. Equity instruments in this category are subsequently measured at fair value with changes recognized at other comprehensive income. Equity instruments at FVTOCI are not subject to an impairment assessment under IFRS 9.

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect the contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial assets classified in this category are carried at amortized cost using the effective interest method.

(iii) Fair value through profit or loss

This category includes derivative instruments and equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify as FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

The assessment of the Company's business models was made as of the date of the initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018.

The Company has made the following classifications with respect to its financial instruments:

- Cash and cash equivalents and loan to associate are classified as FVTPL, which is measured at fair value.
- Investments are classified as FVTOCI, and are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).
- Accounts payable and accrued liabilities and convertible debentures are classified as other financial liabilities, which are measured at amortized cost, using the effective interest method.

Financial assets measured at amortized cost, are assessed for indicators of impairment at the end of each reporting period. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the discounted estimated future cash flows of the financial asset have been impacted.

Under IFRS 9, the Company is required to apply an expected credit loss ("ECL") model to all debt financials assets not held at FVTPL, where credit losses are expected to transpire in future years are provided for, irrespective of whether a loss event has occurred or not as at the balance sheet date. The Company has assessed the impairment of its amounts receivable using the expected credit loss model, and no difference was noted. As a result, no impairment loss has been recognized.

(iv) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IFRS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at fair value though profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation of the asset's original effective interest rate.

(b) Inventory

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

Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

Unrealized gains and losses on transactions between the Company and its joint ventures are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment.

(d) Biological Assets

The Company's biological assets consist of cannabis plants. With the exception of depreciation which is directly expensed in the period and presented separately in the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss, the Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow consumables, materials, utilities, facilities costs, quality control and testing costs. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The identified capitalized direct and indirect costs of biological assets are subsequently recorded within the line item "cost of goods sold" on the statement of loss and comprehensive loss in the period that the related product is sold. The new unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year. Biological assets are considered level 3 fair value estimates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Interim Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the Interim Financial Statements. These estimates and assumptions are based on the Company's experience and Management's expectations about future events that are believed to be reasonable under the circumstances, and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

<u>Judgments</u>

Going concern risk assessment

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

Deferred income taxes

Judgment is required in order to determine whether to recognize deferred tax assets and/or liabilities on the statement of financial position. Management must assess the extent to which it is probable that the Company and its subsidiaries will have future taxable profits available against which it can recognize unused tax losses and/or tax credits as well as sufficient loss carry forwards to offset potential tax liabilities. The amount and availability of deferred tax assets and liabilities are directly influenced by future changes to tax laws in Canada

Classification of convertible debenture as financial liability and equity

Management has determined that based on the terms of the convertible debenture, the host debt component should be classified as a financial liability and measured at the contractual cash flow discounted at the market interest rate of a similar debt instrument with no conversion feature while the residual balance, representing the conversion feature, is classified as reserves in equity.

Biological assets and inventory

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, average or expected selling prices and list prices, and expected yields for the cannabis plants. In calculating final inventory values, management compares the inventory cost to estimated net realizable value.

<u>Estimates</u>

Market interest rate

In calculating the discounted contractual cash flow on the host debt component of the convertible debenture, a key estimate of the market interest rate of a similar debt instrument with no conversion features is used.

Estimated useful lives and amortization of PPE and intangible assets

Management reviews its estimate of the useful life of PPE and intangible assets annually and accounts for any changes in estimates prospectively.

Fair value of options and warrants

The fair value of options and warrants is calculated using the Black-Scholes pricing model. In calculating the share-based compensation expense and the fair value of warrants, key estimates, such as the value of the common share, the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. Expected volatility is based on the share price volatility of five comparable publicly traded companies from within the same industry.

(Unaudited, Expressed in Canadian dollars)

5. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants, ranging from clones all the way to mature plants. The changes in the carrying value of the biological assets are as follows:

	September 30, 2018	**December 31, 2017**
	$	$
Carrying amount, beginning of period	-	-
Production costs capitalized	66,487	-
Net increase in fair value due to biological transformation less cost to sell	21,437	-
Transferred to inventory upon harvest	-	-
Carrying amount, end of period	**87,924**	**-**

As at September 30, 2018, the fair value of biological assets included $87,924 in cannabis plants ($Nil as at December 31, 2017). The significant estimates used in determining the fair value of cannabis plants are as follows:

- Yield by plant;
- Stage of growth estimated as the amount of time in growth stage compared to previous timelines for the same or comparable strains;
- Percentage of costs incurred for each stage of plant growth; and
- Fair value selling price per gram less cost to complete and cost to sell.

