

# INDVR BRANDS INC.

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(formerly Cannabis One Holdings Inc.)

**MANAGEMENT'S DISCUSSION & ANALYSIS  
FOR THE NINE MONTHS ENDED OCTOBER 31, 2020**

Expressed in United States Dollars

# INDVR BRANDS INC. (FORMERLY CANNABIS ONE HOLDINGS INC.)

## MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE NINE MONTHS ENDED OCTOBER 31, 2020

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This Management's Discussion & Analysis ("**MD&A**") of the financial condition and results of operations of INDVR Brands Inc. (formerly Cannabis One Holdings Inc.) ("**INDVR**" or the "**Company**") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the nine months ended October 31, 2020, as well as the audited annual financial statements of the Company for the thirteen months ended January 31, 2020, and accompanying notes therein. This MD&A is dated **December 18, 2020** (the "**MD&A Date**"), which is the date that the Board of Directors of the Company (the "**Board**") approved the disclosure contained in this MD&A.

The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Except as otherwise indicated, all financial data in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

All dollar amounts in this MD&A are expressed in United States Dollars except where otherwise indicated.

### FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "**forward-looking statements**"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the MD&A Date or as of the date specified in such statement. This MD&A contains forward-looking statements pertaining to, but not limited to, the following: the Earn Out and probabilities of those being paid out by the Company; the anticipated closing of the Transaction/Cannabis Corp. and its benefit to the Company, including any anticipated increase in exposure and recurring cash flows from cannabis cultivation and retailing activities; the closing and consideration to be paid in the Green Lady Transaction; and completion of a transaction with Citation Growth Corp.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also refer to those risk factors in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" sections below. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its anticipated results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

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### CORPORATE OVERVIEW

The Company was originally incorporated as Metropolitan Mining Corp. ("**Metropolitan**") on July 16, 2007, under the *Business Corporations Act* (British Columbia) and later changed its name to Metropolitan Energy Corp. On November 8, 2018, Metropolitan changed its name to Cannabis One Holdings Inc. ("**Cannabis One**"), and further on August 14, 2020, the Company changed its name to INDVR Brands Inc. ("**INDVR**"). INDVR, through its wholly-owned subsidiary, Cannabis One U.S., Inc. ("**CBIS US**") (formerly Bertram Capital Finance, Inc. ("**Bertram**")), a Colorado corporation, focuses on providing management resources as well as infrastructure and equipment for use in the production, cultivation and dispensary operations of licensed cannabis businesses in the United States of America (the "**United States**" or the "**U.S.**"). CBIS US was incorporated in Colorado on February 20, 2015.

The Company indirectly derives revenue from the cannabis industry in Washington, Oregon and Colorado. The Company is not directly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis in the recreational cannabis marketplace, or medical cannabis marketplace in either Canada or the United States.

INDVR has licensing agreements and contractual partnerships with related and unrelated licensed cannabis producing entities to provide a variety of services including product packaging, equipment leasing, and site personnel and management resources. INDVR also owns certain intellectual property, including the trademarks, trade names, domain names and/or licensing rights for various cannabis-related brands. This intellectual property is comprised of the trade names "Cannabis™", "The Joint™ by Cannabis", "Incognito by Cannabis", "Fire by Cannabis", "Cannabis Prime", "Fat Face Farms", "Honu" and "INDVR™", the innovative vaporizer-style cannabis delivery system, as well as related trademarks and website domains.

### CORPORATE OUTLOOK AND PROPOSED TRANSACTION

#### Corporate Outlook

INDVR's long-term plan for expansion is to extend its operations throughout North America and internationally with the intention of establishing a leading brand culture and reputation in the cannabis industry. INDVR intends to expand its client base and provide support services in additional markets within the U.S.

