INDIVA LIMITED

(formerly Rainmaker Resources Ltd.)

Annual Consolidated Financial Statements

(Expressed in Canadian dollars)

For the years ended December 31, 2017 and 2016

Independent Auditors' Report

MNP LLP

To the Shareholders of INDIVA LIMITED :
We have audited the accompanying consolidated financial statements of INDIVA LIMITED, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of INDIVA LIMITED as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Ottawa, Ontario — Chartered Professional Accountants

April 30, 2018 — Licensed Public Accountants

INDIVA Limited
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at	**December 31, 2017**	December 31, 2016
	$	$
ASSETS		
Current assets		
Cash	**21,303,886**	269,910
Taxes receivable	**195,845**	444,851
Employee advance	**-**	50,000
Prepaid expenses and other	**489,404**	131,988
Investment	**89,164**	-
Total current assets	**22,078,299**	896,749
Other non-current assets		
Property, plant and equipment (Note 6)	**5,256,123**	32,482
Assets in process (Note 7)	**102,483**	3,284,757
Long term prepaid	**17,840**	-
Intangible assets (Note 8)	**93,850**	74,850
Total assets	**27,548,595**	4,288,838
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**353,302**	1,014,318
Subscription advances	**-**	125,440
Total current liabilities	**353,302**	1,139,758
Other non-current liabilities		
Deferred tax liability (Note 12)	**282,303**	-
Convertible debenture (Notes 9)	**8,092,903**	681,091
Total liabilities	**8,728,508**	1,820,049
Equity		
Share capital (Note 10)	**20,483,947**	3,712,218
Reserves (Note 9)	**4,230,800**	93,231
Accumulated other comprehensive loss	**(5,000)**	-
Accumulated deficit	**(5,889,660)**	(1,337,460)
Total equity	**18,820,087**	2,467,989
Total liabilities and equity	**27,548,595**	4,288,838

Commitments (Note 18) and Subsequent Events (Note 21)

These annual consolidated financial statements were approved by the Board of Directors of INDIVA Limited on April 26, 2018.

N. Marotta — Carmine (Niel) Marotta

J. Yersh — James Yersh

The accompanying notes form an integral part of these consolidated financial statements.

INDIVA Limited
Consolidated Statements of Loss and Comprehensive Loss
For the year ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	$	$
Expenses		
Salaries	**867,218**	501,210
Consulting fees	**295,712**	138,806
Marketing and branding	**270,415**	222,571
Rent	**245,844**	157,788
Stock-based compensation	**236,204**	-
Interest and bank charges, net	**218,999**	8,062
Repairs and maintenance	**147,145**	1,161
Professional fees	**115,278**	24,558
Pre-production supplies and expenses	**94,504**	-
Utilities	**74,318**	12,471
Travel	**73,845**	28,347
Write off of employee advance	**50,000**	-
Insurance	**40,139**	8,725
Telecommunications and IT	**34,420**	5,011
Office costs	**28,879**	7,336
Facility costs	**17,871**	-
Agent fees	**17,274**	-
Meals and entertainment	**10,294**	5,741
Foreign exchange loss	-	12,865
Miscellaneous	**2,325**	8,597
Amortization	**188,365**	29,838
Loss on disposal of equipment	**1,043**	-
Total expenses	**3,030,092**	1,173,087
Transaction costs on reverse takeover (Note 5)	**1,407,815**	-
Transaction costs on derivative financial instrument (Note 9)	**162,252**	-
Net loss before taxes	**(4,600,159)**	(1,173,087)
Deferred tax recovery (Note 12)	**47,959**	-
Net loss	**(4,552,200)**	(1,173,087)
Loss on revaluation of investments	**(5,000)**	-
Total comprehensive loss	**(4,557,200)**	(1,173,087)
Net loss per common share, basic and diluted	**(0.12)**	(0.05)
Weighted average number of common shares outstanding, basic and diluted	**38,440,251**	21,436,000

The accompanying notes form an integral part of these consolidated financial statements.