All biological assets are classified as current assets on the balance sheet and are considered Level 3 fair value estimates. As at September 30, 2018, it is expected that the Company's biological assets will yield approximately 42,207 grams of cannabis (Nil as at December 31, 2017). The Company's estimates are by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the fair values of biological assets.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant's life relative to the stages within the harvest cycle.

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

(Unaudited, Expressed in Canadian dollars)

Unobservable Inputs	Input Values	Sensitivity Analysis
Average Selling Price		
Obtained through actual bulk purchase and sale prices observed in the marketplace	$5.75 per gram	An increase or decrease of 5% applied to the average selling price would not result in a material change in valuation.
Yield per plant		
Obtained through historical harvest cycle results on a per strain basis or where practicable actual harvest results used	93 grams per plant	An increase or decrease of 5% applied to the average yield per plant would not result in a material change in valuation.
Stage of growth		
Obtained through the estimates of stage of completion within the harvest cycle from historical harvest timelines	72% complete cycle	An increase or decrease of 5% applied to the average stage of growth per plant would not result in a material change in valuation.

6. INVENTORY

Inventory as at September 30, 2018 and December 31, 2017 consisted of the following:

	September 30, 2018	**December 31, 2017**
	$	$
Dry cannabis	572,666	-
Packaging inventory	75,181	-
Other inventory	29,499	-
Total inventory	**677,346**	**-**

(Unaudited, Expressed in Canadian dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $	Facility equipment $	Vehicle $	Office equipment and furniture $	Total $
Cost					
Balance, January 1, 2017	-	9,564	27,055	6,261	42,880
Additions	8,408	65,296	71,308	74,736	219,748
Transferred from assets in process	4,315,821	849,331	-	24,687	5,189,839
Disposals	-	-	(27,055)	(3,660)	(30,715)
Balance, December 31, 2017	4,324,229	924,191	71,308	102,024	5,421,752
Additions	21,030	87,308	3,394	113,389	225,121
Transferred from assets in process	-	20,663	-		20,663
Disposals	-	(6,722)	-	-	(6,722)
Balance, September 30, 2018	**4,345,259**	**1,025,440**	**74,702**	**215,413**	**5,660,814**
Accumulated amortization					
Balance, January 1, 2017	-	2,845	6,200	1,353	10,398
Amortization for the year	71,651	72,007	6,901	17,806	168,365
Disposals	-	-	(12,117)	(1,017)	(13,134)
Balance, December 31, 2017	71,651	74,852	984	18,142	165,629
Amortization for the period	108,983	116,541	6,999	43,782	276,305
Disposals	-	(533)	-	-	(533)
Balance, September 30, 2018	**180,634**	**190,860**	**7,983**	**61,924**	**441,401**
Carrying amounts as at:					
December 31, 2017	4,252,578	849,339	70,324	83,882	5,256,123
September 30, 2018	**4,164,625**	**834,580**	**66,719**	**153,489**	**5,219,413**

Interest of $Nil was capitalized to leasehold improvements during the period ended September 30, 2018 ($43,430 - period ended December 31, 2017). $34,759 in additions were included in accounts payable and accrued liabilities at September 30, 2018 ($9,460 as at December 31, 2017)

(Unaudited, Expressed in Canadian dollars)

8. ASSETS IN PROCESS

	Leasehold improvements $	Facility equipment $	Office equipment and furniture $	Intangible assets $	Total $
Cost					
Balance, January 1, 2017	2,986,289	273,781	24,687	-	3,284,757
Additions	1,432,015	575,550	-	-	2,007,565
Transferred to PPE	(4,315,821)	(849,331)	(24,687)	-	(5,189,839)
Balance, December 31, 2017	102,483	-	-	-	102,483
Additions	2,177,174	20,663	26,627	26,411	2,250,875
Transferred to PPE	-	(20,663)	-	-	(20,663)
Balance, September 30, 2018	**2,279,657**	**-**	**26,627**	**26,411**	**2,332,695**

As at September 30, 2018, $787,848 ($62,452 – year ended December 31, 2017) of additions to assets in process during the period were included in accounts payable and accrued liabilities. $20,663 in facility equipment was transferred out of assets in process during the period ($5,189,839 – year ended December 31, 2017).

