INDIVA LIMITED

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

FOR THE YEAR ENDED DECEMBER 31, 2020

MAY 13, 2021

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

The following is a discussion and analysis of the financial condition and results of operations of Indiva Limited ("**Indiva**" or the "**Company**") for the year ended December 31, 2020. This MD&A should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2020 and 2019 (the "**Financial Statements**").

All amounts in the MD&A are in Canadian dollars unless indicated otherwise. The Company's accounting policies are in accordance with IFRS other than certain non-IFRS financial measures. For further information, see the section entitled "*Non-IFRS Financial Measures*".

The Company's continuous disclosure documents are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Indiva does not directly engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 dated February 8, 2012 (the "**CSA Notice**"). While the Company has partnered with U.S. based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

The effective date of this MD&A is May 13, 2021.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (each, a "**forward-looking statement**"). No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Forward-looking information is, by its nature, prospective. It requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget", "*pro forma*" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, among others, statements pertaining to:

- the Company's future business and development prospects and strategies, including the potential impact of the COVID-19 pandemic thereon;
- the Company's future operating and financial results;
- the competitive and business strategies of the Company;
- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business, continue operations, and/or pursue prospective opportunities;

- the development of the Indiva Facility (as defined herein);
- future production in respect of expansion at the Indiva Facility;
- expectations regarding production costs;
- competitive conditions of the cannabis industry;
- changes in the regulatory environment, including the introduction of new provincial and federal regulatory regimes relating to recreational cannabis;
- the impact of changes in Canadian federal and provincial laws regarding medical and recreational cannabis on the Company;
- expansion into international markets;
- the performance of the Company's business and operations;
- compliance with all applicable laws and regulations applicable to the Company, both in Canada and internationally, including the CSA Notice (as defined herein); and
- compliance with TSX Venture Exchange ("**TSXV**") policy, including the TSXV Bulletin (as defined herein).

The forward-looking statements within this document are based on information currently available and what management believes are reasonable assumptions. Those assumptions include, but are not limited to, assumptions on: (i) the Company's ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial, market, regulatory and political conditions in which the Company operates; (iii) consumer interest in the Company's products; (iv) competition; (v) anticipated and unanticipated costs; (vi) government regulation of the Company's activities and products; (vii) timely receipt of any required regulatory approvals; (viii) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; and (ix) the Company's development plans and the timeframe for completion of such plans. Forward-looking statements speak only as of the date of this MD&A. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources, the accuracy of which has not been verified by the Company.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this MD&A, including, but not limited to, the following material factors:

- the COVID-19 pandemic;
- failure to comply with the requirements of the Company's licences to cultivate, process and sell cannabis;
- failure to maintain the Company's licences to cultivate, process and sell cannabis;

- share price volatility;
- any adverse change or event impacting the Indiva Facility;
- the Company's ability to obtain additional financing;
- the failure to obtain required regulatory approvals or permits;
- delays in the delivery or installation of equipment by suppliers;
- difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints;
- any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis;
- a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries;
- any delays in transporting the Company's product, breach of security or loss of product;
- increased competition, including increased competition as a result of the legalization of recreational cannabis;
- failure to integrate an acquired business or realize the anticipated benefits of new partnerships;
- amendments to laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, health and safety, privacy, conduct of operations and protection of the environment;
- loss of key personnel;
- the failure of the Company to effectively manage growth;
- failure to comply with all applicable laws and regulations, both in Canada and internationally, including the CSA Notice;
- rising energy costs;
- failure to protect the Company's intellectual property;
- potential conflicts of interest between management and the Company;
- environmental and employee health risks;
- restrictions on sales and marketing activities;
- co-investment with third parties;

- product recalls and obsolescence;
- results from future clinical research;
- fraudulent or illegal activity by employees, contractors or consultants;
- competition from the illicit supply of cannabis;
- security and cybersecurity breaches; and
- failure to comply with TSXV policy, including the TSXV Bulletin.

Such factors are discussed in more detail under the heading "*Risks and Uncertainties*" in this MD&A. New factors emerge from time to time, and it is not possible for management to predict them all or to assess in advance the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Readers are cautioned that these factors are difficult to predict and that the assumptions used in developing the forward-looking statements may prove to be incorrect. Readers are also cautioned that the list of risk factors contained in this MD&A is not exhaustive. Accordingly, readers are cautioned that the Company's actual results may vary from the forward-looking statements, and the variations may be material.

This MD&A may contain market and industry data and forecasts obtained from third party sources, industry publications and publicly available information. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Although management believes it to be reliable, the Company has not independently verified any of the data from third party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statements and are made as of the date of this MD&A. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this MD&A or reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise. You should not place undue reliance on the forward-looking statements.

OVERVIEW

INDIVA'S BUSINESS

Indiva, via its indirect wholly-owned subsidiary, Indiva Inc., is a Canadian producer of cannabis servicing the medical and, as of October 17, 2018, recreational markets. The Company is based in London, Ontario, Canada and its common shares (the "**Common Shares**") are listed on the TSXV under the symbol "NDVA" and the OTCQX under the symbol "NDVAF". On July 14, 2017, the Company received its first licence to produce cannabis under the former *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**") and cannabis production commenced on September 12, 2017. Indiva subsequently transitioned its licences to the *Cannabis Act* (Canada) (the "**Cannabis Act**") regime on November 12, 2018.

The Company's business is the production of cannabis and cannabis-based products at its facility located at 1050 Hargrieve Road in London, Ontario (the "**Indiva Facility**"). Indiva's business objective is to produce and sell cannabis products, including dried flower, extract and edible products.

On August 10, 2018, Indiva received an amendment to its cultivation licence to sell medical cannabis (a "**Sales Amendment**") from Health Canada. Indiva currently sells the majority of its cannabis products to consumers in the recreational market in the provinces of Ontario, British Columbia, Alberta, Quebec, Nova Scotia, Saskatchewan, Manitoba, New Brunswick and Newfoundland and the Yukon and Northwest Territories. In Q2 2020, Indiva began selling its cannabis products on a wholesale basis to other licensed producers for sale into medical channels.

As of the date hereof, the Company currently holds the following cannabis licences issued by Health Canada:

1. Standard Cultivation;
2. Standard Processing; and
3. Sale for Medical Purposes

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

On January 31, 2020, the Company received a licence amendment from Health Canada authorizing the sale of cannabis edibles, extracts and topicals (the "**Phase 2 Product Licence**"). On July 14, 2020, the Company successfully renewed its Licence with Health Canada for another three-year term.

The Indiva Facility is a production, processing and distribution facility. At the Indiva Facility, cannabis is produced in individually segregated and highly-controlled grow rooms. Indiva's approach to production is to bring together modern agriculture technologies, genetic materials, and tested growing practices to produce cannabis in an environmentally-sustainable manner.

The Indiva Facility consists of offices and approximately 30,000 square feet of licensed cannabis production and processing space. During the year ended December 31, 2019, the Company completed construction of its second and third phase of expansion, with capital investments totaling approximately $11,900,000, to add approximately 19,000 square feet of cannabis production and processing space including equipment and licensed space for the production of Bhang® licensed chocolates. The Company's investment also included a fourth phase, to add an additional 10,000 square feet of licensed production and processing space.

On March 30, 2020, Health Canada approved an amendment to its Licence for phase four. With the receipt of this amendment, the Indiva Facility is now fully licensed with approximately 40,000 square feet of production and processing space.

The Indiva Facility is owned by the Company. Management believes that the Indiva Facility has sufficient power and water to support its expanded production operations.

All of Indiva's assets and operations are located in Canada.

As at December 31, 2020, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

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

OVERVIEW OF OPERATIONS

Extraction Facility

In January 2019, the Company engaged Lucid Lab Group to design, construct and commission an ethanol-based extraction operation at the Indiva Facility. The capital cost was initially budgeted at USD$1,400,000 million, but subsequently increased to approximately USD$1,700,000. The anticipated production capacity of the extraction equipment was expected to exceed the Company's needs to produce oil tinctures, capsules and derivatives, such as edible products, licensed from Bhang Corporation ("**Bhang**"), DeepCell Industries ("**DeepCell**"), Dycar Pharmaceuticals ("**Dycar**"), and The Cima Group LLC ("**Wana**"), subject to receipt of applicable regulatory approvals.

In Q2 2020, the Company decided not to move forward with the installation of the ethanol extraction system. In the year ended December 31, 2020, the Company wrote off consulting expenses related to this project of $88,161 and non-recoverable equipment deposits of $785,646 in Q3 2020.

Purchase of Land and Building at the Indiva Facility

On February 20, 2019, the Company announced the closing of its purchase of the Indiva Facility for $5,719,171.

Provincial Supply Agreements

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

In addition to the OCS, the Company has entered into supply agreements with the following provincial and territorial entities:

- Alberta Gaming, Liquor and Cannabis Commission;
- Nova Scotia Liquor Commission;
- Société Québécoise Du Cannabis;
- British Columbia Liquor Distribution Branch; and
- Yukon Liquor Corporation.

The Company is also authorized with Saskatchewan Liquor and Gaming Authority, the Manitoba Liquor and Lotteries, Cannabis NB Ltd, Northwest Territories Liquor and Cannabis Commission and Cannabis NL to sell into Saskatchewan, Manitoba, New Brunswick, Northwest Territories and Newfoundland respectively.

In Q3 2020 the Company entered a supply agreement with CannMart, a subsidiary of Namaste Technologies Inc. CannMart began selling Indiva's products through their online marketplace in Q3 2020.

The Company has also entered into a supply agreement with Medical Cannabis by Shoppers Inc., a subsidiary of Shoppers Drug Mart Inc. Deliveries to Medical Cannabis by Shoppers Inc. began in Q4 2020.

Processing and Service Arrangements

The Company entered into several processing and service arrangements which will leverage its expertise and production infrastructure to produce higher value, higher margin products on behalf of its customers. In accordance with these instances, the customer sends its cannabis to the Company for processing. The Company processes, for a specified fee, the material into pre-rolls or other finished products and ships back the finished products to its customers or uses its distribution channels to sell to retailers.