INDIVA Limited
Consolidated Statements of Changes in Equity
For the year ended December 31, 2017 and 2016
(Expressed in Canadian dollars, except share amounts)

	Share capital					
	Shares	**Amount**	**Reserves**	**Accumulated deficit**	**Accumulated other comprehensive Loss**	**Total**
	#	**$**	**$**	**$**		**$**
Balance, December 31, 2015	15,944,000	320,830	-	(164,373)	-	156,457
Share capital issued	10,996,000	3,518,720	-	-	-	3,518,720
Share issuance costs	-	(127,332)	-	-	-	(127,332)
Issuance of convertible debt	-	-	93,231	-	-	93,231
Net loss for the year	-	-	-	(1,173,087)	-	(1,173,087)
Balance, December 31, 2016	26,940,000	3,712,218	93,231	(1,337,460)	-	2,467,989
Share capital issued	27,473,085	14,015,140			-	14,015,140
Share issuance costs	-	(770,639)	-	-	-	(770,639)
Conversion of November 2016 debenture	2,400,000	861,231	(93,231)	-	-	768,000
Conversion of June 2017 debenture	2,800,000	1,806,000	294,000	-	-	2,100,000
Issuance of convertible debt	-	-	1,363,712	-	-	1,363,712
Issuance of warrants	-	-	2,152,154	-	-	2,152,154
Stock based payments	-	-	193,536	-	-	193,536
Shares retained by Rainmaker shareholders	1,333,328	859,997		-	-	859,997
Options retained by Rainmaker shareholders	-	-	28,970	-	-	28,970
Warrants retained by Rainmaker shareholders	-	-	198,428	-	-	198,428
Net loss for the year	-	-	-	(4,552,200)		(4,552,200)
Other comprehensive loss					(5,000)	(5,000)
Balance, December 31, 2017	**60,946,413**	**20,483,947**	**4,230,800**	**(5,889,660)**	**(5,000)**	**18,820,087**

Refer to Note 5, Reverse Acquisition

The accompanying notes form an integral part of these consolidated financial statements.

INDIVA Limited
Consolidated Statements of Cash Flows
For the year ended December 31, 2017 and 2016
(Expressed in Canadian dollars)

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**(4,552,200)**	(1,173,087)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization	**188,365**	29,838
Interest income	**(29,649)**	(510)
Interest on convertible debenture	**246,850**	14,003
Transaction costs	**1,570,067**	-
Loss on disposal off equipment	**1,043**	-
Shares issued to employee for no consideration	**42,667**	-
Stock-based compensation	**193,537**	-
Write off of employee advance	**50,000**	-
Non-cash consulting fees	**131,552**	336,640
Deferred tax recovery	**(47,959)**	
Changes in non-cash operating working capital	**(4,541)**	(398,608)
Total cash outflows used in operating activities	**(2,210,268)**	(1,191,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment (Note 6)	**(210,287)**	(36,552)
Acquisition of assets in process (Note 7)	**(2,651,595)**	(2,491,378)
Acquisition of intangible assets (Note 8)	**(39,000)**	-
Proceeds on disposal of equipment	**16,535**	-
Net cash acquired in reverse acquisition	**4,163**	-
Transaction costs on reverse acquisition	**(353,519)**	-
Interest received	**29,649**	510
Total cash outflows used in investing activities	**(3,204,054)**	(2,527,420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from financing, net of share issuance costs	**14,395,023**	3,175,580
Proceeds from convertible debenture, net (Note 9)	**12,104,108**	768,000
Interest paid on convertible debenture (Note 9)	**(50,833)**	-
Total cash inflows from financing activities	**26,448,298**	3,943,580
Increase in cash	**21,033,976**	224,436
Cash, beginning of period	**269,910**	45,474
Cash, end of period	**21,303,886**	269,910

Supplemental cash flow information is provided in Note 13.

The accompanying notes form an integral part of these consolidated financial statements.

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 (Note 5) 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 medical marijuana under Health Canada's Access to Cannabis for Medical Purposes Regulations ("ACMPR"), focused on cultivating cannabis and working towards its sales amendment as well as expanding its production facility in London, Ontario.

The address of the Company's corporate office is 340 Gilmour Street, Suite 400, Ottawa, Ontario, K2P 0R3.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

These consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accountant Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC") in effect for the year ended December 31, 2017.

These Financial Statements were approved and authorized for issue by the Board of Directors on April 26, 2018.

(b) BASIS OF MEASUREMENT

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments and are presented in Canadian dollars.

The preparation of consolidated financial statements in accordance with IFRS 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 Financial Statements, are disclosed in Note 4.

These 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 is in the application stage for a license to sell medicinal cannabis under the ACMPR and 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 $4,552,200 during the year ended December 31, 2017 and an accumulated deficit of $5,889,660 at December 31, 2017. Based on the Company's current estimate of planned expenditures, funds on hand at December 31, 2017, as well as the proceeds of the financing subsequent to year-end (see Note 21), the Company can fund operations for the next twelve months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied on a consistent basis to all years presented in these Financial Statements.