9. INTANGIBLE ASSETS

The estimated useful life of the lease buyouts range from five years to nine years and three months based on the initial term of the lease for the facility in London, Ontario. The genetics are indefinite life intangibles granting access to the genetic rights to grow certain strains, this license is subject to an annual impairment test. Book rights represent an intangible asset acquired through the commissioning of a book and has an indefinite life subject to an annual impairment test. The internet domain asset provides the right for indefinite use of a web address.

(Unaudited, Expressed in Canadian dollars)

	Lease buyout $	Trademark $	Genetics $	Book rights $	Web Domain $	Total $
Cost						
Balance, January 1, 2017	100,000	1,517	-	-	-	101,517
Additions	-	-	15,000	24,000	-	39,000
Balance, December 31, 2017	100,000	1,517	15,000	24,000	-	140,517
Additions	15,000	-	-	47,750	15,943	78,693
Balance, September 30, 2018	**115,000**	**1,517**	**15,000**	**71,750**	**15,943**	**219,210**
Accumulated amortization						
Balance, January 1, 2017	26,667	-	-	-	-	26,667
Amortization for the period	20,000	-	-	-	-	20,000
Balance, December 31, 2017	46,667	-	-	-	-	46,667
Amortization for the period	17,069	1,517	-	-	-	18,586
Balance, September 30, 2018	**63,736**	**1,517**	**-**	**-**	**-**	**65,253**
Carrying amounts as at:						
December 31, 2017	53,333	1,517	15,000	24,000	-	93,850
September 30, 2018	**51,264**	**-**	**15,000**	**71,750**	**15,943**	**153,957**

10. DERIVATIVE FINANCIAL INSTRUMENT AND CONVERTIBLE DEBENTURES

Derivative Financial Instrument ("June 2017 Convertible Debenture")

On June 15, 2017, the Company issued a $2,100,000 unsecured convertible debenture, with no coupon which will mandatorily convert into common shares of the Company upon closing of the Reverse Takeover at the same price as the equity financing being concurrently raised. The debenture matured June 15, 2018. The Company paid transactions costs of 7% cash ($147,000) and 7% warrants (49 warrants - pre-stock split). The transaction costs have been recorded as financing costs within the statement of loss and comprehensive loss.

The convertible debenture is a hybrid financial instrument comprising a liability and an embedded derivative. Upon issuance, the Company designated the entire hybrid convertible debenture as a financial liability at fair value through profit. On the initial measurement date, the fair value of the convertible debenture was determined to be equal to the transaction price of $2,100,000. On December 13, 2017, prior to the closing of the Reverse Takeover, the debenture was converted into 700 (pre-stock split) common shares of INDIVA Corporation at the conversion price of $3,000 per share (pre-stock split) and 350 (pre-stock split) common share purchase warrants, each warrant being exercisable into a common share of INDIVA Corporation at $3,600 per share (pre-stock split) for a period of two years. There was no impact to fair value recorded in the statement of loss.

December 2017 Convertible Debenture

On December 13, 2017, the Company issued a $11,000,000 unsecured convertible debenture, with a coupon rate of 10% which can be converted into common shares of the Company at a rate of $0.75 per share at any time and matures on December 13, 2019. The coupon is paid semi-annually on the last day of June and December.

(Unaudited, Expressed in Canadian dollars)

The convertible debenture is considered to be a compound instrument comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 21.9%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the statement of financial position. The Company paid transaction costs of 7% cash ($770,000) and legal costs of $68,079 and 7% warrants (1,024,000 warrants). The debenture, net of the equity component, is accreted using the effective interest method over the term of the debenture such that the carrying amount of the financial liability will equal the principal balance at maturity using an effective interest rate of 27.7%. As part of the transaction, deferred tax liabilities of $239,478 were recorded.

The holder exercised their right of conversion on January 4, 2018, converting $2,000,000 of the debt into 2,666,666 common shares of the Company. On January 22, 2018, a further $1,500,000 of debt was converted into 2,000,000 common shares of the Company. On March 9, 2018, $350,000 of debt was converted into 466,666 common shares, on March 12, 2018, $500,000 of debt was converted into 666,666 common shares and on September 7, 2018 $1,500,000 of debt was converted into 2,000,000 common shares. All conversions were at $0.75 per share.