The Company continues to actively identify and evaluate cannabis sector assets and businesses through discussions with various business associates, contacts of the directors and officers, and other parties, with a view to completing acquisitions of, or extending professional services to, cannabis sector participants in those states in the United States where it is permissible to do so under applicable state regulatory regimes. To carry out this activity and to fund continued general corporate requirements, the Company anticipates the need for additional fundraising primarily through equity financing, but possibly through debt financing. However, there can be no assurance that any such financing, whether equity or debt, will be available to the Company in the amount required, or if available, that it can be obtained on terms satisfactory to the Company.

References to "Class A SUB Shares" and "Class B SVS Shares" refer to the Class "A" Subordinate Voting Shares and Class "B" Super Voting Shares in the capital of the Company, respectively. Each Class B SVS Share is convertible at the option of the holder into ten (10) Class A SUB Shares, subject to certain restrictions on conversion in the terms of the Class B SVS Shares.

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### Proposed Transaction – Business Combination with Cannabis Corp.

On June 8, 2020, the Company entered into a Business Combination Agreement to acquire all the issued and outstanding common shares of Cannabis Corp. by way of a share exchange (the "Transaction"). The Company intends to issue Class B SVS Shares with an aggregate fair value of \$1,800,000 (\$2,500,000 CAD) on closing of the Transaction. Closing of the Transaction is subject to approvals from the Colorado Marijuana Enforcement Division, the City of Denver, and other regulatory and CSE approvals which are ongoing.

Cannabis Corp. is a Colorado-based cannabis operator that holds licenses to two cultivation facilities in Denver, CO as well as a dispensary in Denver, CO called "The Joint". Cannabis Corp. is a related company as it is jointly owned by the spouse of the former CEO, Director of the Company who resigned from the Company on July 31, 2020.

### OVERALL PERFORMANCE

Through to the MD&A Date, the Company raised capital through the issuances of units as described below. In aggregate, the Company has raised gross proceeds of approximately \$633,000 and settled debt amounting to approximately \$2,075,000 in aggregate.

November 2020 - Private placement (gross proceeds of approximately \$300,000, and debt settlements of approximately \$1,198,000):

- On November 17, 2020, the Company closed the first tranche of a non-brokered private placement, inclusive of debt settlement arrangements consisting of the issuance of 15,681,250 Class A SUB Units at CAD \$0.08 each and 882,308 Class B SVS Units at CAD \$0.80 each for aggregate cash proceeds and debt settlements of \$1,498,392 (CAD \$1,960,346 with debt settlements totalling approximately CAD \$1,570,000).

Each Class A SUB Unit consists of one Class A SUB Share and one warrant with each warrant exercisable at CAD \$0.125 until November 17, 2022. Each Class B SVS Unit consists of one share and one warrant with each warrant exercisable at CAD \$1.25 until November 17, 2022 (each Class B SVS share is convertible into 10 Class A SUB Shares).

May 2020 - Private placement (gross proceeds of \$332,653, and debt settlements of \$877,162):

- On May 5, 2020, the Company completed a non-brokered private placement, inclusive of debt settlement arrangements consisting of the issuance of 7,629,365 Class A SUB Units at CAD \$0.068 per Class A SUB Unit, and 1,733,552 Class B SVS Units at CAD \$0.68 per Class B SVS Unit for aggregate cash proceeds and debt settlements of \$1,209,815 (CAD \$1,697,612).

Gross proceeds received on the Offering totalled \$332,653 (CAD \$466,751). Aggregate debt settlements and services totalled \$877,162 (CAD \$1,230,861) (which included trade and other payables of \$394,512, loans payable of \$400,000, and other liabilities of \$82,650). Directors and Officers of the Company participated in the Offering for aggregate debt settlements included in the above of \$565,714 (CAD \$791,761).

Each Class A SUB Unit consists of one Class A SUB Share and one warrant with each warrant exercisable at \$0.12 per Class A SUB Share until May 5, 2022. Each Class B SVS Unit consists of one share and one warrant with each warrant exercisable at \$1.20 per Class B SVS Share until May 5, 2022 (each Class B SVS Share is convertible into 10 Class A SUB Shares).