(a) BASIS OF CONSOLIDATION

These Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists when more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full upon consolidation.

The subsidiaries of the Company and their principal activities as at December 31, 2017 were as follows:

Name of subsidiary	Place of incorporation	Ownership interest as at		Principal activity
		December 31, 2017	December 31, 2016	
INDIVA Amalco Ltd.	Ontario	**100%**	-	Holding company
INDIVA Inc. (formerly 1891705 Ontario Ltd.)	Ontario	**100%**	100%	ACMPR Licensed Producer
Vieva Canada Ltd.	Ontario	**100%**	100%	Holds lease for production facility

(b) PRESENTATION CURRENCY AND FOREIGN CURRENCY TRANSLATION

These Financial Statements are presented in Canadian dollars. The functional currency for each subsidiary consolidated with the Company is determined by the currency of the primary economic environment in which it operates (the "functional currency"). The Company and its subsidiaries functional currency is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in currencies other that the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transaction.

At the end of each reporting period monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date, while non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation are recognized in net income (loss).

(c) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recognized at fair value when the Company or its subsidiaries become party to the contracts that give rise to them. Subsequent measurement depends on whether the financial instruments classified as fair value through profit and loss ("FVTPL"), available-for-sale, held-to-maturity, loans and receivables or other financial liabilities. Financial instruments classified as:

- FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss);
- Available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss); and
- Held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

Transaction costs in respect of FVTPL financial instruments are recognized in net income (loss) at the transactions date whereas those in respect of other financial instruments are included in the initial fair value measurement of the financial instrument.

The Company may also enter into financial instruments or other contracts that contain embedded derivatives. Embedded derivatives are accounted for separately from the host contract at fair value when the risks and characteristics of the embedded derivatives are not closely related to those of their host contract, and the host contract is not classified as FVTPL.

During the year the Company measured debentures at both fair value and amortized cost, depending on their attributes. Fair value adjustments to debentures were recorded in net income (loss). At year end, the Company held only debentures at amortized cost.

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

- Cash and financial liabilities are classified as FVTPL, which are measured at fair value.
- Investments are classified as available for sale, and are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss).
- Employee advances are classified as loans and receivables, which are measured at amortized costs, using the effective interest method.
- 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, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting year. 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 estimated future cash flows of the financial asset have been impacted.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in interest-bearing accounts with high credit quality financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. The Company does not currently have cash equivalents.

(e) PREPAID EXPENSES AND OTHER

Prepaid expenses and other are measured at the lower of cost and net realizable value and consist of prepayments on construction contracts and rent deposits. Net realization value is the estimated recovery value in the ordinary course of business less the costs necessary to recover the prepayment or deposit. Any initial deposits on leasehold improvements or equipment are transferred to capital assets and included in the acquisition cost of the asset when it is complete or received.

(f) PROPERTY, PLANT AND EQUIPMENT ("PPE")

Upon initial acquisition, PPE is valued at cost, being the purchase price and directly attributable costs required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by Management. In subsequent periods, PPE is stated at cost less accumulated amortization and any impairment in value.

Assets acquired but not yet put into its intended use are categorized as assets in process and are moved to PPE once they are ready for use.

PPE is amortized using the straight-line method over the estimated useful lives of the assets. Where significant components of assets have differing useful lives, amortization is calculated on each separate component.

Estimates of remaining useful lives and residual values are reviewed annually, with any modifications accounted for prospectively.

Amortization is calculated on a straight-line basis over the following useful lives:

Facility equipment	3 to 20 years
Office equipment and furniture	3 years
Computer Hardware and Software	3 years
Promotional Vehicle	8 years
Leasehold Improvements	Remaining Lease Term

Major maintenance and repairs

Major maintenance and repair expenditures include the cost of asset replacement parts and overhaul costs. When an asset or part of an asset is replaced or overhauled and it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured, that expenditure is capitalized and the carrying amount of the item replaced is derecognized. All maintenance and repair costs, except major overhaul and replacement costs, are expensed as incurred in net income (loss).

Gains and losses

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount and are recognized in other income (loss).

(g) IMPAIRMENT OF FINANCIAL AND NON-FINANCIAL ASSETS

The Company assesses financial assets and non-financial assets for impairment when facts and circumstances suggest that the carrying amount of the asset may not exceed its recoverable amount, being the higher of the value in use and the fair value less costs to sell. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in net income (loss).

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods.