In the year ended December 31, 2020, the Company realized revenues of $618,861 related to tolling services (December 31, 2019 - $36,828).

Amendment and Repricing of Outstanding Warrants

On November 26, 2019, the Company received approval from the TSXV to extend the expiry date and reduce the exercise price of 9,429,896 outstanding Common Share purchase warrants issued in connection with the Company's reverse take-over transaction on December 13, 2017. The amendment reduced the exercise price of the warrants from $0.90 to $0.75 and extended the expiry date from December 13, 2019 to December 13, 2020. These warrants expired with none being exercised.

Bhang Corporation Joint Venture

On April 19, 2018, Indiva announced a joint venture with Bhang, an award-winning licensor of cannabis, edibles and concentrates. This agreement provides Indiva with exclusive rights to manufacture and sell Bhang products in Canada as well as the right to export those products internationally (the "**Bhang JV**"). As part of the Bhang JV agreement, the Company committed to investing US$5,000,000 into cannabis processing equipment. The joint venture received approval from the TSXV on June 14, 2018. Indiva loaned the Bhang JV USD$1,000,000 to prepay for future services.

Effective July 20, 2020, the Company and Bhang amended the license agreement (the "**Amended License Agreement**"), replacing the previous license agreement that was entered into in connection with the Bhang JV. Bhang's interest in the Bhang JV was conveyed to the Company for no consideration and the joint venture agreement was terminated. Under the Amended License Agreement, the Company has the exclusive right to manufacture and sell Bhang THC-infused chocolate products in Canada, and the non-exclusive right to export those products internationally. In exchange for the license, the Company has paid an upfront license fee of $1,355,900 (USD$1,000,000), settled by the $1,355,900 (USD$1,000,000) previously advanced from Indiva to the Bhang JV, and the Company will pay Bhang a net royalty on the sale of Bhang products manufactured and sold by the Company beginning on the effective date as well as a royalty on any non-Bhang cannabis chocolate products produced and sold by the Company.

BC Craft – joint arrangement

On April 29, 2020, the Company entered into a joint arrangement with BC Craft Supply Co. Ltd ("BC Craft") for the purpose of bringing high-quality cannabis products from craft and microgrowers to provincial markets. These products are processed and sold by Indiva under Indiva's Artisan Batch brand. Sales of the Artisan Batch products began in Q3 2020. In 2020 the Company sold three strains of Artisan batch products into four provinces with more strains being added in 2021.

DeepCell Licence Agreement

On April 26, 2018, Indiva announced an exclusive license agreement with DeepCell, a Seattle-based technology development company focusing on material science, microfluidics and cannabinoid molecule discoveries. Pursuant to the license agreement, Indiva acquired exclusive rights in Canada to manufacture and sell DeepCell's complete line of products in exchange for payment of future royalties. Approval for the transaction was obtained from the TSXV on June 11, 2018. Indiva has paid USD $1,500,000 to DeepCell for prepaid royalties. As of December 31, 2020, the Company has not begun to manufacture DeepCell-branded products, however, is working towards launching products under the DeepCell License Agreement in the second half of 2021.

Retail Sales

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

The Company recognized an expected credit loss of $300,000 in the year ended December 31, 2019, for the amounts paid to a potential partner with the intention of establishing a relationship with a retail licence holder which did not occur, and given the fact that the counterparty has no liquid assets and no certainty of being paid, the full value has been expensed as an expected credit loss.

In the year ending December 31, 2019, the Company also wrote off $552,217 in non-refundable deposits and rent payments for space related to retail locations, which were abandoned due to the changes in Ontario regulations relating to retail cannabis licenses. The remaining portion of the $730,000 promissory note was expensed in 2019 and relates to the marketing consultants, travel, expenses, and payroll for retail-focused staff with the remaining balance being miscellaneous expenses.

On February 26, 2021, the Company returned the shares of Retailgo Inc., and forgave the promissory note receivable.

The Company still intends to apply for a retail license at its Indiva Facility at a future date but is currently focused on its production activities.

December 2019 Convertible Debentures

On December 6, 2019, the Company announced a non-brokered unsecured convertible debenture (the "**2019 Debentures**") financing of up to $4,000,000 (the "**2019 Offering**"). The Company completed the first tranche of the financing in an aggregate principal amount of $2,115,000 on December 23, 2019, and the second tranche of the financing in an aggregate principal amount of $1,040,000 on January 20, 2020. The 2019 Debentures: (i) mature on the date that is 36 months from the date of issuance; (ii) bear interest at the rate of 10.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months, and payable semi-annually on the last day of June and December of each year; and (iii) are convertible, at the option of the holder, into Common Shares at a conversion price of $0.20 per Common Share.

In connection with the 2019 Offering: (i) the Company paid a cash finder's fee in the aggregate amount of $27,300, which represents 7% of the gross proceeds received from the investor introduced to the Company by the finder; and (ii) insider participation totaled $760,000.

During the year ended December 31, 2020, debentures with an aggregate principal totaling $1,500,000 were converted by the holders into 7,500,000 common shares of the Company. Upon conversion a carrying value of $1,079,548 from convertible debentures and $460,513 from equity reserves was reclassified to share capital for the year ended December 31, 2020.

Subsequent to December 31, 2020, an additional $135,000 of 2019 Debentures were converted by the holders into 675,000 common shares of the Company.

2020 Convertible Debentures

On February 4, 2020, the Company completed a non-brokered unsecured convertible debenture (the "**2020 Debentures**") offering of $1,500,000 (the "**2020 Offering**"). The 2020 Offering was subscribed for by Prairie Merchant Corporation ("**PMC**") and another entity, both controlled by, or affiliated with, W. Brett Wilson. The subscription for the 2020 Debentures by PMC was in addition to its existing shareholdings of the Company and the $500,000 aggregate principal amount of 2019 Debentures. The 2020 Debentures: (i) mature on the date that is 36 months from the date of issuance; (ii) bear interest at the rate of 10.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months, and payable semi-annually on the last day of June and December of each year; and (iii) are convertible, at the option of the holder, into Common Shares at a conversion price of $0.25 per Common Share.

During the year ended December 31, 2020, there have been no conversions of the 2020 Debentures.

On August 7, 2020, the Company settled interest payments on the Company’s 2019 Debentures and 2020 Debentures totaling $115,458 in exchange for common shares. The fair value of the shares on issuance was $0.30 per share. This included $103,664 of interest expense related to the year ended December 31, 2020 and $11,794 related to the year ended December 31, 2019.

On January 26, 2021, the Company issued shares pursuant to a shares for debt agreement to satisfy an aggregate of $115,458 of the Company’s outstanding debts for accrued but unpaid interest on convertible debentures. An aggregate of 461,832 shares at a fair value of $0.25 per share which includes 152,000 shares issued to related parties.

Demand Loan and Factoring Facility

On October 11, 2019, the Company entered into an agreement with an institutional lender for a $7,500,000 secured bridge loan (the “**Bridge Loan Facility**”), secured by eligible receivables, and a $6,500,000 secured demand loan facility (the “**Demand Loan Facility**”) (together, the “**Facilities**”) at an interest rate of 9% above the Bank of Montreal prime rate, secured by the Company’s assets. At any given time, the combined balance drawn on the Facilities cannot exceed $11,000,000. The Company paid a transaction fee of $65,000 to the lender.

Part of the proceeds from the secured demand loan were used to fully repay the remaining outstanding convertible debentures of $5,150,000 and accrued interest of $143,056.

Under the terms of the Bridge Loan Facility, the Company entered into a factoring arrangement with the lender with respect to the Company’s accounts receivable. Under the terms of this arrangement, all accounts receivable approved by the lender are transferred to the lender. The Company receives 80% of the invoiced amount of the receivable transferred to the lender. Interest on the factored amount accrues at 1.15% for the first 30 days of factoring and a daily interest rate of 0.0383% from day 30 until payment is received from the customer.

Commencing March 1, 2020, 50% of the purchase price of all receivables purchased by the lender from Indiva was applied to the principal amount owing on the Demand Loan Facility, until the following is achieved:

- the principal loan balance is reduced to $3,500,000; or
- on August 1, 2020, if the principal is not $3,500,000, cash payments must be made by the Company to reduce the principal amount to $3,500,000.

Commencing on August 31, 2020, or the month that the loan balance is reduced to $3,500,000, the Company would begin to make monthly principal payments on the loan in the amount of $58,333.33.

On July 28, 2020, the Company amended the terms of the demand loan and factoring facility which extends the maturity of the Facilities until October 31, 2021. In consideration for the extension, the Company paid an extension fee of $65,000, and the interest rate increased from 9% above the Bank of Montreal prime rate to 11% above the Bank of Montreal prime rate. As a result of the amended terms, 50% of the purchase price of all receivables purchased by the lender from Indiva will be applied to the principal amount owing on the Demand Loan Facility until the principal loan balance is reduced to $5,000,000. At such time, the Company will begin making monthly principal payments on the Demand Loan Facility of $104,166.67.

On February 23, 2021, pursuant to the strategic investment from Sundial Growers Inc. ("**Sundial**"), the Company settled the Facilities.

Dycar Manufacturing and Processing Agreement and Advance Payments

On February 18, 2020, the Company entered a license and manufacturing agreement with Dycar Pharmaceuticals Ltd. (the "**Dycar Agreement**"). Under terms of the agreement Dycar provided the Company with an advance payment of $600,000 on December 27, 2019 for cannabis inputs and production equipment.

On February 18, 2020, Dycar advanced the Company $3,000,000 to be applied against the cost of manufacturing services provided by the Company pursuant to the agreement. Dycar committed to advancing an additional $4,500,000, subject to the Company achieving certain production targets. The $3,000,000 advance is repaid over the agreement term from the Company's share of proceeds from the sale of products sold.