Convertible debentures consist of the following:

	Debt component	**Equity component**	**Total**
	$	$	$
Balance, January 1, 2017	681,091	93,231	774,322
Accretion	86,909	-	86,909
Conversion of convertible debt	(768,000)	(93,231)	(861,231)
Issuance of convertible debt	8,920,786	2,079,214	11,000,000
Less issuance costs:			
Cash commissions	(624,455)	(145,545)	(770,000)
Cash costs	(63,980)	(14,911)	(78,891)
Finders' warrants	(199,825)	(46,575)	(246,400)
Accretion	46,000	-	46,000
Accretion of transaction costs	14,377	-	14,377
Deferred tax expense	-	(508,471)	(508,471)
Balance, December 31, 2017	8,092,903	1,363,712	9,456,615
Conversion of convertible debt	(4,505,594)	(995,661)	(5,501,255)
Interest and Accretion	426,423	-	426,423
Accretion of transaction costs	214,880	-	214,880
Deferred tax recovery	-	257,383	257,383
Balance, September 30, 2018	**4,228,612**	**625,434**	**4,845,046**

11. SHARE CAPITAL

(a) CAPITAL STOCK

Authorized capital stock consists of an unlimited number of common shares, without par value.

On January 23, 2018, an investor exercised 6,667 warrants of the Company at $0.90 per common share. The Company issued 6,667 common shares in the Company in exchange for $5,999.

The holder of the December 2017 Convertible Debenture exercised their right of conversion on January 4, 2018, converting $2,000,000 of the debt into 2,666,666 common shares of the Company. On January 22, 2018, a further $1,500,000 of debt was converted into 2,000,000 common shares of the Company. On March 9, 2018, $350,000 of debt was converted into 466,666 common shares on March 12, 2018, $500,000 of debt was converted into 666,666 common shares and on March 12, 2018, $500,000 of debt was converted into 666,666 common shares and on September 7, 2018 $1,500,000 of debt was converted into 2,000,000 common shares. All conversions were at $0.75 per share.

On February 13, 2018, the Company completed an underwritten bought deal that resulted in the issuance of 14,238,150 units at a price of $1.05 per unit for total gross proceeds of $14,950,058. The Company incurred cash settled share issuance costs of $1,441,821 for net proceeds of $13,508,237. In addition to the cash settled share issuance costs, non-cash share issuance costs of $657,802 were incurred as a result of the issuance of finders' units on the equity transaction. Each unit, as well as each finders' unit, is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $1.30 and expires on February 13, 2020.

On September 17, 2018, an investor exercised 45,000 warrants of the Company at $0.75 per common share. The Company issued 45,000 common shares in the Company in exchange for $33,750.

During the year ended December 31, 2017, the Company completed non-brokered private placements that resulted in the issuance of 9,848,000 common shares at a price of $0.32 per share. As a result of the transaction, the Company recorded the proceeds of $3,151,360 as an increase to share capital. A further 312,000 shares were issued in lieu of interest to the holder of the November 2016 convertible debenture at a price of $0.32 per share. 840,000 shares were issued as payment in kind for Electrical and Marketing contractors as well as 400,000 shares were issued to an employee as part of their employment contract. These shares were also issued at a price of $0.32 per share.

On August 28, 2017, the Company closed the first tranche of its equity offering in conjunction with the Reverse Takeover (the "Equity Offering"). As a result, the Company issued 7,674,609 subscription receipts at $0.75 per subscription receipt for gross proceeds of $5,755,957. Each subscription receipt is convertible into one common share of the Company. On September 13, 2017, the Equity Offering was amended to add, for each subscription receipt purchased, one-half of one common share purchase warrant of the Company issuable upon conversion of the subscription receipts. Each whole warrant entitles the Subscriber to purchase one common share of the Company for a period of 24 months following closing of the Reverse Takeover at an exercise price of $0.90 per share.

On November 2, 2017, the Company closed the second tranche of the Equity Offering by issuing an additional 2,774,527 subscription receipt units at $0.75 per subscription receipt unit for gross proceeds of $2,080,895.

On December 13, 2017, Rainmaker closed the third and final tranche of the Equity Offering. As a result, Rainmaker issued an additional 5,623,949 subscription receipt units at $0.75 per subscription receipt unit for gross proceeds of $4,217,962. Total gross proceeds of the Equity Offering were $12,054,814.

Upon closing of the Reverse Takeover on December 13, 2017, the Company issued 16,073,085 common shares and 8,036,563 common share purchase warrants in exchange for the 16,073,085 subscription receipt units and the proceeds of the Equity Offering were released from escrow. The fair value attributed to share capital for the common shares was $10,367,140.