(h) INTANGIBLES

Finite life intangible assets are comprised of a lease buyout which was acquired as part of the Company's acquisition of 1891705 Ontario Ltd. Finite life intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The lease buyout is amortized on a straight-line basis over five years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(i) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. The Company does not currently have any provisions.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

(j) INCOME TAXES

Income tax expense consists of current and deferred income taxes and includes all taxes based on taxable profits. Current and deferred income taxes are included in net income (loss) except to the extent that they relate to items recognized directly in equity or other comprehensive income (loss).

Deferred income taxes are determined using the liability method where there are differences between the carrying amounts and tax bases of assets and liabilities, and unused tax losses and credits. Deferred tax liabilities and assets are measured by applying tax rates that are expected to apply when the amounts are realized or settled respectively, based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be realized and is later reduced if the Company determines it is no longer probable to be realized. The Company has not currently recognized any deferred tax assets or liabilities.

(k) SHARE CAPITAL

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or liability. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

Options or warrants issued at the same time as the issuance of common shares are recorded at fair value based on the residual method. Proceeds are first allocated to the shares according to the fair value of the common shares and any residual of the proceeds is allocated to the options or warrants.

(l) EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding for the year.

Diluted earnings (loss) per share is computed by dividing the net income (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares. The diluted loss per share is equal to the basic loss per share because the effect of options and warrants are antidilutive.

(m) SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the “Plan”) described in Note 10(c). Compensation costs are measured at the grant date based on the fair value of the award and are recognized over the vesting period in net income (loss), with a corresponding increase to reserves. Upon exercise, common shares are issued from treasury and the amount reflected in the reserves is credited to share capital, as adjusted for any consideration paid.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which affect the calculated values. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net income (loss) such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Options issued to non-employees are measured based on the fair value of the services received at the date of receiving those services. If the fair value of the goods or services cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

(n) SEGMENTED REPORTING

The Company operates in one business segment being the production of medical marijuana as a Licensed Producer under the ACMPR. At December 31, 2017, the Company had operations in one geographic area, Canada.

(o) CHANGES IN ACCOUNTING POLICIES

The Company has not early adopted any amendment, standard or interpretation that has been issued by the International Accounting Standards Board (“IASB”) but is not yet effective.

(p) STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018.

IFRS 9 provide three different measurement categories for financial assets – subsequently measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income – while all financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

The Company expects the adoption of the new standard will not have a material impact on the measurement of the Company's reported financial instruments with the exception of its shares of Nexgen Energy Ltd. ("Nexgen"). The Company's investment is currently classified as available-for-sale with any unrealized gains or losses recognized in other comprehensive income (loss) except for any impairment recognized which is reclassified to net income (loss). Under the new standard, the Company will elect to recognize and classify its Nexgen equity investment as fair value through OCI. Any changes to the Company's financial assets prior to adoption will require additional assessment of the impact on adoption.

Revenue Recognition

IFRS 15, Revenue from Contracts and Customers was issued by the IASB on May 2014, and will replace IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018. As the Company has not yet received its sales license from Health Canada, no evaluation of potential impact has been performed.

Leases

In January 2016, the IASB issued IFRS 16, Leases, was issued in January 2016, and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions. The Company is currently assessing the impact of the adoption of this standard on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these Financial Statements requires Management to make estimates and assumptions about the future that affect the amounts recorded in the 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 year of change and future years if the change impacts both years.

<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.

<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.

(Expressed in Canadian dollars)

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 5 comparable publicly traded companies from within the same industry.

Fair value of financial liabilities designated at fair value through profit and loss ("FVTPL")

Management uses valuation techniques to determine the fair value of derivative financial instruments (where active market quotes are not available). This involves developing estimates and assumptions that would be achieved in an arm's length transaction at the reporting date.