During the year ended December 31, 2020, the Company received advances from Dycar totaling $553,115 for the Company to procure production equipment. The Company received this production equipment at a cost of $524,765. Pursuant to the terms of the equipment purchase agreement with Dycar, the Company will provide manufacturing services to drawdown the purchase price of the equipment, after which title to the equipment will transfer to Indiva. The manufacturing services related to the equipment purchase commence after phase 3 of the Dycar agreement. The Company has determined the period of use until title transfers to Indiva shall be accounted for as a lease and accordingly a right of use asset.

During the year ended December 31, 2020, the Company recognized a $2,646,423 provision for onerous contract related to the guaranteed cash payments required by this agreement. The provision reflects assumptions the Company has made with respect to whether funding for guaranteed cash payments can be generated from the sale of Dycar products. The actual amount of the liability to the Company will vary depending on actual sales that occur prior to the guaranteed sales date. The amount that the expected costs and payment obligations under the contract exceed the sales proceeds and advance payments has been included in the provision for onerous contract in the consolidated statements of loss and comprehensive loss. Subsequent to year end, the Company and Dycar further amended the terms of the Dycar Agreement.

Effective February 1, 2021, the Company and Dycar amended the Dycar Agreement (the "**Dycar Amendment**"). Pursuant to the amendment, the companies agreed to combine Phase 1 and Phase 2 of the Dycar Agreement and Dycar applied the $2,500,000 advance payment payable to Indiva in Phase 2 against the guaranteed cash payments payable to Dycar as of the amendment date. The combined phases 1 and 2 will be completed on January 31, 2022, at which time Phase 3 will commence and continue through September 30, 2022. Dycar is required to advance $2,000,000 to the Company prior to the start of Phase 3.

Issuance of Equity Units

On June 25, 2020, the Company closed the first tranche of an equity offering of up to $5,100,000 for proceeds totaling $1,012,300, in exchange for 3,374,333 units. Each unit of the offering is comprised of one Common Share of the Company and one Common Share purchase warrant, at a purchase price of $0.30 per unit. Each warrant will entitle the holder to acquire one Common Share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date, subject to adjustments in certain customary events. The proceeds were recognized in equity and the Company allocated $660,196 to Common Shares and $352,104 to reserves based on the relative fair value of each equity instrument. The Company incurred share issuance costs totaling $5,000 related to this transaction.

On August 10, 2020, the Company closed the second and final tranche of equity units issued for total proceeds of $4,167,199 in exchange for 13,890,663 units. Total proceeds of this equity offering was $5,179,499 and the total number of units issued to 17,264,996. Each unit of the offering is comprised of one common share of the Company and one common share purchase warrant, at a purchase price of $0.30 per unit. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date. The proceeds were recognized in equity and allocated $2,705,357 to common shares and $1,461,842 to reserves based on the relative fair value of each equity instrument. The Company incurred share issuance costs totaling $194,597 related to this transaction.

In connection with the final tranche, the Company paid broker fees in cash totaling $168,700, representing 4.9% of the proceeds raised from units placed by the brokers and issued to the brokers a total of 562,333 non-transferable broker warrants, representing 4.9% of the units placed by such brokers. Each such broker warrant entitles the holder to acquire one Common Share of the Company at an exercise price of $0.30 for a period of 36 months.

Subsequent to December 31, 2020, 95,000 warrants and 486,667 broker warrants were exercised for net proceeds of $184,000.

Shares for Debt

On October 30, 2020, the Company satisfied an aggregate of $177,805 of outstanding debt related to certain trade payables for products and services provided to the Company by way of the issuance of an aggregate of 740,855 Common Shares at a deemed price of $0.24 per Common Share.

Sundial Strategic Investment

On February 23, 2021, the Company closed a $22,000,000 strategic investment from Sundial. The investment was completed in the form of a brokered private placement of 25,000,000 common shares of the Company at a price of $0.44 per common share, for gross proceeds of $11,000,000, and a non-revolving term loan facility in the principal amount of $11,000,000. The non-revolving term loan facility matures on February 23, 2024 and bears an interest rate of 9%per annum. 50% of the accrued interest is payable in cash on the last day of each month and the remaining 50% of accrued interest is payable, at the option of Indiva, (i) in cash on the last day of each month, or (ii) payable in arrears on the maturity date. Pursuant to the strategic investment, Sundial and Indiva entered into an investor rights agreement (the "**IRA**") whereby Sundial was granted the right to participate in future equity financings to maintain its pro-rata ownership in Indiva and registration rights, subject to customary limits and exceptions. The Company paid broker fees in cash totaling $550,000, representing 3.0% of the proceeds raised from the brokered private placement and 2.0% of the principal amount of the non-revolving term loan facility.

Pursuant to the strategic investment from Sundial, the Company settled the Facilities and the promissory note.

COVID-19

The Company is continually monitoring and responding to the ongoing and evolving COVID-19 pandemic. The Company's business activities have been declared an essential service by the Province of Ontario and has taken action in its' offices and production facility to protect the health and safety of personnel and continuity of its' operations. The Company has implemented procedures and protocols at its production facility and offices, including enhanced screening measures, enhanced cleaning and sanitation processes and frequency, encouraging social distancing measures and directing employees to work from home if possible. The Company believes that it can maintain safe operations with these pandemic related procedures and protocols in place.

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic. The Company determined that it met the employer eligibility criteria and applied for the CEWS retroactively to June 7, 2020. The Company was eligible to receive $1,138,295 for year ended December 31, 2020, and all amounts were received prior to December 31, 2020.

INDUSTRY TRENDS

Cannabis Tracking and Licensing System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. Accordingly, the Minister introduced the CTLS. Licence holders are required to use the CTLS to submit monthly reports to the Minister, among other things, pursuant to the *Cannabis Tracking System Order*, SOR/2018-178.

Health Products and Cosmetics Containing Cannabis

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

Cannabis Products

At the retail level, the Cannabis Regulations currently permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis seeds, cannabis edibles, and cannabis topicals.

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

Packaging and Labelling

The Cannabis Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The Cannabis Regulations further require mandatory health warnings, a standardized cannabis symbol and specific product information.

Advertising

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

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

Regulatory Framework for Cannabis Edibles, Extracts and Topicals

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

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

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

- restrictions on the use of ingredients that could increase the appeal of edible cannabis, increase the risk of food-borne illness, and encourage over consumption;
- a maximum of 10 mg of THC in a package of edible cannabis;

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

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

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

Cannabis topicals follow the same general set of amendments above, including a maximum of 1,000 mg of THC per package and prohibitions on the label regarding any health or cosmetic benefits. Topical products are for use on skin, hair and nails only and not for use in eyes or on damaged skin.

On January 31, 2020, the Company received the Phase 2 Product Licence. This approval enabled the Company to begin delivering extracts, capsules and edibles.

TSXV Policy Regarding Business Activities Related to Marijuana in the United States

On October 16, 2017, the TSXV released a bulletin entitled, "*Business Activities Related to Marijuana in the United States*" (the "**TSXV Bulletin**"). Pursuant to the TSXV Bulletin, the TSXV indicated that it considers marijuana-related activities in the United States to be a violation of TSXV policy due to the U.S. federal prohibition on marijuana, as further discussed in the memoranda issued by James M. Cole, the then Deputy Attorney General, U.S. Department of Justice ("**Cole Memorandum**"). Specifically, issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSXV's Listing Requirements (the "**Requirements**"). These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSXV reminded issuers that, among other things, should the TSXV find that a listed issuer is engaging in activities contrary to the Requirements, the TSXV has the discretion to initiate a delisting review.

For the reasons set forth above, while the Company has partnered with U.S.-based companies, which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities, it is possible that the Company's licensing agreements associated with entities located in the United States may become the subject of heightened scrutiny by the TSXV. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

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

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

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

Corporate Position on Conducting Business in the United States and Other International Jurisdictions Where Cannabis is Federally-Illegal

Indiva does not engage in any U.S. marijuana-related activities as defined in the CSA Notice. While the Company has partnered with U.S.-based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

Indiva currently will only conduct business activities related to growing or processing cannabis, in jurisdictions where it is federally legal to do so.

Health Canada Statement on Changes to Cannabis Licencing Process

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

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

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

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

SELECTED FINANCIAL INFORMATION

(ALL FIGURES IN THIS SECTION ARE IN THOUSANDS OF $, EXCEPT PER SHARE FIGURES)

Summary of 2020 Results

	Year ended December 31,		
(in thousands of $, except per share figures)	**2020**	**2019**	**2018**
	$	**$**	**$**
Gross revenue	16,188.4	1,120.6	58.3
Net revenue	14,650.8	923.9	58.3
Net loss	(15,422.6)	(11,397.9)	(8,526.6)
Comprehensive loss	(15,422.6)	(11,397.9)	(8,541.2)
Adjusted EBITDA	(4,474.9)	(7,917.5)	(6,408.3)
Net loss per share – basic and diluted	(0.16)	(0.14)	(0.11)
Comprehensive loss per share – basic and diluted	(0.16)	(0.14)	(0.11)
Total assets	39,167.3	38,104.9	35,845.9
Total non-current financial liabilities	3,887.8	2,272.4	-
Distributions	-	-	-

Adjusted EBITDA is a non-IFRS measure. See "*Non-IFRS Measures*" section for an explanation of how this measure is calculated.

Highlights for 2020:

- The Company experienced significant quarter over quarter sales growth throughout 2020, culminating in Q4 net revenues totaling $7,050.6, an increase of 133% over Q3 2020, and increasing $6,700.9 (2071%) over Q4 2019. The growth in sales throughout 2020 was driven by the roll out of Cannabis 2.0 products with chocolates beginning in Q1 2020 and gummies in Q3 2020. Q4 2020 was the first full quarter after the launch of Wana Sour Gummies and the Company launched new flavors across all of its edible product lines. Net revenues from the sale of edible products totaled $11,195.7 in 2020.

- The Company's sales of dry flower and prerolls also increased in 2020 as the Company expanded by entering into supply agreements with additional provinces and added new products to its product mix in existing provinces. In 2020, the Company also began sales of products through joint arrangements with BC Craft and Dycar.