As part of the transaction, the Company paid the broker $633,837 in cash commissions and 845,113 broker warrants at an exercise price of $0.75 per common share and an expiry of two years as well as other share issuance costs of $26,615. As part of the transaction, deferred tax asset of $178,209 were recorded.

The holders of both the November 2016 Convertible Debenture converted their holdings prior to the closing of the Reverse Takeover on December 13, 2017. They converted a total of $768,000 and received 2,400,000 shares at a price of $0.32 per share.

The holder of the June 2017 Convertible Debenture converted their holdings prior to the closing of the Reverse Takeover on December 13, 2017. They converted a total of $2,100,000 and received 2,800,000 units at a price of $0.75 per unit. Each unit provides the right to one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant entitles the Subscriber to purchase one common share of the Company for a period of 24 months following closing of the Reverse Takeover at an exercise price of $0.90 per share.

Upon closing of the Reverse Takeover, predecessor shareholders of Rainmaker retained 1,333,328 common shares in the Company, after taking into account the 10.878 to 1 stock split.

(b) WARRANTS, FINDERS’ UNITS AND FINDERS’ WARRANTS

On February 13, 2018, the Company granted 14,238,150 warrants as part of the units sold through the underwritten bought deal. Each warrant is exercisable into one common share of the Company at a price of $1.30 per share and expires on February 13, 2020. If the volume weighted average price of the common shares on the TSX Venture Exchange is equal to or greater than $2.10 for any 10 consecutive trading days, the Company holds the right to accelerate the expiry of the warrants to 30 days following providing notice of their intention to do so.

As part of the bought deal, the Company also issued 996,670 finders’ units. Each finders’ unit is exercisable into one common share of the Company at a price of $1.05 per share and one additional common share purchase warrant and expires on February 13, 2020. The additional warrant can be exercised into one common share of the Company at $1.30 per share with an expiry date of February 13, 2020.

On June 15, 2017, INDIVA Corporation issued 49 warrants (pre-stock split) valued at $3,000 per warrant (pre-stock split) in conjunction with the closing of the June 2017 Convertible Debenture (Note 9). Upon closing of the Reverse Takeover, the warrants were exchanged for 196,000 warrants of the Company. Each warrant is exercisable into one common share of the Company for a period of two years at $0.75 per share.

Upon closing of the Reverse Takeover, the predecessor company, Rainmaker Resources Ltd., had the following warrants, finders' units and finders' warrants outstanding which were adjusted for the Share Consolidation however all other terms remained the same:

- 173,451 warrants exercisable into one common share of the Company at a price of $1.09 per share, expiring on October 28, 2020;
- 265,234 warrants exercisable into one common share of the Company at a price of $0.87 per share, expiring on May 27, 2021;
- 85,799 warrants exercisable into one common share of the Company at a price of $1.25 per share, expiring on September 27, 2021;
- 13,693 finders' units exercisable into one common shares of the Company at a price of $1.09 per share and an additional warrant, expiring on October 20, 2020. The additional warrant can be exercised into one common share of the Company at $1.09 per share with an expiry date of October 28, 2020;
- 19,326 finders' units exercisable into one common shares of the Company at a price of $0.76 per share and an additional warrant, expiring on May 27, 2021. The additional warrant can be exercised into one common share of the Company at $0.87 per share with an expiry date of May 27, 2021;
- 12,810 finders' units exercisable into one common shares of the Company at a price of $0.98 per share and an additional warrant, expiring on September 22, 2021. The additional warrant can be exercised into one common share of the Company at $1.25 per share with an expiry date of September 27, 2021; and
- 29,942 finders' warrants exercisable into one common share of the Company at a price of $0.54 per share, expiring on April 27, 2022.

On December 13, 2017, upon conversion of the June 2017 Convertible Debenture, the Company granted the holder of the debenture 1,400,000 warrants in the Company exercisable into one common share of the Company at a price of $0.90 per share and expiring on December 13, 2019.

On December 13, 2017, the Company also granted an additional 8,036,563 warrants to the subscribers of the Equity Offering. Each common share purchase warrant is exercisable into one common share of the Company at a price of $0.90 per share and expires on December 13, 2019.

As part of the commissions on the Equity Offering, the broker received 845,113 finders' warrants. Each finders' warrant is exercisable into one common share of the Company at a price of $0.75 per share and expires on December 13, 2019.