### COVID-19 Financial Aid:

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. There are travel restrictions and health and safety concerns that may delay the Company's business development activities. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic, and the various programs are constantly being expanded and relaxed, which may qualify the Company for additional assistance.

On May 25, 2020, the Company entered into a loan agreement with a lender based in the United States for an unsecured loan. The loan was made pursuant to the Paycheck Protection Program (the "PPP") as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA"). The loan was made to the Company for a principal amount of \$820,600 and has a term of 2 years with a 1% annual interest rate.

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### Repurchase of shares

During the nine months ended October 31, 2020, the Company entered into three Settlement and Release Agreements pursuant to the repurchase of certain Class A SUB Shares ("Shares") which were issued during the thirteen months ended January 31, 2020, pursuant to warrant exercises. The Company intends to return the repurchased shares to treasury. Pursuant to the agreements the Company agreed to repurchase the equivalent of 450,000 Class A SUB Shares in aggregate at a total cost of \$337,500.

As at October 31, 2020, the Company had repurchased 255,000 Shares in aggregate at a cost of \$191,250. Additionally, the Company had forgone \$244,682 during the period then ended which was included in subscriptions receivable at January 31, 2020. Subsequent to October 31, 2020, the Company had returned 200,000 of these Shares to treasury.

### DISCUSSION OF OPERATIONS

For the nine months ended October 31, 2020 and the ten months ended October 31, 2019:

	October 31, 2020 \$	October 31, 2019 \$	Change (rounded) \$
Lease and rental income	751,415	562,576	189,000
Product returns	-	(296,321)	296,000
Royalties, net	34,060	-	34,000
<b>Total revenue</b>	<b>785,475</b>	<b>266,255</b>	<b>519,000</b>
<b>Net service (loss) income</b>	<b>(152,498)</b>	<b>242,576</b>	<b>(395,000)</b>
<b>Gross profit</b>	<b>625,949</b>	<b>337,393</b>	<b>289,000</b>
<b>Operating expenses</b>	<b>(2,738,669)</b>	<b>(5,889,827)</b>	<b>3,151,000</b>
<b>Loss from operations</b>	<b>(2,112,720)</b>	<b>(5,552,434)</b>	<b>3,440,000</b>
<b>Loss for the period</b>	<b>(2,259,920)</b>	<b>(12,396,554)</b>	<b>10,137,000</b>
<b>Basic and diluted loss per common share</b>	<b>(0.02)</b>	<b>(0.16)</b>	

Lease and rental income: is 100% derived from equipment leased to Cannabis Corp., and the rental of three facilities (a dispensary and two cultivation facilities) (2019 – two facilities) to Cannabis Corp.

Royalties: The Company began earning royalties through the licensing of certain of its brands to third parties.

Trends, demands and uncertainties: the Company continually evaluates the cannabis industry, identifying which product offerings are relevant to which markets, as well as the need for new products as consumer demands change. Working with partners that utilize cutting edge technology has allowed for the rapid development of new products and agile changes to various regulatory requirements.

Industry and economic factors: the cannabis industry encounters a number of industry-wide and economic factors that affect the operations of the Company, the most notable of which is that cannabis remains a Schedule I controlled substance under the United States Federal Controlled Substances Act of 1970. As a result, the Company's operations vary state by state to maintain compliance with local laws and regulations.

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### Segmented Information

The Company operates in one segment which is the provision of services to licensed cannabis businesses in the United States. The Company provides marketing and payroll administration, sub-leases facilities, and sub-leases equipment relating to production, cultivation and dispensary operations of licensed cannabis businesses. Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

Notable fluctuations in operating expenses and other expenses were as follows:

	October 31, 2020 \$	October 31, 2019 \$	Increase (decrease) (rounded) \$
Consulting fees	247,057	567,478	(320,000)
Information technology and software	30,432	204,578	(174,000)
Investor relations	119,284	1,430,695	(1,311,000)
Management fees	557,776	178,202	380,000
Professional fees	330,705	613,896	(283,000)
Loss provision on trade receivables	(42,291)	(252,050)	210,000
Loss on provision for contingencies	(68,432)	-	(68,000)