- During the year ended December 31, 2020, the Company realized $618.9 in tolling revenue, increasing from $36.8 in the year ended December 31, 2019, representing an additional revenue stream, attributable to processing and service arrangements entered into in Q4 2019 and Q1 2020.

RESULTS OF OPERATIONS

Revenue and Cost of Sales

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
Gross revenue	16,188.4	1,120.6	58.3
Excise taxes	(1,537.5)	(196.7)	-
Net revenue	**14,650.9**	**923.9**	**58.3**
Cost of goods sold	(12,589.4)	(921.0)	(55.8)
License fee	(518.6)	-	-
Write down of inventory to net realizable value	(2,338.3)	(80.8)	-
Gross margin before fair value adjustments	**(795.4)**	**(77.9)**	**2.5**
Fair value adjustment on sale of inventory	(316.8)	(243.3)	-
Unrealized fair value adjustment on biological assets	238.7	375.6	98.9
Gross margin	**(873.5)**	**54.4**	**101.5**

Net Revenue and Cost of Goods Sold

The Company had net revenue totaling $14,650.9 for the year ended December 31, 2020. This increase in revenue was driven by new edible products launched throughout the year as opposed to the prior year which included only sales of dry flower and pre-rolls and certain bulk sales.

Cost of goods sold includes the direct and indirect costs of materials and labour related to inventory sold, and includes harvesting, processing, packaging, and shipping costs, depreciation and applicable stock-based compensation and direct and indirect overhead. Fair value adjustment on sale of inventory includes the fair value of biological assets included in the value of inventory transferred to cost of sales. Fair value of biological assets represents the increase or decrease in fair value of plants during the growing process less the expected cost to complete and selling costs and includes certain management estimates.

Cost of goods sold for the year ended December 31, 2020 was $12,589.4, compared to $921.0 in 2019. The increase in cost of goods sold is the result of increased sales volumes and a significantly expanded product mix. Cost of goods sold as a percentage of net revenue has decreased from 88.5% in Q1/Q2 2020 to 77.8% in Q3 2020 as the Company has rolled out higher margin products and realized production efficiencies from automation equipment purchased during the year and moved out of the startup phase for edible production. However, in Q4 2020, the cost of goods sold as a percentage of net revenue increased to 89.3% as a result of the Company rolling out products with high cannabinoid content. These products initially generated low margins due to the use of cannabis inputs acquired in late 2019 and early 2020 at costs between 160% and 521% higher than the market cost of the same cannabis inputs acquired in late 2020. The sale of these products in Q4 helped grow market share and the company expects to realize higher margins from these products as production utilizes these lower cost cannabis inputs.

Effective July 20, 2020, the Company and Bhang entered into the Amended License Agreement replacing the previous license agreement that was entered into in connection with the Bhang JV. Under the terms of the Amended License Agreement the Company pays a flat royalty rate on the sale of all chocolate cannabis products sold by the Company. Royalties are included in cost of goods sold. Prior to the amendment the Company paid a license fee to the Bhang JV, of which the Company owned a 50% share, and accordingly the Company accounted for its share of net income in the joint venture using the equity method.

During the year ended December 31, 2020, the Company recorded a write-down of inventory totaling $2,338.3. This write-off includes a provision for aged finished goods and bulk cannabis products due to aging inventory, high costs of cannabis inputs from early in 2020 and slower moving oil filled capsule products.

Excise taxes are payable on each discrete unit of cannabis sold either for the adult recreational market or to medical patients, however this does not apply to cannabis sold to other licensed producers. Excise taxes are consistent as a function of sales for 2020, based on the quantity sold, when compared to 2019.

Biological Assets – Fair Value Measurements

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	
Carrying amount, beginning of period	**453.9**	**-**	**-**
Production costs capitalized	1,074.4	536.9	78.3
Net increase in fair value due to biological transformation less cost to sell	238.7	375.6	98.9
Plants sold prior to harvest	-	(4.3)	(25.0)
Transferred to inventory upon harvest	(1,697.1)	(454.3)	(152.2)
Carrying amount, end of period	**69.9**	**453.9**	**-**

As at December 31, 2020, the fair value of biological assets included $69.9 in cannabis plants (2019 - $453.9).

The significant inputs used in determining the fair value of cannabis plants include the followings:

Unobservable Inputs	**December 31, 2020, input values**	**December 31, 2019, Input Values**	**December 31, 2018 Input Values**
Average Selling Price *(Obtained through actual purchase and sale prices observed in the marketplace)*	$5.30 per gram	$4.65 - $5.41 per gram	$6.73 per gram
Yield Per Plant *Obtained through historical harvest cycle results on a per strain basis or where practicable actual harvest results used.*	27-33 grams per plant	23-34 grams per plant	92 grams per plant
Stage of Growth *Obtained through the estimates of stage of completion within the harvest cycle from historical harvest timelines.*	82% complete	Average of 59% complete	100% complete
Post-Harvest Cost *Includes drying and curing, testing, post-harvest overhead allocation, packaging and labelling costs.*	$2.61 per gram	$1.14 per gram	$3.08 per gram

Wastage *Represents the average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested.*	1%–3% *dependent upon the strain*	7%–9% *dependent upon the strain*	41% - 61% *dependent upon the strain*

Operating Expenses

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
General and administrative	5,607.9	5,762.8	5,085.0
Marketing and sales	1,612.8	2,157.6	1,325.8
Research and development	11.6	122.6	24.8
Share-based compensation	250.2	602.7	909.7
Depreciation of property, plant and equipment	290.4	602.6	374.5
Amortization of intangible assets	96.6	24.1	32.6
Total operating expenses	**7,869.5**	**9,272.4**	**7,752.4**

General and administrative expenses decreased to 5,607.9 (3% decrease) for the year ended December 31, 2020, compared to $5,762.8 in the year ended December 31, 2019. The year over year decrease was primarily due the capitalization of production costs including salaries and facility costs to inventory offset by increased legal and audit fees. Many of the general and administrative costs related to the Indiva facility were expensed as pre-production as the Company was expanding its production capabilities and completing construction at the facility, resulting in these costs being recorded to general and administrative expenses in 2019. During the year ended December 31, 2020, the Company invoiced the Bhang JV $248.7 (December 31, 2019 - $nil) for the recovery of expenses related to marketing, pre-production costs, management, and administration. In addition, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") retroactive to June 7, 2020. The Company was eligible for, and received, $1,138.3 during the year ended December 31, 2020. $154.5 has been recorded as a reduction to wages and salaries expense for administrative employees included in general and administrative expenses.

Marketing and sales costs for the year ended December 31, 2020, decreased to $1,612.8, a 25% decrease respectively, as compared to expenses of $2,157.6 for the year ended December 31, 2019. Sales and marketing costs were primarily lower due to decreased activities and programs undertaken by the Company as events were cancelled due to the COVID-19 pandemic and from receiving the CEWS. The Company recorded a reduction to sales and marketing expenses of $153.3 related to CEWS received in the year.

For the year ended December 31, 2020, stock-based compensation has decreased to $250.2. The decreased expenses relate to recoveries as a result of actual forfeitures being higher than expected during the year resulting in the reversal of stock-based compensation previously recognized in excess of stock based compensation recognized in the same period for current and prior period grants.

Depreciation of property, plant and equipment decreased to $290.4 for the year ended December 31, 2020, compared to the same period in the prior year. The decrease is largely attributable to the capitalization of depreciation on building and production equipment related to the Company's production facility. Total depreciation expense for the year ended December 31, 2020 was $1,277,971 (2019 - $838,704), of which $987,590 (2019 - $236,142) has been capitalized in the production of biological assets and inventory. The increase in depreciation, prior to considering the impact of capitalization, was due to the Company's expansion of the production facility and investments in production equipment being put into use to manufacture new products and further automate processing.

Amortization of intangible assets for the year ended December 31, 2020, includes $96.1 of amortization related to the Bhang license agreement. Effective July 20, 2020, under terms of the Amended License Agreement, the license for Bhang branded products is directly held by Indiva and is recorded in intangible assets and amortized over the term of the agreement.

Other Revenues (Expenses) and Impairment Losses

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
Foreign exchange gain (loss)	44.5	(110.1)	51.4
Finance costs	(2,020.5)	(439.5)	(1,164.2)
Transaction costs	(306.7)	(182.0)	-
Interest income	-	137.3	112.9
Expected credit loss	(143.2)	(326.7)	-
Share of income (loss) on investment in joint venture	133.1	(392.7)	-
Impairment loss on intangible assets	-	(281.1)	-
Loss on disposal of assets	(734.3)	(32.7)	(5.2)
Write-off of non-refundable deposits	(990.2)	(552.2)	-
Loss on issuance of shares	(25.4)	-	-
Provision for onerous contract	(2,646.4)	-	-
Gain on settlement of joint venture	10.6	-	-

Transaction costs recorded in the year ended December 31, 2020, relate to the amortization of transaction costs on the demand loan and factoring facility, convertible debentures, and promissory note.

The Company's loan to the Bhang JV ($1,000.0 USD) is denominated in US dollars and accordingly the unrealized changes in foreign exchange relate to fluctuation in the USD exchange rate. This loan was settled on July 20, 2020, under the terms of the Amended License Agreement.

The Company's share of income (loss) on investment in joint venture for the year ended December 31, 2020 was $133.1. The income in the joint venture was comprised of the license fee paid by the Company to the joint venture on the sale of Bhang licensed chocolates sold during the period, net of administrative and sales and marketing expenses related to the launch of Bhang-branded chocolates. The joint venture became a wholly owned subsidiary as of the date of the Amended License Agreement. Accordingly, effective July 20, 2020, the Company ceased accounting for the joint venture under the equity method.

In the year ended December 31, 2020, the Company disposed of cultivation equipment and related computer hardware with an aggregate book value of $884.3, for proceeds totaling $238.1 resulting in a loss of $646.2. The Company also wrote off $88.2 of amounts previously capitalized to assets in process and $990.2 of non-refundable deposits. The amounts written off primarily consisted of consulting fees and deposits related to the planned implementation of the extraction line. Management decided not to proceed with the extraction facility and has shifted resources to other production activities.