(Unaudited, Expressed in Canadian dollars)

On December 13, 2017, the Company granted 1,024,000 finders' warrants as commissions to the broker of the December 2017 Convertible Debenture. Each finders' warrant is exercisable into one common share of the Company at a price of $0.75 per share and expires on December 13, 2019.

	Warrants outstanding #	Weighted average exercise price $
Outstanding, January 1, 2017	-	-
Granted	12,101,931	0.88
Exercised	-	-
Expired/cancelled	-	-
Outstanding, December 31, 2017	12,101,931	0.88
Granted	15,234,820	1.28
Exercised	(51,667)	0.77
Expired/cancelled	-	-
Outstanding, September 30, 2018	**27,285,084**	**1.10**

The following warrants remain outstanding as at September 30, 2018:

Warrant Description	**# of Warrants** #	**Expiry Date**	**Exercise Price** $
Warrants on June 2017 derivative financial instrument	196,000	06/14/2019	0.75
Warrants on conversion of June 2017 derivative financial Instrument	1,400,000	12/13/2019	0.90
Warrants issued on December equity transaction	8,029,896	12/13/2019	0.90
Finders warrants issued on December equity transaction	845,113	12/13/2019	0.75
Finders warrants on December 2017 convertible Debenture	979,000	12/13/2019	0.75
Rainmaker predecessor warrants	173,451	10/28/2020	1.09
Rainmaker predecessor warrants	265,234	05/27/2021	0.87
Rainmaker predecessor warrants	85,799	09/27/2021	1.25
Rainmaker predecessor finders' units	13,693	10/28/2020	1.09
Rainmaker predecessor finders' units	19,326	05/27/2021	0.76
Rainmaker predecessor finders' units	12,810	09/27/2021	0.98
Rainmaker predecessor finders' warrants	29,942	04/27/2022	0.54
Warrants on February 2018 equity transaction	14,238,150	02/13/2020	1.30
Finders' units on February 2018 equity transaction	996,670	02/13/2020	1.05
Total warrants & weighted average exercise price	**27,285,084**		**1.10**

As at September 30, 2018, the warrants outstanding have a weighted average remaining life of 1.33 years.

The warrants were valued using the Black-Scholes option pricing model using the following range of assumptions. The Company has determined that its own historical volatility is not relevant to the current business activity. The Company has estimated volatility for the warrants issued in the current year by using the historical volatility of other companies that the Company considers comparable to its current business activities:

(Unaudited, Expressed in Canadian dollars)

Share price	$0.32 - $1.29
Expected dividend yield	-
Volatility	76.04% - 85.77%
Expected life	2.00 - 4.37 years
Forfeiture rate	-
Risk-free rate	1.05% - 1.77%

(c) SHARE-BASED COMPENSATION

The equity compensation plans which the Company has in place relate to grants issued to officers, directors, employees and consultants and was approved by the Board of Directors during 2017.

As at September 30, 2018, based on the Company's total common shares outstanding, a total of 8,303,623 (6,094,641 – as at December 31, 2017) stock options may be issued and outstanding. Based on this the Company could grant up to 4,400,308 (2,381,326 – as at December 31, 2017) additional stock options beyond what was issued and outstanding as at September 30, 2018. TSXV approval is required to reserve the related common shares for issuance. Unless otherwise determined by the Board, options issued under the Plan vest over a three-year period except for options granted to consultants or persons employed in Investor Relations Activities (as defined in the policies of the Exchange) which vest in stages over 12 months with no more than ¼ of the options vesting in any three-month period.

During the nine month period ended September 30, 2018, the Company recognized $560,035 ($236,204 – year ended December 31, 2017) of stock-based compensation related to stock options.

On May 31, 2018, the Company granted 350,000 stock options, exercisable for common shares at a weighted average price of $0.80 per share, vesting over three years. The options expire five years from the date of grant.

On February 22, 2018, the Company granted 640,000 stock options, exercisable for common shares at a weighted average price of $0.87 per share, vesting over three years. The options expire five years from the date of grant.

(Unaudited, Expressed in Canadian dollars)

Stock option activity for the equity compensation plan for the period ended September 30, 2018 was as follows:

	Number of Options #	Weighted average exercise price $
Outstanding, January 1, 2017	-	-
Granted	3,713,315	0.76
Exercised	-	-
Forfeited	-	-
Outstanding, December 31, 2017	3,713,315	0.76
Granted	990,000	0.85
Exercised	-	-
Forfeited	(800,000)	0.77
Outstanding, September 30, 2018	**3,903,315**	**0.77**

The grant date fair value is calculated using the Black-Scholes pricing model. Expected volatility is based on the share price volatility of five comparable publicly traded companies from within the same industry. The outstanding options as at September 30, 2018 have a weighted average remaining contractual life of 4.10 years (4.84 years - as at December 31, 2017).