- Consulting fees: the reduction in consulting fees is a result of cost savings measures whereby the Company has reduced the number of consultants it engages for various services such as advisory, business development and other.
- Information technology and software: decreased as the Company incurred a one-time purchase of a significant software package in the comparative period.
- Investor relations: decreased as the Company implemented significant cost reduction measures to reduce the level of investor relations activities it pursues.
- Professional fees: primarily comprised of fees paid to various legal counsel in relation to ongoing litigation as described below within "Contingencies". Professional fees also includes accounting and audit fees. The decrease in professional fees is in correlation with the reduced level of business activity including reduced mergers and acquisition activity amongst reductions in other general services.
- Loss provision on trade receivables: is comprised of a loss allowance for a single customer which is an extension from the conclusion reached at January 31, 2020 in respect of this customer whereby a loss allowance was recognized during the thirteen months ended January 31, 2020. The loss allowance is a reflection of uncertainty around the timing or amount of repayment. The customer is arm's-length.
- Loss on provision for contingencies: During the nine months ended October 31, 2020, the Company recognized an additional provision relating to Alan and Brooks Buildings LLC (see "Contingencies" below) of \$65,182, and \$3,250 in relation to RLM Public Relations, Inc. both in connection with judgments/settlements to the respective matters.

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### SUMMARY OF QUARTERLY RESULTS

Period ending	Revenue (net returns) \$	Loss for the period \$	Basic and diluted loss per share \$
(3) October 31, 2020	281,471	(337,489)	-
(3) July 31, 2020	285,839	(919,803)	(0.02)
(3) April 30, 2020	218,165	(1,002,628)	(0.01)
(3) January 31, 2020	338,631	(7,763,656)	(0.06)
(3) October 31, 2019	(508,835)	(855,626)	(0.02)
(3) July 31, 2019	323,364	(1,193,577)	(0.03)
(1) April, 30, 2019	451,726	(11,483,734)	(0.17)
(2) December 31, 2018	1,293,918	(583,805)	(0.02)

- (1) For the four months then ended
- (2) For the two months then ended
- (3) For the three months then ended

Quarter to quarter fluctuations in revenue have been driven by the differing lengths of certain periods above, fluctuations in the normal course of business, the Company's overall growth efforts, customer acquisitions, and the seasonality of product sales particularly in the quarters ending January 31. The most notably variances in quarterly results above in terms of loss for the period relate to the quarter ended January 31, 2020, and April 30, 2019. During the quarter ended January 31, 2020, the Company recognized non-cash loss provisions on trade receivables, leases receivable, and contingencies, as well as write-offs of inventory, property and equipment and intangible assets. During the quarter ended April 30, 2019, the Company completed the RTO transaction to obtain its public listing which resulted in a non-cash listing expense of approximately \$8,000,000.

### LIQUIDITY AND CAPITAL RESOURCES

#### Capital Management and Resources

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue opportunities to deliver solutions for financing, and complete potential business and/or asset acquisitions of state-licensed cannabis cultivators, manufacturers, and dispensaries throughout legal markets within the United States. The Company has the ability to raise new capital through equity and debt issuances and/or through operations.

The Company is not exposed to any externally imposed capital requirements, nor were there changes in the Company's approach to capital management during the nine months ended October 31, 2020.

#### Ability to Access Capital Resources

The Company has historically relied entirely the issuance of equity in order to support its continuing operations and capital expenditure requirements. The Company expects to continue to rely on capital markets and the issuance of equity to finance its growth plans in the U.S. legal cannabis industry. Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, the Company believes that it will be successful in raising equity financing in the future. However, there are no assurances that the Company will be successful in continuing to complete equity financings to fund operations, particularly if the U.S. federal authorities change their position toward enforcing the U.S. Controlled Substances Act (the "CSA"). Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

The Company anticipates that the proposed Business Combination Agreement to acquire all of the issued and outstanding common shares of Cannabis Corp., will provide it with greater exposure and recurring cash flows from cannabis cultivation and retailing activities.