During the year ended December 31, 2020, the Company recognized a $2,646.4 onerous contract provision related the guaranteed cash payments required by the Dycar Agreement. The costs and purchase obligations under the contract exceed the economic benefits expected to be received. The related loss has been included in the provision for onerous contract on the consolidated statements of loss and comprehensive loss. Subsequent to year end this agreement was amended to extend the timeline to fulfill certain obligations under the agreement.

Finance costs

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
Interest on factored invoices	252.6	1.2	-
Interest on loan payable	828.7	196.8	-
Interest on convertible debentures	341.6	436.7	810.3
Accretion on convertible debentures	261.8	602.9	546.2
Interest on promissory note	65.7	-	-
Interest on lease liabilities	90.5	13.9	-
Interest on other liabilities	82.2	-	-
Other interest, bank charges, and finance costs	276.8	22.4	103.4
Interest capitalized in assets in process	(179.4)	(834.4)	(295.7)
Total finance costs	**2,020.5**	**439.5**	**1,164.2**

The loan payable relates to the Demand Loan Facility which was advanced to the Company on October 11, 2019. During the year ended December 31, 2019, only one quarter of expenses were incurred relating to the loan as oppose to the year ended December 31, 2020 where expenses were incurred throughout the year. On July 28, 2020, the Company agreed to terms with the lender to extend the maturity of the Company's Secured Bridge Loan and Demand Loan Facility until October 31, 2021. In consideration for this extension, the Company paid fees to the lender of $65.0, and the annual interest rate charged on the Demand Loan Facility was increased an additional two percent, bringing the rate to 11% above the Bank of Montreal prime rate. Throughout 2020 the Company utilized the factoring line to provide additional liquidity resulting in increased expenses being incurred relating to the Secured Bridge Loan as sales grew during the year. Subsequent to year-end the Demand Loan Facility, Secured Bridge Loan and promissory note were settled from proceeds received from Sundial.

In the year ended December 31, 2020, the Company issued convertible debentures for aggregate proceeds, net of transaction costs, of $2,513.0. In 2019, the Company repaid debentures totaling $5,164 which resulted in a decrease in interest expense for 2020. The Company capitalized interest and accretion on convertible debentures in the year ended December 31, 2020 totaling $179.4 (2019 - $834.4) which related to the facility buildout due to the majority of the proceeds of the debentures being used to fund purchases of production equipment and expansion of the production facility. The last phase of the facility expansion was completed during Q2 2020. During the year ended December 31, 2020, debentures with an aggregate principal totaling $1,500.0 were converted by debenture holders reducing the outstanding principle on the debt.

Non-IFRS Measures

The Company calculates Adjusted EBITDA as a sum of net revenue, other income, cost of inventory sold, production salaries and wages, production supplies and expense, general and administrative expense, and sales and marketing expense, as determined by management. Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges.

	Year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
Net revenue	14,650.8	923.9	58.3
Adjusted cost of sales[1]	(11,645.7)	(921.0)	(55.8)
Adjusted license fees[2]	(259.3)	-	-
General and administrative	(5,607.9)	(5,762.8)	(5,085.0)
Sales and marketing	(1,612.8)	(2,157.6)	(1,325.8)
Adjusted EBITDA	**(4,474.9)**	**(7,917.5)**	**(6,408.3)**

[1] Adjusted cost of sales includes cost of inventory sold, production salaries and wages, and production supplies and expenses and excludes capitalized amortization in cost of sales, realized and unrealized fair value gains.

[2] Adjusted license fee eliminates 50% of the fee which is equivalent to the Company's share of the joint venture company to which the license fee is paid.

Financial Position

(in thousands of $)	**As at December 31,**		
	2020	**2019**	**2018**
	$	**$**	**$**
Total assets	39,167.3	38,104.9	35,845.9
Total liabilities	27,947.7	18,813.3	6,450.8
Total non-current financial liabilities	3,887.8	2,274.4	-
Share capital	42,415.8	37,487.3	37,282.5
Contributed surplus	4,723.1	398.3	-
Share-based payment reserve	3,422.1	2,317.4	1,692.0
Warrant reserve	1,915.0	4,922.4	4,856.3
Accumulated other comprehensive loss	(19.5)	(19.5)	(19.5)
Accumulated deficit	(41,236.8)	(25,814.2)	(14,416.3)

Total Assets and Liabilities

Total assets increased to $39,167.3 as at December 31, 2020, compared to $38,104.9 as at December 31, 2019 primarily as a result of accounts receivable from increased sales offset by an inventory reduction resulting from the provision for impairment taken in Q4 2020 and the write off of non-refundable deposits relating to the abandoned extraction project.

Total liabilities increased to $27,947.7 as at December 31, 2020 compared to $18,813.3 as at December 31, 2019, primarily as a result of the issuance of convertible debentures, increased borrowing against the Secured Bridge Loan, a $3,000.0 advance related to the Dycar license and processing agreement which is included in deferred revenue and the provision for onerous contract offset by principal repayments on the Demand Loan Facility. Proceeds from these sources was used to complete capital investments in the production facility, pay accounts payable and accrued liabilities, purchase inputs for production required under the Dycar Agreement and fund general operating expenses.

Distributions or Cash Dividends

No distributions or dividends were paid during the years ended December 31, 2020 and 2019.

Summary of Quarterly Results

The following tables sets out selected quarterly information for the last eight completed fiscal quarters of the Company:

(in thousands of $, except per share figures)	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
	$	**$**	**$**	**$**
Net revenue	7,050.6	3,027.2	2,559.7	2,013.3
Comprehensive loss	(6,839.6)	(3,571.8)	(2,528.7)	(2,438.1)
Basic and diluted loss per share	(0.06)	(0.04)	(0.03)	(0.03)
	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**
	$	**$**	**$**	**$**
Net revenue	323.5	185.5	173.5	241.4
Comprehensive loss	(2,840.2)	(2,626.7)	(2,302.5)	(3,628.5)
Basic and diluted loss per share	(0.04)	(0.03)	(0.03)	(0.04)

In Q4 2020, the Company realized $7,050.6 in net revenue representing 133% net revenue growth from the prior quarter driven by a full quarter with sales of the Wana Sour Gummies as well as the rollout of new chocolate flavors. The comprehensive loss in the period includes an increase to the onerous contract provision of $2,269.6 or $0.024 per share, and write-down of inventory totaling $1,865.3.

In Q3 2020, the Company added additional product lines including Wana Sour Gummies, additional chocolate SKUs and Artisan Batch dry flower, to further drive revenue growth. Sales of Artisan Batch flower and Wana Sour Gummies began in August and September 2020 respectively and resulted in a substantial increase in net revenue as well as increasing the gross margin before fair value adjustments in Q3 2020 to $524.9 from $92.8 in Q2 2020. The comprehensive net loss in Q3 2020 includes one-time expenditures related to the disposal of equipment and write-off of non-refundable deposits totaling $681.4 and a provision for onerous contract in the amount of $376.9.

In Q2 2020, the Company continued to realize quarter over quarter revenue growth primarily related to the continued success of its Cannabis 2.0 products and the rollout of CBD products including CBD Bhang chocolates and CBD softgels as well as a bulk distillate sale. Increased sales volume and decreases in manufacturing costs helped the Company improve the gross margin before fair value adjustments for the three months ended June 30, 2020, to $21.4, from $(342.5) in Q1 2020. The loss from operations for the three months ended June 30, 2020, was also reduced to $(1,494.1) from $(2,010.7) in Q1 2020. The comprehensive net loss for Q2 2020 includes a loss on disposal of production equipment totaling $522.0.

In Q1 2020, the Company’s net revenue increased to $2,013.3 (522% increase) from $323.5 in the prior quarter. This increase is attributable to new revenue streams including $1,611.0 related to the sale of edibles subsequent to the Company’s sales license amendment received January 31, 2020, and $253.7 related to contract processing services which began in mid-December 2019. During the quarter, the Company incurred interest expenses totaling $218.2 related to the $6,500.0 loan advanced in Q4 2019.

In Q4 2019, the Company's net revenue increased to $323.5 (74% increase) from $185.5 in the quarter ending September 30, 2019. This increase related to the Company's expansion of sales outside of Ontario and initial revenues from the Company's processing and service arrangements. Although Indiva's gross margin increased in the fourth quarter from a focus on higher margin products, the net loss for the period increased as a result of impairment losses recorded on intangible assets of $281.2 and the write down of inventory carried above its net realizable value of $80.8.

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

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

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

LIQUIDITY

The table below sets out the cash, short-term debt and working capital:

(in thousands of $)	**As at December 31,**		
	2020	**2019**	**2018**
	$	**$**	**$**
Cash and cash equivalents	314.0	631.1	19,565.6
Short-term debt	(9,697.3)	(6,376.6)	-
Working capital	(11,810.8)	(6,028.2)	15,619.6

- On February 23, 2021, the Company closed a $22,000.0 strategic investment from Sundial. The investment was comprised of $11,000.0 in equity and a three-year term loan in the amount of $11,000.0. The investment provides additional liquidity for the Company to rollout new products in 2021, including the DeepCell branded products, as well as new flavors of chocolates and gummies. The Company also used proceeds from this investment to settle outstanding debt including the Demand Loan Facility, Secured Bridge Loan, and promissory note.
- On July 28, 2020, the Company agreed to amend the terms with the lender of the Company's Demand Loan Facility and Secured Bridge Loan which extended the maturity date of the Facilities to October 31, 2021;
- On June 25, 2020, the Company closed the first tranche of a $5,100.0 private placement equity offering for gross proceeds totaling $1,012.3. The second tranche closed August 10, 2020 raising an additional $4,167.2;
- In February 2020, the Company received an advance in the amount of $3,000.0 pursuant to the processing and service agreement with Dycar. The advance is included in deferred revenue at

December 31, 2020 and is offset against the amount charged by the Company to Dycar for processing services during the year. Processing of Dycar products began in May 2020; and

- On January 20, 2020, the Company closed the second tranche of unsecured convertible debentures in the aggregate principal amount of $1,040.0. On February 4, 2020, the Company closed a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of $1,500.0.