	9 months ending September 30, 2018	2017
Share price	\$0.74 - \$0.83	\$0.645
Expected dividend yield	Nil	Nil
Volatility	80.74% to 86.93%	64.63% to 84.39%
Expected life (years)	5	2 to 5
Forfeiture rate	Nil	Nil
Risk-free rate	1.74% - 1.88%	1.57% to 1.64%

The following table presents information related to stock options at September 30, 2018:

Weighted average exercise price	Number of Options	Vested	Weighted average remaining life (years)
\$0.75	2,910,000	433,335	4.12
\$0.76	105,811	105,811	1.20
\$0.80	350,000	-	4.67
\$0.87	510,000	200,000	4.40
\$1.47	27,504	27,504	1.20
Weighted average remaining life as at September 30, 2018	**3,903,315**	**766,650**	**4.10**

12. INVESTMENT IN ASSOCIATE

On April 18, 2018, the Company entered into a definitive joint venture agreement with Bhang Corporation (the "Partner"), an intellectual property company (the "Bhang JV"). Bhang JV is 50% owned by the Company and 50% owned by the Partner, the Company has invested $50 for its equity investment in the Bhang JV. As part of the transaction, the Company agreed to loan US$1,000,000 (CAD$1,294,450) to Bhang JV which was used to prepay for consulting services, packaging and royalties. The Company will be the manager of the joint venture and has committed to investing US$5,000,000 in building cannabis processing infrastructure to be made available to Bhang JV. The joint venture grants the Company exclusive rights to manufacture and sell Bhang branded products in Canada and the right to export those products internationally.

The Bhang JV has not commenced operations as at September 30, 2018.

Acquisition related costs of $Nil and $Nil were recognized as an expense in the three and nine months ended September 30, 2018.

13. LONG TERM PREPAID

On June 11, 2018, the Company prepaid US$1,500,000 (CAD$1,948,950) to DeepCell Industries for future royalty fees for sales of DeepCell branded products. These products are edible cannabis derivatives which are not expected to be able to be sold in Canada until October 2019 at the earliest.

14. LOSS PER SHARE

For the period ended September 30, 2018, 3,903,315 stock options, 27,285,084 warrants and 6,866,667 convertible debenture shares (1,100,000 stock options, 196,000 warrants and 2,400,000 convertible debenture shares, respectively as at September 30, 2017) which could have been dilutive were excluded from the computation of diluted loss per share as the Company realized a net loss and it would be anti-dilutive to include them.

(Unaudited, Expressed in Canadian dollars)

15. SUPPLEMENTAL CASH FLOWS

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

	2018	2017
	$	$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Taxes and other receivables	**(346,578)**	204,878
Employee advance	**-**	50,000
Biological assets	**(87,924)**	
Inventory	**(632,846)**	-
Investment	**89,164**	-
Prepaid expenses	**(3,379)**	(35,294)
Long term prepaid	**(1,931,110)**	-
Accounts payable and accrued liabilities	**259,819**	131,850
Deferred tax liability	**(282,303)**	-
Unearned subscriptions	**-**	(125,440)
	(2,935,157)	225,994
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Prepaid expenses and other	**(413,926)**	-
Accounts payable and accrued liabilities	**770,085**	(700,112)
	356,159	(700,112)
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Taxes receivable, related to share issuance costs	**-**	8,704
Accounts payable and accrued liabilities, related to share issuance costs	**(4,500)**	(125,823)
Accounts payable and accrued liabilities, related to interest payable	**128,750**	(7,680)
	124,250	(124,799)

16. SEGMENTED INFORMATION

The Company operates in one segment being the licensed production of cannabis. All property, plant and equipment, assets in process and intangible assets are located in Canada.

17. FINANCIAL INSTRUMENTS AND RISKS

The Company’s financial instruments consist of cash and cash equivalents, loan to associate, accounts payable and accrued liabilities and a convertible debenture. The fair value of accounts payable and accrued liabilities are equivalent to their carrying values given their short maturity period.

(a) Foreign currency risk

As at September 30, 2018, the Company held cash denominated in U.S. dollars of US$477,406 (US$1,284 – as at December 31, 2017). The Company has limited currency risk as it transacts mainly in Canadian dollars.