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### Liquidity, Financial Condition, Trends and Fluctuations

As at October 31, 2020 and January 31, 2020:

	October 31, 2020 \$	January 31, 2020 \$	Change (rounded) \$
Total assets	9,145,603	9,084,820	61,000
Working capital (deficiency)	(3,028,352)	(2,362,449)	(666,000)
Total liabilities	6,229,311	5,143,686	1,086,000
Non-current liabilities	2,336,728	1,800,614	536,000
Shareholders' equity	2,916,292	3,941,134	(1,025,000)
Deficit	(24,344,221)	(23,860,139)	(484,000)

Total assets: increased in major part due to the recognition of a fourth right-of-use asset (property and equipment) in respect of a cultivation facility being sub-leased to Cannabis Corp. The value recognized as a right-of-use asset was \$910,300 along with the recognition of a corresponding lease liability. Offsetting the increase were decreases in cash, leases receivable, and prepaid expenses, deposits, and intangible assets (amortization only).

Working capital: decreased due to an overall increase in current liabilities driven by an increase in lease liabilities of approximately \$214,000 (pursuant to the new right-of-use asset recognized as discussed above), and an increase in loans payable of \$820,600 whereas current assets decreased driven by decreases in cash, receivables, leases receivable, and prepaid expenses.

As at October 31, 2020, the Company had a working capital deficiency of \$3,028,352. The following table summarizes the Company's contractual maturity for its financial liabilities, including both principal and interest payments:

As at October 31, 2020	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-3 years \$	3-5 years \$	More than 5 years \$
Trade and other payables	2,323,605	2,323,605	2,323,605	-	-	-
Lease liabilities	2,920,106	4,258,526	583,378	1,238,700	910,529	1,525,919
Loans payable	820,600	820,600	820,600	-	-	-
Tenant deposits	165,000	165,000	165,000	-	-	-
<b>Total</b>	<b>6,229,311</b>	<b>7,567,731</b>	<b>3,892,583</b>	<b>1,238,700</b>	<b>910,529</b>	<b>1,525,919</b>

### Cash flows

During the nine months ended October 31, 2020:

- Cash flows used in operating activities totaled approximately \$402,000 driven by cash-based operating expenses of approximately \$1,077,000, partially offset by net changes in non-cash working capital items of approximately \$675,000.
- Cash flows used in investing activities were substantially comprised of purchases of property and equipment (primarily cultivation equipment and leasehold improvements) amounting to approximately \$289,000.
- Cash flows from financing activities totaled approximately \$588,000 which comprised \$332,653 in proceeds received from the private placement of units during May 2020, and loan proceeds of \$820,600 also received in May 2020, partially offset by \$369,785 in lease payments made on the Company's head office and sub-leased facilities, as well as repurchases of shares to be returned to treasury amounting to \$191,250.

### OUTSTANDING SHARE DATA

As at the MD&A Date, the Company had the following equity securities issued and outstanding:

- 62,658,788 Class A SUB Shares; and
- 4,592,375 Class B SVS Shares.

Stock options: 10,150,000 stock options were issued and outstanding. This includes 5,900,000 stock options granted by the Company on November 17, 2020, at an exercise price of CAD \$0.08 each expiring on November 16, 2025.

Warrants: 36,518,573 warrants were issued and outstanding.

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### CONTINGENCIES

#### ***Alan and Brooks Builders LLC ("A&B")***

In October 2018, the Company received a notice of civil claim against the Company with respect to the construction of one of the Company's leased properties. A&B was originally seeking to recover \$507,767 in labor and materials related to work performed, but after a mediation meeting and further clarification, the amount claimed was significantly reduced to approximately \$212,000. It is the position of the Company that A&B was hired to perform certain construction services at the property, but that the parties never entered into a written contract and never agreed to the cost of construction services.