Cash

As at December 31, 2020, the Company had cash available of $314.0 compared to $631.1 at December 31, 2019.

Summary of cash flows for year ended December 31, 2020, and 2019:

	For the year ended December 31,		
(in thousands of $)	**2020**	**2019**	**2018**
	$	**$**	**$**
Cash flows used in operating activities	$(6,980.7)	($9,929.9)	(9,537.2)
Cash flows used in investing activities	$(2,081.6)	($12,204.1)	(5,100.1)
Cash flows provided by financing activities	$8,745.3	$3,199.5	12,899.1
Cash and cash equivalents, end of year	**$314.0**	**$631.1**	**19,565.6**

Cash from Operating Activities

The Company consumed $6,980.7 (2019 - $9,929.9) in cash related to operating activities during the year ended December 31, 2020, primarily to fund operating activities, offset by the $3,000.0 advance from Dycar, included in non-cash operating working capital, which is reduced by increased inventory and accounts receivable at December 31, 2020.

Cash from Investing Activities

The Company used $2,081.6 (2019 - $12,204.1) in cash related to investing activities during the year ended December 31, 2020, primarily related to acquisitions of property, plant and equipment, including $863.4 for building improvements and $813.6 for production equipment. Cash expenditures on property, plant and equipment were reduced by deposits made in 2019.

Cash from Financing Activities

The Company received net proceeds of $2,513.3 from the issuance of convertible debentures in Q1 2020, and $4,979.9 net proceeds from the issuance of equity units in Q2 and Q3 2020. The Company also received proceeds of $3,431.8, net of repayments from a factoring arrangement with a lender. These advances are repaid by assigning proceeds of accounts receivable. During the year ended December 31, 2020, the Company made repayments on the loan payable totaling $1,864.3.

CONTRACTUAL OBLIGATIONS

The Company had the following contractual obligations at December 31, 2020:

	< 1 Year	2 to 5 Years	> 5 Years	Total
	$	$	$	$
Minimum lease payments and variable charges	788.5	901.7	105.9	1,796.1
Other commitments	798.3	67.8	-	866.0
Total	1,586.8	969.5	105.9	2,662.2

The Company's other commitments primarily relate to purchase commitments for IT services, marketing and production supplies.

Under the terms of the Dycar Agreement the Company has committed to guaranteed cash payments payable to Dycar over the term of the agreement and prior to the guaranteed sales date. Dycar has committed to providing the Company an advance for manufacturing services payable at the beginning of each phase of the agreement. After the end of phase 3, the Company will provide payments pursuant to the lease arrangement for the chocolate production equipment. Guaranteed cash payments and advance amounts are as follows:

	Guaranteed cash payments to Dycar	Advance payment to Indiva	Guaranteed sales date
	$	$	
Phase 1	7,086.8	3,000.0	February 28, 2021
Phase 2	5,670.5	2,500.0	June 28, 2021
Phase 3	4,411.0	2,000.0	September 28, 2021
Chocolate equipment	1,437.3	N/A	Begins after phase 3

Pursuant to the February 2021 amendment of the Dycar Agreement periods 1 and 2 will be completed January 31, 2022, period 3 will be completed September 30, 2022, and the chocolate equipment phase will be completed January 31, 2023.

SHARE CAPITAL

The Company's authorized share capital is comprised of an unlimited number of Common Shares. The table below outlines the number of issued and outstanding Common Shares, warrants and options as at May 13, 2021, December 31, 2020, and December 31, 2019. The table also reflects the number of Common Shares issuable on conversion of the convertible debentures.

	May 13, 2021	December 31, 2020	December 31, 2019
Common shares	135,995,619	109,555,952	83,588,269
Options	7,248,333	7,536,667	4,751,000
Warrants	17,658,773	18,240,440	25,264,971
Convertible debentures	13,600,000	14,275,000	10,575,000

On February 23, 2021, the Company issued 25,000,000 common shares at a price of $0.44 relating to the brokered private placement with Sundial.

On January 26, 2021, the Company issued 461,832 common shares at a price of $0.25 pursuant to shares for debt agreements in satisfaction of $115,458 of interest due on convertible debentures. 152,000 of the common shares were issued to related parties.

On January 25, 2021, the Company granted 200,000 options to a consultant of the Company. 100,000 of the options vest immediately on the grant date, and 100,000 vest on February 25, 2021. The options expire January 25, 2024 and are exercisable into common shares at an exercise price of $0.45 per share.

On January 12, 2021, the Company granted 300,000 options to consultants and advisors of the Company. 150,000 of the options vest immediately on the grant date, and 50,000 vest three months, six months, and nine months from the grant date. The options expire January 12, 2024 and are exercisable into common shares at an exercise price of $0.40 per share.

Subsequent to December 31, 2020, warrant holders exercised 581,667 warrants at an exercise price of that ranged from $0.30 - $0.40 per share. 581,667 common shares of the Company were issued pursuant to the exercise of the warrants for proceeds of $184,000.

Subsequent to December 31, 2020, debenture holders converted $135,000 of principal on the convertible debentures into 675,000 common shares of the Company. Accrued interest payable on the date of conversion to debenture holders is $1,979.

During the year ended December 31, 2020, debentures with an aggregate principal totaling $1,500,000 were converted by the holders into 7,500,000 common shares of the Company.

On October 30, 2020, the Company issued 740,855 common shares at a deemed price of $0.24 per common share to settle and pay an outstanding balance of $177,805 owed to a supplier who preferred settlement in shares. The fair value of the shares on the issuance date was $0.24 per share.

On October 30, 2020, the Company granted 87,500 options to a consultant of the Company. The options vest immediately on the grant date, expire October 30, 2023, and are exercisable into common shares at an exercise price of $0.30 per share.

On August 7, 2020, the Company settled interest payments totaling $115,458 in exchange for common shares in the Company at a price of $0.30 per share. This included $103,664 of interest expense related to the year ended December 31, 2020 and $11,794 related to the year ended December 31, 2019.

On June 25, 2020, the Company closed the first tranche of a $5,100,000 equity offering for proceeds totaling $1,012,300, in exchange for 3,374,333 units. Each unit of the offering is comprised of one common share of the Company and one common share purchase warrant at a purchase price of $0.30 per unit. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date. The proceeds were recognized in equity and allocated $660,196 to common shares and $352,104 to reserves based on the relative fair value of each equity instrument. The Company incurred share issuance costs totaling $5,000 related to this transaction.

On August 10, 2020, the Company closed the second and final tranche of equity units issued for total proceeds of $4,167,199 in exchange for 13,890,663 units. Total proceeds of this equity offering was $5,179,499 and the total number of units issued to 17,264,996. Each unit of the offering is comprised of one common share of the Company and one common share purchase warrant, at a purchase price of $0.30 per unit. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date. The proceeds were recognized in equity and allocated $2,705,357 to common shares and $1,461,842 to reserves based on the relative fair value of each equity instrument. The Company incurred share issuance costs totalling $194,597 related to this transaction.

In connection with the final tranche of equity units issued August 10, 2020, the Company paid broker fees in cash totaling $168,700, representing 4.9% of the proceeds raised from units placed by the brokers and issued to the brokers a total of 562,333 non-transferable broker warrants, representing 4.9% of the units placed by such brokers. Each such broker warrant entitles the holder to acquire one Common Share of the Company at an exercise price of $0.30 for a period of 36 months.

On June 5, 2020, the Company approved the grant of 655,000 stock options to employees of the Company. The options are exercisable into Common Shares of the Company at a price of $0.40 per Common Share and have a five-year term which expires June 5, 2025. One-third of all options vest on each anniversary date of the grant over the three years following the grant date.

On February 18, 2020, the Company approved the grant of 3,069,833 stock options to directors, officers, employees and consultants of the Company. The options are exercisable into Common Shares of the Company at a price of $0.40 per Common Share and have a five-year term which expires February 18, 2025. One-third of all options vest on each anniversary date of the grant over the three years following the grant date.

TRANSACTIONS WITH RELATED PARTIES

The Company had a related party relationship with the Bhang JV under the joint venture agreement which was amended July 20, 2020. After such date the joint venture became a wholly owned subsidiary of the Company. During the year ended December 31, 2020, the Company invoiced the Bhang JV $248,668 (2019 - $887,424) for the recovery of expenses related to marketing, pre-production costs, management, and administration prior to the effective date of the Amended License Agreement (Note 12). The Bhang JV charged license fees to the Company totaling $518,598 (2019 - $nil) related to licensed products manufactured and sold by the Company during the year ended December 31, 2020, representing the license fee payable on sales prior to the effective date of the Amended License Agreement.

On June 25, 2020, the Company closed the first tranche of an equity offering of up to $5,100,000. An affiliated corporation of a director of the Company participated in the first tranche. In connection with the first tranche, the Company issued 836,000 units to the affiliated corporation, for total consideration of $250,800. On August 10, 2020, the Company closed the second tranche of this equity offering and issued 364,000 units to the same affiliated corporation for total consideration of $109,200.

In the year ended December 31, 2020, the Company settled interest payments totaling $115,400 in exchange for Common Shares in the Company. The fair value of the shares on issuance was $0.25 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 461,832 Common Shares was issued to the creditors, which includes an aggregate of 58,589 Common Shares issued to related parties to settle interest owing.

Interest payments on convertible debentures held by related parties paid in cash during the year ended December 31, 2020 was $15,667.

RISKS AND UNCERTAINTIES

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. The risks described below are not the only ones the Company will face. If any of these risks actually occur, the Company's business, financial condition or results of operations may be materially adversely affected. In that case, the trading price of the Common Shares could decline and investors could lose all or part of their investment.