5. REVERSE ACQUISITION

On December 13, 2017, the Company completed a three-cornered amalgamation among the Company, INDIVA Corporation and a wholly-owned subsidiary of the Company incorporated solely for the purpose of completing the amalgamation, resulting in INDIVA Corporation (subsequently renamed "INDIVA Amalco Ltd.") becoming a direct, wholly-owned subsidiary of the Company (the "Reverse Takeover"). The amalgamation constituted a reverse acquisition of the Company by INDIVA Corporation, with the Company (being the legal parent) as the accounting acquiree and INDIVA Corporation (being the legal subsidiary) as the accounting acquirer. In connection with the closing of the reverse acquisition, the Company changed its name to "INDIVA Limited". In connection with the completion of the reverse acquisition, the Company acquired all of the issued and outstanding shares of INDIVA Corporation in exchange for the issuance of 4,000 common shares of the Company for each outstanding common share of INDIVA Corporation. Each of the previously issued stock options and warrants to purchase common shares of INDIVA Corporation are now exercisable to acquire 4,000 common shares of the Company. As well, concurrent with the closing the existing shareholders of the Company undertook a share consolidation whereby they received one common share of the Company in exchange for every 10.878 common shares previously held (the "Share Consolidation"), and all existing options and warrants from the Rainmaker were re-issued in the newly amalgamated company. This transaction has been accounted for as a reverse acquisition that does not constitute a business combination. The purchase price allocation for the Rainmaker assets acquired and liabilities assumed was determined as follows:

	$
Consideration transferred:	
1,333,328 shares at $0.645 per share	859,997
133,315 Rainmaker stock options	28,970
600,255 Rainmaker warrants	198,428
	1,087,395
Cash	4,163
GST/HST receivable	2,352
Investment	94,164
Accounts payable & accrued liabilities	(79,367)
Transaction costs	1,066,083

(Expressed in Canadian dollars)

Transaction costs related to the Reverse Takeover also include legal fees of $205,641, broker fees of $52,591 and other professional fees of $83,500. These, combined with the transaction costs noted in the table above, result in total transaction costs for the Reverse Takeover of $1,407,815.

For accounting purposes, these Financial Statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, INDIVA Corporation.

Unless otherwise noted, share amounts and share information in these financial statements are notes thereto have been retroactively adjusted for the stock split as if such stock split occurred on the first day of the first period presented.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $	Facility equipment $	Vehicle $	Office equipment and furniture $	Total $
Cost					
Balance, January 1, 2016	-	6,328	-	-	6,328
Additions	-	3,236	27,055	6,261	36,552
Balance, December 31, 2016	-	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	5,214,839
Disposals		-	(27,055)	(3,660)	(55,715)
Balance, December 31, 2017	**4,324,229**	**924,191**	**71,308**	**102,024**	**5,421,752**
Accumulated amortization					
Balance, January 1, 2016	-	560	-	-	560
Amortization for the year	-	2,285	6,200	1,353	9,838
Balance, December 31, 2016	-	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**
Carrying amounts as at:					
December 31, 2016	-	6,719	20,855	4,908	32,482
December 31, 2017	**4,252,578**	**849,339**	**70,324**	**83,882**	**5,256,123**

Interest of $43,430 was capitalized to leasehold improvements during the year ended December 31, 2017 (2016 - $Nil).

(Expressed in Canadian dollars)

7. ASSETS IN PROCESS

During the year ended December 31, 2017, there were additions of $2,007,566 ($3,228,565 – December 31, 2016) to assets in process of which $1,432,015 relate to leasehold improvements required to the London facility in order to meet Health Canada ACMPR requirements and to prepare the facility for production while the remaining $575,550 relates to equipment purchased for the facility not yet in use. As at December 31, 2017, $62,452 ($756,312 - year ended December 31, 2016) of additions during the period were included in accounts payable and accrued liabilities. $4,315,821 of leasehold improvements, $849,331 of facility equipment and $24,687 of office equipment were transferred out of assets in process during the period.

8. INTANGIBLE ASSETS

The estimated useful life of the lease buyout is five years based on the initial term of the lease for the facility in London, Ontario. The trademark has an indefinite life but will be subject to an annual impairment test. 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.

	Lease buyout $	Trademark $	Genetics $	Book rights	Total $
Cost					
Balance, December 31, 2015	100,000	1,517	-	-	101,517
Additions	-	-	-	-	-
Balance, December 31, 2016	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**
Accumulated depreciation					
Balance, December 31, 2015	6,667	-	-	-	6,667
Depreciation for the year	20,000	-	-	-	20,000
Balance, December 31, 2016	26,667	-	-	-	26,667
Depreciation for the year	20,000	-	-	-	20,000
Balance, December 31, 2017	**46,667**	**-**	**-**	**-**	**46,667**
Carrying amounts as at:					
December 31, 2016	73,333	1,517	-	-	74,850
December 31, 2017	**53,333**	**1,517**	**15,000**	**24,000**	**93,850**

9. DERIVATIVE FINANCIAL INSTRUMENT AND CONVERTIBLE DEBENTURES

<u>November 2016 Convertible Debenture</u>

On November 29, 2016, the Company received gross proceeds of $768,000 from a secured debenture with a 12% coupon which can be converted into common shares of the Company at a rate of $1,280 per share at any time and matures December 31, 2017. The coupon is payable on a monthly basis, however the holder of the debenture can elect to receive the equivalent value in shares at a rate of $1,280 per share rather than in cash. On December 13, 2017, prior to the closing of the Reverse Takeover, the debenture was converted to 600 common shares (pre-stock split) of INDIVA Corporation valued at $1,280 per share (pre-stock split). Upon closing of the Reverse Takeover, the common shares were exchanged for 2,400,000 common shares of INDIVA Ltd.