In December 2019, this matter went to jury trial with a judgment determined against the Company in the amount of approximately \$212,000. In June 2020, the District Court in Denver Colorado entered its Order of Judgment against the Company for approximately \$240,000 (including statutory interest). Management, in consultation with legal counsel, was advised to appeal this judgment to reduce the possible amount owing to A&B. Outside legal counsel for the Company filed this appeal in mid-November 2020, with A&B's response to the appeal required to be filed by mid-December 2020 (not yet received).

In an attempt to force collection of this judgment before any pending appeal by the Company, A&B placed a judgment lien of approximately \$240,000 against certain dispensary and cultivation facilities in Denver associated with the Company. The landlord and owner of these facilities paid this amount in full on behalf of the Company to remove the lien. During the nine months ended October 31, 2020, the Company partially reimbursed the landlord, leaving \$100,182 in trade and other payables as at October 31, 2020. The Company is making monthly payments to the landlord to eliminate the remaining balance owing, with the final payment to be made in February 2021.

#### ***Strainz, Inc. ("Strainz") & Bronnor Corp. ("Bronnor") (Company is Plaintiff and Defendant in a consolidated proceeding)***

In December 2018, the Company filed a claim against Bronnor for breach of contract pursuant to the Materials Purchases Agreement entered into on August 2, 2018 as Bronnor had failed to engage in a repayment plan with the Company on the funds advanced by the Company to Bronnor. The Company is seeking repossession of inventory which was pledged as security for the funds advanced, and monetary damages of approximately \$130,000 against Bronnor.

On January 29, 2019, Strainz and Bronnor filed a claim against the Company claiming breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraudulent misrepresentation and concealment. Strainz and Bronnor were parties to loans receivable that were written-off during the year ended December 31, 2018. Strainz and Bronnor are seeking monetary damages against the Company.

On April 29, 2019, the Company filed a Motion to Dismiss this proceeding on the basis that necessary and indispensable parties were not made parties to the litigation. Strainz and Bronnor also filed a Motion to Consolidate this proceeding with the proceeding involving the Company's claim against Bronnor as noted above. The Company responded to the Motion to Consolidate on May 20, 2019. On June 4, 2019, the Motion to Consolidate the Company's claim against Bronnor with the related lawsuit filed by Strainz and Bronnor against the Company, was granted by the court in favour of the Company. Further, on June 24, 2019, the Company provided its response in support of the Motion to Dismiss or to join Strainz and Honu to the same action. The Motion to Consolidate as granted by the court, combines the multiple actions between these parties into a single matter. On August 16, 2019, the Company filed its Reply to Strainz and Bronnor's counterclaims, filed a Motion to Amend its Complaint, and provided its Proposed Amended Complaint and exhibits with the court. The Company does not believe that there is any substantive merit to any of the claims asserted against it and denies that any of the claims are supported by evidence.

On August 6, 2020, the parties entered a mutual Agreement to Stay the court proceedings pending resolution of all matters through either non-binding mediation or binding arbitration, with certain deadlines for the completion of this alternative dispute resolution. On September 3, 2020, the parties both participated in the non-binding mediation. While substantial progress was made in understanding the claims and concerns of each party, no settlement resolution was reached during this session. As required by the Agreement to Stay, a panel of three (3) arbitrators has already been determined and the arbitration, governed by the American Arbitration Association ("AAA"), will proceed by virtual video conference (or in person if possible due to COVID-19 restrictions) with an estimated five (5) day review of evidence and witnesses commencing on March 8, 2021. No complete evaluation can be made of the likelihood of success of these arbitration proceedings at this time. The Company believes that many of the claims are unfounded and the damages claimed are greatly overstated.

Accordingly, no provision for possible loss has been included in the financial statements.

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### ***Stun Gun, LLC***

In October 2019, Stun Gun, LLC ("StunGun"), a California based public relations company filed an action in the District Court of Colorado seeking approximately \$60,000 related to an invoicing dispute between StunGun and the Company. The dispute is based on unapproved invoices issued by StunGun under a contract between the parties that was contemporaneously terminated.