General Business Risk and Liability

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the ordinary course of business. The legal risks facing the company, its directors, officers, employees or agents in this respect include potential liability for violations of securities law, breach of fiduciary duty or misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

COVID-19 Pandemic

The novel coronavirus commonly referred to as "**COVID-19**" was identified in December 2019 in Wuhan, China. On January 30, 2020, the World Health Organization declared the outbreak a global health emergency, and on March 11, 2020, the spread of COVID-19 was declared a pandemic by the World Health Organization. The outbreak has spread throughout Europe, the Middle East and North America, causing companies and various international jurisdictions to impose restrictions such as quarantines, business closures and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time.

The rapid development of the COVID-19 pandemic and the measures being taken by governments and private parties to respond to it are extremely fluid. While the Company has continuously sought to assess the potential impact of the pandemic on its financial and operating results, any assessment is subject to extreme uncertainty as to probability, severity and duration. The Company has attempted to assess the impact of the pandemic by identifying risks in the following principle areas:

- **Mandatory Closure.** In response to the pandemic, many provinces and localities have implemented mandatory shutdowns of business to prevent spread of COVID-19. The Company's business has been deemed an "essential service", permitting the Indiva Facility to stay open despite the mandatory closure of non-essential businesses. While the Company is working closely with provincial and local regulators to seek temporary measures that allow us to remain operational, there is no guarantee further measures may nevertheless require us to shut operations in some or all provinces. The Company's ability to generate revenue would be materially impacted by any shut down of its operations.

- **Customer Impact.** While the Company has noted some downturn in demand for its products in connection with the pandemic, if its customers become ill with COVID-19, are forced to quarantine, decide to self-quarantine or not to visit stores or distribution points to observe "social distancing", it may have material negative impact on demand for its products while the pandemic continues. While the Company is seeking to implement measures, where permitted to reduce infection risk to our customers, regulators may not permit such measures, or such measures may not prevent a reduction in demand.

- **Supply Chain Disruption.** The Company relies on third party suppliers for equipment and services to produce its products and keep its operations going. If its suppliers are unable to continue operating due to mandatory closures or other effects of the pandemic, it may negatively impact its own ability to continue operating. At this time, the Company has not experienced any failure to secure critical supplies or services. In particular, while the Company procures certain equipment, including components of other products, from China where the pandemic has caused extensive business closures, the Company currently believes that it will be able to continue to source such products at a cost within historical ranges. However, disruptions in our supply chain may affect the Company's ability to continue certain aspects of the Company's operations or may significantly increase the cost of operating its business and significantly reduce its margins.

- **Staffing Disruption.** The Company is, for the time being, implementing among its staff where feasible "social distancing" measures recommended by federal, provincial and local governments. The Company has cancelled nonessential travel by employees, implemented remote meetings where possible, and permitted all staff who can work remotely to do so. For those whose duties require on-site work, measures have been implemented to reduce infection risk, such as reducing contact with customers, mandating additional cleaning of workspaces and hand disinfection, providing masks and gloves to certain personnel. Nevertheless, despite such measures, the Company may find it difficult to ensure that its operations remain staffed due to employees falling ill with COVID-19, becoming subject to quarantine, or deciding not to come to come to work on their own volition to avoid infection. The Company has experienced some increased absenteeism due to the pandemic. If such absenteeism increases, the Company may not be able, including through replacement and temporary staff, to continue to operate.

- **Regulatory Backlog.** Regulatory authorities are heavily occupied with their response to the pandemic. These regulators, as well as other executive and legislative bodies, may not be able to provide the level of support and attention to day-to-day regulatory functions as well as to needed regulatory development and reform that they would otherwise have provided. Such regulatory backlog may materially hinder the development of the Company's business by delaying such activities as product launches, facility openings and business acquisitions, thus materially impeding development of its business.

The Company is actively addressing the risk to business continuity represented by each of the above factors through the implementation of a broad range of measures throughout its structure and is re-assessing its response to the COVID-19 pandemic on an ongoing basis. The above risks individually or collectively may have a material impact on the Company's ability to generate revenue. Implementing measures to remediate the risks identified above may materially increase our costs of doing business, reduce our margins and potentially result in losses. While the Company is not currently in financial distress, if the Company's financial situation materially deteriorates as a result of the impact of the pandemic, the Company could eventually be unable to meet its obligations to third parties, including observing covenants under its agreements, which in turn could lead to insolvency and bankruptcy of the Company.

Reliance on the Licence

The continuation and development of the Company's business of growing, storing and distributing medical and recreational cannabis is dependent on the good standing of the Licence and any other permits or approvals required to engage in such activities and upon adhering to all regulatory requirements related to such activities.

Failure to comply with the requirements of the Licence or any failure to maintain the Licence would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes it will meet the requirements of the Cannabis Act and Cannabis Regulations for future extensions or renewals of the Licence, there can be no guarantee that Health Canada will extend or renew the Licence or that, if extended or renewed, the Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence or should it renew the Licence on different terms, the business, financial condition and results of the operation of the Company would be materially and adversely affected.

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regard to the share prices of cannabis-producing and cannabis-related companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of Common Shares may be materially adversely affected.

Financing Requirements

In the future, the Company will require additional equity and/or debt financing to, among other things, support ongoing operations, repay its outstanding convertible debentures, undertake capital expenditures, and expand to new markets. There can be no assurance that additional financing will be available to the Company when needed or on terms that are acceptable. The Company's inability to raise additional financing could limit the Company's growth and may have a material adverse effect upon its business, operations, results, financial condition or prospects. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of any security granted pursuant to such debt financing.

Onerous contract

The Company is committed to guaranteed cash payments pursuant to the Dycar Agreement. Under the terms of the agreement, which were amended in February 2021 (refer to Note 37 of the accompanying consolidated financial statements), the Company has committed to payments over the term of the agreement. The Company has recorded an onerous contract provision as at December 31, 2020, for the amount by which the costs to fulfill the agreement exceed the realized benefits. To calculate this provision management has made estimates regarding the cost to produce products and proceeds generated from sales pursuant to this agreement. Where actual results vary from these estimates the costs to fulfill the contract may change which may have a material and adverse effect on the Company’s business, results of operations and financial condition.

Reliance on Indiva Facility

The Company has a single facility which is licensed to produce cannabis under the Cannabis Act, the Indiva Facility. The Company's operations and the conditions of the Indiva Facility are, and will be, subject to hazards inherent in the cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting the Indiva Facility may have a material and adverse effect on the Company's business, results of operations and financial condition.

Indiva is also subject to the risk of theft of its product and other security breaches. A security breach at the facilities could result in a significant loss of available product, expose Indiva to additional liability under applicable regulations and to potentially costly litigation, or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on Indiva's business, financial condition and results of operations.

Expansion of Indiva Facility

Any expansion of the Indiva Facility is subject to various potential problems and uncertainties and may be delayed or adversely affected by a number of factors beyond the Company's control. These uncertainties include the failure to obtain regulatory approvals or permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labour, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the expansion of operations at existing facilities, which in turn may affect the Company's business, prospects, financial condition and results of operations.

On March 31, 2020, Health Canada approved a licence amendment to add 10,000 square feet of production space at the Company's London, Ontario, facility. The Indiva Facility is now fully licensed.

Holding Company Status

The Company is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. The Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. The Company's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of the Company's subsidiaries to pay dividends and other distributions depends on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Limited Operating History

The Company entered the medical cannabis business in 2017 and the recreational cannabis business in October 2018. The Company is therefore subject to many of the risks common to entering a new area of investment, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and a lack of revenue. There is no assurance that the Company will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

History of Net Losses

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase its operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset its expected increases in costs and operating expenses, the Company will not be profitable.

Unfavourable Publicity or Consumer Perception

The success of the medical and recreational cannabis industries may be significantly influenced by the public's perception of cannabis' medicinal and recreational applications. Medicinal and recreational cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to cannabis will be favourable. The medical and recreational cannabis industries are early-stage businesses that are constantly evolving with no guarantee of viability. The markets for medical and recreational cannabis are uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical and recreational cannabis may have a material adverse effect on the Company's (and the Company's subsidiaries') operational results, consumer base and financial results.

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

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

Third Party Transportation

The Company relies on third party transportation services to deliver products to its customers and to import its agreed-upon cannabis genetics from the Licensors in accordance with the Supply Agreement. The Company is exposed to the inherent risks associated with relying on third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on the Company's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect the Company's status as a licensee under the Cannabis Act.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require continued implementation and improvement of their operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with growth may have a material adverse effect on business, financial conditions, results of operations and prospects.

Acquisition Strategy Risks

The Company has made and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-transaction business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as the ability to realize on anticipated growth opportunities and synergies from newly formed partnerships. Any failure to integrate an acquired business or realize the anticipated benefits of new partnerships may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its future prospect for acquisitions or partnerships. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. Such licences, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favourable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Dependence on Licensor

We currently utilize intellectual property including branding, processes and recipes which we have licensed. While the company's licenses are in good standing, they may be terminated by the licensor if there is a breach of the license agreement, or the license may not be renewed on conditions acceptable to the Company.

Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the Company. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the *Business Corporations Act* (Ontario).

In addition, the Company's directors and the officers are required to act honestly and in good faith with a view to its best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

Dividends

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company's businesses. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of the Company and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Company may deem relevant. As a result, investors may not receive any return on investment in Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for Common Shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Liquidity Risk

The Company's ability to remain liquid over the long term may depend on its ability to obtain additional financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Litigation

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages.

While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover all costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Additionally, as legalization of cannabis occurs in markets outside of Canada, including, but not limited to, the United States, the

Company may be subject to enhanced competition from foreign cannabis producers, which could adversely impact the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The impact of these factors cannot be accurately predicted.

Global Economy Risk

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

Information Systems Security Threats

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and financial performance.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Negative Cash Flow from Operating Activities

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

RISKS RELATING TO THE MEDICAL AND RECREATIONAL CANNABIS INDUSTRIES

Regulatory Risks

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

The Company's ability to grow, store and sell cannabis in Canada is dependent on its Licence from Health Canada and maintaining the Licence in good standing. Failure to comply with the requirements of the Licence and maintain the Licence in good standing would have a material adverse impact on the business, financial condition and operating results of the Company.