The convertible debenture was 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 24.9%. 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 was recorded in reserves on the statement of financial position. 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 24.9%.

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 (Note 5) at the same price as the equity financing being concurrently raised. The debenture matures 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.

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.

(Expressed in Canadian dollars)

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 $508,471 were recorded.

Convertible debentures consist of the following:

	Debt component $	Equity component $	Total $
Balance, January 1, 2016	-	-	-
Issuance of convertible debt	674,769	93,231	768,000
Accretion	6,322	-	6,322
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**

10. SHARE CAPITAL

(a) CAPITAL STOCK

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

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.

During the year ended December 31, 2016, the Company completed non-brokered private placements that resulted in the issuance of 2,486 common shares (pre-stock split) at a price of $1,280 per share(pre-stock split). As a result of the transaction, the Company recorded the proceeds of $3,182,080, less $127,332 of share issuance costs, as an increase to share capital. During the year a total of 174 options (pre-stock split) to purchase common shares of the Company at an exercise price of $1,280 per share (pre-stock split) were issued as part of the private placement. The options expire April 1, 2017. Management has determined there was no fair value associated with the options based on the residual method. As at December 31, 2016, all of the options remained outstanding.

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

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.

(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**

The following warrants remain outstanding as at December 31, 2017:

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	8,036,563	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	1,024,000	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
Total Warrants & Weighted Average Exercise Price	**12,101,931**		**0.88**

As at December 31, 2017, the warrants outstanding have a weighted average remaining life of 2.01 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:

(Expressed in Canadian dollars)

Share price	$0.32 - $0.645
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 employees and approved by the Board of Directors during 2017.

As at December 31, 2017, based on the Company's total common shares outstanding, a total of 6,094,641 stock options may be issued and outstanding. Based on this, and considering the predecessor options for previous Rainmaker option holders (Note 5), the Company could grant up to 2,381,326 additional stock options beyond what was issued and outstanding as at December 31, 2017. 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.

Stock option activity for the equity compensation plan for the year ended December 31, 2017 was as follows:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Activity During the Period			Closing balance	Vested and Exercisable	Unvested
				Granted	Exercised	Forfeited			
		$	#	#	#	#	#	#	#
9/13/2017	9/13/2022	0.75	-	1,100,000	-	-	1,100,000	-	1,100,000
12/13/2017	12/13/2019	1.47	-	27,504	-	-	27,504	27,504	-
12/13/2017	12/13/2019	0.76	-	105,811	-	-	105,811	105,811	-
12/13/2017	9/13/2022	0.75	-	200,000	-	-	200,000	-	200,000
12/13/2017	11/29/2022	0.75	-	1,980,000	-	-	1,980,000	150,000	1,830,000
12/13/2017	12/13/2022	0.75	-	150,000	-	-	150,000	50,000	100,000
12/15/2017	12/15/2022	0.75	-	150,000	-	-	150,000	-	150,000
Totals			**-**	**3,713,315**	**-**	**-**	**3,713,315**	**333,315**	**3,380,000**

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 December 31, 2017 have a weighted average remaining contractual life of 4.84 years.

(Expressed in Canadian dollars)

The Black Scholes option valuation model input factors used for stock options granted during the fiscal year ended December 31, 2017 were as follows:

				Weighted Average Value Per Stock Option				
Grant Date	**Expiry Date**	**Grant Date Market Price**	**Exercise Price**	**Risk Free Interest Rate**	**Expected Life**	**Expected Volatility (Weighted Avg)**	**Dividend Yield**	**Grant Date Fair Value (Weighted Avg)**
		$	$	%	(in years)	%	%	$
9/13/2017	9/13/2022	0.645	0.75	1.57	5	81.7	-	0.49
12/13/2017	12/13/2019	0.645	1.47	1.64	2	75.5	-	0.13
12/13/2017	12/13/2019	0.645	0.76	1.64	2	75.5	-	0.24
12/13/2017	9/13/2022	0.645	0.75	1.64	5	74.6	-	0.38
12/13/2017	11/29/2022	0.645	0.75	1.64	5	74.6	-	0.38
12/13/2017	12/13/2022	0.645	0.75	1.64	5	74.6	-	0.38
12/15/2017	12/15/2022	0.645	0.75	1.64	5	74.6	-	0.38