(b) Liquidity risk

The Company's approach to managing liquidity is to maintain sufficient liquidity to meet its liabilities when they become due. The Company's accounts payable and accrued liabilities are due within one year of the end of the reporting periods. The December 2017 Convertible Debenture is not due for 1.20 years. As at September 30, 2018, the Company had sufficient resources to meet its outstanding obligations.

(c) Credit risk

The Company's cash and cash equivalents are exposed to credit risk, which is the risk that the counterparties to a financial instrument fail to meet its contractual obligations to the Company. The amount of credit risk related to cash is considered insignificant as the Company's funds are held with a Schedule I bank, or in a joint venture managed by the Company.

(d) Interest rate risk

The Company is not subject to interest rate risk on future cash flows, as all of its instruments bear fixed rates of interest.

18. FAIR VALUE MEASUREMENTS

As at September 30, 2018, the Company's cash and cash equivalents balance of $24,307,610 ($21,303,886 – as at December 31, 2017) and Biological assets of $87,924 ($Nil – as at December 31, 2017) are the only assets recorded at fair value. Cash and cash equivalents are classified as a Level 1 financial instrument, while Biological assets are classified as Level 3.

The Company did not record any liabilities at fair value as at September 30, 2018.

The Company did not transfer any assets or liabilities between levels on the fair value hierarchy and has not offset any of its financial assets against its financial liabilities.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash and investment are Level 1. There was no movement between levels during the period. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

(Unaudited, Expressed in Canadian dollars)

	September 30, 2018			December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Cash and cash equivalents	**24,307,610**	**-**	**-**	21,303,886	-	-
Investment	**-**	**-**	**-**	89,164	-	-
Biological assets	**-**	**-**	**87,924**	-	-	-
	24,307,610	**-**	**87,924**	21,393,050	-	-

19. CAPITAL MANAGEMENT

As at September 30, 2018, the Company's capital consisted of $4,228,612 in convertible debentures and $37,308,948 in common shares ($8,092,903 and $20,483,947- as at December 31, 2017, respectively).

The Company is not subject to any externally imposed capital requirements.

The Company's primary objectives in managing its capital are to maintain sufficient levels of capital to complete the construction of the medical marijuana production facility in London, Ontario and to initiate production and sales at the facility, as well as to cover general operating expenditures and sustain future development of the business. The Company achieves its objectives by allocating capital in accordance with Management's strategies and periodically raising capital from investors.

20. COMMITMENTS

The Company has contractual obligations for leases of production and office space under operating leases with terms between 1 and 10 years. The Company also has contractual obligations for contractors, consultants, IT services, facility services and equipment and construction costs with terms remaining of up to four years.

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

	< 1 Year	1 to 5 Years	> 5 Years	**Total**
	$	$	$	**$**
Minimum lease payments	467,328	1,864,375	1,668,024	**3,999,727**
Other commitments	479,088	21,257	-	**500,345**
Total	**946,416**	**1,885,632**	**1,668,024**	**4,500,072**

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

21. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

(Unaudited, Expressed in Canadian dollars)

As a group they control approximately 18.03% of the outstanding shares of the Company as at September 30, 2018 (25.20% - as at December 31, 2017).

Key management personnel compensation for the three and nine month periods ended September 30, was as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
	$	$	**$**	$
Short-term key management personnel compensation	**217,205**	89,000	**590,374**	293,000
Share-based payments	**158,191**	8,741	**468,276**	51,408

22. RELATED PARTY TRANSACTIONS

During the period ended September 30, 2018, the Company paid $13,000 for legal services and $8,475 in rent for office space to a law firm owned by an Executive of the Company ($3,186 and $Nil – period ended September 30, 2017)

The Company had no other transactions with related parties for the period ended September 30, 2018.

23. SUBSEQUENT EVENTS

On November 9, 2018, the Company granted 495,000 options to employees and consultants with an exercise price of $0.80 and a life of five years.

On November 21, 2018, the Company announced it had signed a non-binding letter of intent to acquire a medical cannabis cultivation license in Denmark from AEssence Europe. The acquisition will be financed with a combination of 1,600,000 shares of the Company and US$1.1 million in cash, payable over three years.

On November 26, 2018, the Company entered into a purchase agreement to acquire the land and building on which its London production facility is located for $5,550,000. The Company must waive certain conditions prior to closing the acquisition.