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

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

Development of Canadian Adult-Use Recreational Market

The Cannabis Act came into effect on October 17, 2018 and governs the federal legalization and regulation of adult-use cannabis in Canada, following which, on October 17, 2019, targeted amendments to the Cannabis Act and Cannabis Regulations came into force, adding three new authorized classes of cannabis for sale: edibles, extracts and topicals. The amendments introduced new regulatory controls to address sale of the new product classes, content and product specifications, packaging and licensing requirements. Given the recent introduction of these regulations, the effect of Health Canada's administration, application and enforcement of this new regulatory regime on the Company is unknown and the interpretation and application of the regulations may change at any time, or their implementation may be delayed. There is no assurance that the Company will be able to comply with these new regulations.

In addition, the governments of every Canadian province and territory have enacted and implemented their respective regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. Various different models for distribution and sale have been implemented in each jurisdiction across Canada, including government-operated retail models, privately operated retail models and hybrid approaches. These regulatory regimes may change in ways that impact the Company's ability to continue its business as currently conducted or proposed to be conducted. There is no guarantee that the various regulatory regimes will remain as currently enacted or that any such legislation will create the growth opportunities that the Company currently anticipates.

The various regulatory regimes for cannabis products also include excise duties payable by licence holders on adult-use cannabis products, in addition to goods and services tax/harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in general. In addition, any increase in the rate of excise duties could reduce the Company's margins and profitability in the event that the Company cannot, or chooses not to, pass along such increases to consumers. Any of the foregoing could result in a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's manufacturing operations. Changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to current operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Changes in Laws, Regulations and Guidelines

the Company's operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect the Company's businesses, financial conditions and results of operations. For more information on recent changes to the regulatory framework of medicinal and recreational cannabis in Canada, see "*Description of the Business – Legal and Business Overview*".

Restrictions on Sales and Marketing

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

TSXV Restrictions on Business

As a condition to listing on the TSXV, the TSXV required that the Company deliver an undertaking (the "**Undertaking**") to only conduct cannabis or cannabis-related activities in Canada pursuant to one or more licences issued by Health Canada, unless prior approval is obtained from the TSXV. The Undertaking could have an adverse effect on the Company's ability to do business or operate outside of Canada, and the Company's competitors may not be subject to the same restrictions. These restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Competition

The markets for the medical and recreational cannabis products appear to be sizable and Health Canada has only issued a limited number of licences under the former ACMPR regime and the new Cannabis Act regime to produce and sell medical and recreational cannabis. There are several hundred existing applicants for licences in queue. The number of licences issued could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, as of the date hereof there were 665 licensees under the Cannabis Act. If the number of users of medical and recreational cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. The Company expects significant competition from other companies applying for production licences that may have significantly greater financial, technical, marketing and other resources, which may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company. If the Company and its subsidiaries are not successful in investing sufficient resources in these areas, their ability to compete in the market may be adversely affected, which in turn could materially and adversely affect the Company's business, financial conditions and results of operation.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agriculture Business

The Company's business involves the growing of medical and recreational cannabis, which are agricultural products. As such, the business is subject to the risks inherent in the agricultural business, including pests, plant diseases and similar agricultural risks. Although the Company expects to grow its products in a climate controlled, monitored, indoor location, there is no guarantee that changes in outside weather and climate will not have a material adverse effect on the Company' ability to cultivate cannabis.

Vulnerability to Rising Energy Costs

The Company's cannabis-growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including that the Company's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against the Company could result in increased costs, adversely affect the Company's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of the Company.

There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance in expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of the Company's products.

Product Recalls

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects (such as contamination, unintended harmful side effects or interactions with other substances), packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distract from day-to-day operations.

Product Obsolescence

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize the Company's business. The introduction of new products embodying new technologies, including new manufacturing processes, and the emergence of new industry standards may render the Company's products obsolete, less competitive or less marketable. The process of developing the Company's products is complex and requires significant continuing costs, development efforts and third-party commitments. The Company's failure to develop new technologies and products or the obsolescence of existing technologies could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential customer requirements that could make the Company's existing technology obsolete. The Company's success will depend, in part, on its ability to continue to enhance its existing technologies, develop new technology that addresses the increasing sophistication and varied needs of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The Company may not be successful in developing or using new technologies, exploiting its niche markets effectively, or adapting its business to evolving customer or medical preferences or emerging industry standards.

Inventory Shelf Life

The Company holds finished goods in inventory and the Company's inventory has a shelf life. Although the Company's management regularly reviews the amount of inventory on hand and its remaining shelf life, and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Operating Risk and Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company may be exposed. The Company may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

Results from Future Clinical Research

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

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. Loss of any skilled labour, equipment, parts and components may have an adverse effect on the business, financial condition, results of operations or prospects of the Company.

Co-investment Risk

The Company may decide to invest with certain strategic investors and/or other third parties through joint ventures or other entities. These parties may have different interests or superior rights to those of the Company, although it is the general intent of the Company to retain control and superior rights associated with its investments, under certain circumstances, it may be possible that the Company relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In those cases where the Company does maintain a control position with respect to its investments, the Company's investments may be subject to typical risks associated with third party involvement, including the possibility that a third party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third party partners or co-investors.

Difficulty to Forecast and Reliability of Data

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

In addition, as a result of recent and ongoing regulatory and policy changes in the medical and recreational cannabis industry, the market data available may be limited and unreliable. The research data collected by the Company will be an integral part of its business for the production of research-based reports. Market research and projections by the Company of estimated total retail sales, demographics, demand, and similar consumer research, may be based on assumptions from limited and unreliable market data. If there are issues with the data's integrity or security, the data and research-based reports could be considered ineffective or unreliable.

Competition from Synthetic Production and Technological Advances

The pharmaceutical industry may attempt to dominate the cannabis industry through the development and distribution of synthetic products which emulate the effects and treatment of organic cannabis. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates government regulations, manufacturing standards, federal and provincial healthcare fraud and abuse laws and regulations; or laws that require the true, complete, and accurate reporting of financial information or data. The precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Security Risks

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Canadian federal government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches, and may deter potential patients and consumers from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk, whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the privacy of personal information, including records of a patient's personal health information. Generally, these laws require the prior consent of an individual to collect, use and disclose that individual's personal information. They also require that personal information be protected by appropriate safeguards, and that the Company restrict the handling of personal information to the minimum amount of personal information necessary to carry out permitted purposes. If the Company is found to be in violation of these privacy laws, or other laws governing patient health information, the Company could be subject to sanctions and civil or criminal penalties, which could increase the Company's liabilities, harm the Company's reputation and have a material adverse effect on the Company's business, results of operations and financial condition.

Illicit Supply of Cannabis

In addition to competition from licence holders and those able to produce cannabis legally without a licence, the Company also faces competition from unlicensed and unregulated market participants, including illegal dispensaries and black market suppliers selling cannabis and cannabis-based products in Canada. Despite the legalization of cannabis in Canada, black market operations remain and are a substantial competitor to the Company's business. In addition, illegal dispensaries and black market participants may: (i) offer products with higher concentrations of active ingredients that are either expressly prohibited or impracticable to produce under current Canadian regulations, (ii) use marketing and branding strategies that are restricted under the Cannabis Act, and (iii) make claims not permissible under the Cannabis Act and other regulatory regimes. As these illicit market participants do not comply with the regulations governing the legal cannabis industry in Canada, their operations may also have significantly lower costs. Any unwillingness by consumers currently utilizing unlicensed distribution channels to begin purchasing under the legal regime for any reason, or any inability or unwillingness of law enforcement authorities to enforce laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products, could result in the perpetuation of the black market for cannabis and adversely affect the Company's market share, which could have a materially adverse effect on the Company's business, operations and financial condition.

RISKS SPECIFICALLY RELATED TO THE UNITED STATES REGULATORY SYSTEM

Failure to Comply with TSXV Bulletin

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

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

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

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

Relationships with Ancillary Businesses in the United States Cannabis Industry

The Company does not engage in any U.S. marijuana-related activities as defined in the CSA Notice. While the Company has entered into certain agreements with U.S.-based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

At this time, the Company will only conduct business activities related to growing or processing cannabis, in jurisdictions where it is federally legal to do so. The Company believes that conducting activities which are federally-illegal, or investing in companies which do, puts the company at risk of prosecution, puts at risk its ability to operate freely, and potentially could jeopardize its listing on major exchanges now and in the future, limiting access to capital from large and reputable global funds.

Nevertheless, the Company's licensing agreements associated with ancillary businesses in the U.S. cannabis industry may later fall into the CSA Notice definition of U.S. marijuana-related activities as a result of the global cannabis industry's ever-evolving legal landscape.

Due to the Company's existing licensing agreements associated with the United States' cannabis industry, and any future opportunities, the Company may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction, in addition to those described herein.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the accompanying financial statements relate to the Company’s ability to continue as a going concern, classification of convertible debentures as financial liability and equity, classification of the joint arrangement, expected credit losses, deferred income taxes, market interest rates, the fair value of options and warrants, estimated useful lives and depreciation of property, plant and equipment and intangible assets, net realizable value of inventory, value of biological assets and inventory, and variable consideration in revenue from contracts with customers. Actual results could differ from these estimates.

NEW ACCOUNTING POLICIES

Amendment to IFRS 3 – Business Combinations

The amendment to IFRS 3 clarifies the definition of a business and includes an optional concentration test to determine whether an acquired set of activities and assets is a business. The Company has adopted these amendments effective January 1, 2020. The adoption of these amendments does not have an impact on the Company’s Interim Financial Statements.

Amendment to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate to a contract consist of both the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company’s consolidated financial statements.

SUBSEQUENT EVENTS

Reference is made to the disclosure set out in Note 37 of the accompanying consolidated financial statements for the year ended December 31, 2020.

APPROVAL

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