Note, as the options vest in multiple tranches, the expected volatility and grant date fair value is presented as the weighted average of each tranche for the respective grants. As at December 31, 2017, there was $1,287,347 (2016 – $42,667) of total unrecognized share-based compensation costs related to unvested stock option awards that are expected to be recognized over a weighted-average term of 1.78 years (2016 - 0.17 years).

11. EARNINGS PER SHARE

For the year ended December 31, 2017, 3,713,315 stock options, 12,101,931 warrants and 14,664,000 convertible debenture shares (2016 – 696,000 stock options and 2,400,000 convertible debenture shares, respectively) which could have been dilutive were excluded from the computation of diluted earnings per share as the Company realized a net loss and it would be anti-dilutive to include them.

(Expressed in Canadian dollars)

12. INCOME TAXES

The reconciliation of total income tax expense for the year ended December 31, 2017 and 2016 was as follows:

	2017	2016
	$	$
Loss before income taxes	**(4,600,159)**	(1,173,087)
Income tax recovery based on the Canadian corporate income tax rate of 26.5% (2016 – 26.5%)	**(1,219,042)**	(310,868)
Adjustment for small business tax rate 11.5% (2016 – 11.5%)	**-**	134,905
	(1,219,042)	(175,963)
Effect of expenses that are not deductible for tax purposes	**43**	431
Change in deductible temporary differences (2016 – Unrecognized)	**62,594**	(29,254)
Change in share issuance costs (2016 – Unrecognized)	**282,512**	(199)
Change in deferred tax assets not recognized (2016 – Unrecognized)	**825,934**	204,985
Total income tax expense	**(47,959)**	-

The following deferred tax assets have not been recognized as it is not considered probable that sufficient future taxable profit will be generated to allow these assets to be recovered as at the following dates:

	December 31, 2017	December 31, 2016
	$	$
Canadian non-capital loss carry-forwards	**4,726,533**	1,530,293
Unamortized share issuance costs deductible for tax purposes	**138,202**	5,283
Deductible temporary differences	**43,839**	(196,708)
	4,908,574	1,338,868

If not utilized, these Canadian non-capital loss carry-forwards expire between 2035 and 2037. The unamortized share issuance costs as at December 31, 2017 will be deductible for Canadian income tax purposes between 2018 and 2022.

(Expressed in Canadian dollars)

	December 31, 2016	Recognized in profit and loss	Recognized in equity	December 31, 2017
Deferred tax asset	$	$	$	$
Loss carry forwards	-	150,340	-	150,340
Financing fees	-	28,096	220,730	248,826
	-	178,436	220,730	399,166
Deferred tax liability				
Fixed assets	-	(142,667)	-	(142,667)
Debentures	-	12,190	(550,992)	(538,802)
Financing fees	-	-	-	-
Other	-	-	-	-
	-	(130,477)	(550,992)	(681,469)
Net deferred tax liability	**-**	**47,959**	**(330,262)**	**(282,303)**

13. SUPPLEMENTAL CASH FLOWS

Supplemental details of the changes in non-cash working capital for the years ended December 31 were as follows:

	2017	2016
	$	$
Changes in non-cash working capital impacting cash flows from operating activities were as follows:		
Taxes receivables	**240,302**	(436,147)
Employee advance	**50,000**	(50,000)
Prepaid expenses and other	**(295,607)**	(92,562)
Investment	**(89,164)**	-
Accounts payable and accrued liabilities	**215,368**	54,661
Subscription advances	**(125,440)**	125,440
	(4,541)	(398,608)
Changes in non-cash working capital impacting cash flows from investing activities were as follows:		
Accounts payable and accrued liabilities	**658,336**	756,311
Changes in non-cash working capital impacting cash flows from financing activities were as follows:		
Taxes receivables, related to share issuance costs	**8,704**	(8,704)
Accounts payable and accrued liabilities, related to share issuance costs	**125,035**	129,535
Accounts payable and accrued liabilities, related to interest payable	**(7,680)**	7,680
	126,059	128,511

14. SEGMENTED INFORMATION

The Company operates in one segment being the expansion of a medical cannabis facility, and licensed production. All fixed assets, assets in process and intangible assets are located in Canada.

15. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, investments, 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 December 31, 2017, the Company held cash denominated in U.S. dollars of $1,284 (2016 - US$nil). The Company has very 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 1.95 years. As at December 31, 2017, the Company had sufficient resources to meet its outstanding obligations.

(c) Credit risk

The Company's cash is 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.

(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.

16. FAIR VALUE MEASUREMENTS

As at December 31, 2017, the Company's cash balance of $21,303,886 (December 31, 2016 - $269,910) and the Company's investment in NexGen Energy Ltd. classified as available for sale (the "Investment") of $89,164 (December 31, 2016 - $Nil) are the only assets recorded at fair value. Cash is classified as a Level 1 financial instrument, as is the investment whose fair value is determined by quoted prices from the Toronto Stock Exchange.

The Company did not record any liabilities at fair value as at December 31, 2017.

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.

(Expressed in Canadian dollars)

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 are Level 1. There was no movement between levels during the year. 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

	December 31, 2017			December 31, 2016		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$			$		
Cash	**21,303,886**	-	-	269,910	-	-
Investment	**89,164**	-	-	-	-	-
	21,393,050	**-**	-	269,910	-	-

17. CAPITAL MANAGEMENT

As at December 31, 2017, the Company's capital consisted of $8,092,903 in convertible debentures and $20,305,738 in common shares (as at December 31, 2016 $681,091 and $3,712,218).

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, to obtain its permit to sell medical marijuana under the ACMPR and to initiate production 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.

18. 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 year end, the Company had future commitments as follows:

	< 1 Yr	1 to 5 Years	> 5 Years	**Total**
	$	$	$	**$**
Minimum lease payments	358,702	1,514,146	1,951,469	**3,824,317**
Other commitments	471,151	16,880	-	**488,031**
Total	**829,853**	**1,531,026**	**1,951,469**	**4,312,348**

(Expressed in Canadian dollars)

Subsequent to year end, the Company entered commitments totalling $1,177,160. These commitments are comprised of an HVAC equipment purchase of $905,779, further construction at the production facility of $187,565, and consulting fees of $6,700 all with terms of less than one year. The Company also entered into an additional two year lease for office space with commitments of $35,345 in year 1 and $41,771 in year 2.

19. 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. As a group they control approximately 25.20% of the outstanding shares of the Company as at December 31, 2017 (December 31, 2016 – 50.44%).

Key management personnel compensation for the years ended December 31, was as follows:

	2017	2016
	$	$
Short-term key management personnel compensation	**622,667**	374,167
Share-based payments	**170,335**	85,333

20. RELATED PARTY TRANSACTIONS

On November 29, 2016, the Company entered into an agreement to issue a secured convertible debenture for $768,000 to a company controlled by a family member of the CEO. This debenture was converted into $768,000 in common shares on December 13, 2017.

During the year ended December 31, 2017, the Company paid $19,609 for legal services to a law firm owned by an Executive of the Company (2016 - $169)

The Company had no other transactions with related parties for the year ended December 31, 2017.

21. SUBSEQUENT EVENTS

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 and on March 12, 2018, $500,000 of debt was converted into 666,666 common shares. All conversions were at $0.75 per share.

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 $6,000.

On February 13, 2018, the Company completed a bought deal offering, selling 14,238,150 units at a price of $1.05 per unit for total gross proceeds of $14,950,058. The Company incurred share issuance costs of $1,420,658 for net proceeds of $13,529,400. Each 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. 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.

On February 22, 2018, the Company granted 640,000 stock options to executives, employees and consultants with an exercise price of $0.87 per common share and a five year life.

On April 19, 2018, the Company announced that it had entered into an agreement, subject to TSX Venture Exchange Approval, with Bhang Corporation ("Bhang") to establish a 50/50 joint venture (the "JV"), managed by the Company, whereby the Company would have exclusive rights to manufacture and sell Bhang products in Canada, and the right to export those products internationally, as well as investing US$1,000,000 to acquire a 4.9% equity interest on a fully-diluted basis of Bhang's common shares. Indiva has committed to investing US$5,000,000 in building cannabis processing infrastructure as part of this JV.

On April 26, 2018, the Company announced that it has entered into an agreement, subject to TSX Venture Exchange Approval, with DeepCell Industries to acquire exclusive licensing rights to manufacture and sell DeepCell's complete line of products in Canada, as well as investing US$1,500,000 to acquire a 15% equity interest in DeepCell's stock.