In June 2020, StunGun filed a Motion for Summary Judgment in this dispute seeking an expedited ruling in accordance with an available court procedure in Colorado for claims seeking under \$100,000. In September 2020, the Company and StunGun reached a complete settlement of this matter and binding legal documents reflecting this settlement have been finalized between the parties.

As at October 31, 2020, \$60,000 is included in trade and other payables related to this matter. The matter is now in the process of being vacated and dismissed, with the Company issuing shares in mid-November 2020 in exchange for certain continued PR services from StunGun to be provided throughout 2021.

### ***Nerland Lindsey LLP***

In early February 2020 and again in June 2020, the Company received a Statement of Complaint filed in the Alberta Court of Queen's Bench from Nerland Lindsey LLP ("Nerland"), a Calgary based law firm, seeking approximately \$51,000 CAD (\$38,030) related to a legal services and invoicing disputed between Nerland and the Company. The dispute is based on whether certain legal services provided by Nerland were appropriate in amount invoiced. Further, there is a jurisdictional issue regarding the court venue where this court action is filed and where the legal services were provided.

In mid-November 2020, the Company reached a binding settlement with Nerland and, in accordance with this agreement, the Company issued shares to Nerland in complete satisfaction of all claims. As at October 31, 2020, \$38,030 is recorded within trade and other payables. As of the MD&A Date the Company considers this legal dispute fully resolved.

### ***Grid Property Management LLC***

In late February 2020, an order for default judgment was entered by the Circuit Court in the State of Oregon against the Company for approximately \$174,000 payable to Grid Property Management LLC ("Grid"). This judgment is related to two facility leases that the Company entered into with Grid in Oregon to facilitate the ongoing operations of Honu. Rather than expending its resources to dispute the amounts owing under these leases with Grid, the Company intends to reclaim these funds, as appropriate, in the Company's lawsuit with Honu (discussed above in Note 5).

As at October 31, 2020, the judgment amount of \$173,972, less security deposits of \$30,000 applied during the nine months ended October 31, 2020 as a reduction of the judgment amount (\$143,847 in aggregate), is recorded within trade and other payables.

### ***RLM Public Relations, Inc.***

In early April 2020, the Company received a Demand for Arbitration with the American Arbitration Association ("AAA") from RLM Public Relations, Inc. ("RLM"), a New York based public relations company, seeking approximately \$67,500 related to an invoicing dispute between RLM and the Company. The dispute is based on which date RLM stopped providing investor relations services to the Company yet continued to invoice the Company. In a split reward decision, the final judgment award in this arbitration was entered by the AAA on August 19, 2020 with the Company owing the amount of \$33,750 (plus judgment interest) to RLM. As at October 31, 2020, the payment of this arbitration reward amount remains outstanding and is recorded in trade and other payables.

**Summary Table** - A summary of the total loss provision recognized within trade and other payables as at October 31, 2020 and January 31, 2020, is as follows:

	October 31, 2020	January 31, 2020
Litigation involving the Company as Defendant	\$	\$
Allan and Brooks Builders LLC	100,182	240,000
Strainz & Bronnor	-	-
Stun Gun, LLC	60,000	60,000
Nerland Lindsey LLP	38,030	38,030
Grid Property Management LLC	143,847	173,846
RLMPublic Relations, Inc.	33,750	67,500
	<b>375,809</b>	<b>579,376</b>

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### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk (including interest rate risk, price risk, and currency risk), credit risk, and liquidity risk.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

#### Fair value of financial instruments

Financial instruments measured at fair value on the consolidated statements of financial position are summarized into the following fair value hierarchy levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

#### Classification of financial instruments

<b>Financial assets:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Leases receivable	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

  

<b>Financial liabilities:</b>	<b>Classification:</b>	<b>Subsequent measurement:</b>
Trade and other payables	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Other liabilities	Amortized cost	Amortized cost
Warrant liability	FVTPL	Fair value
Tenant deposits	Amortized cost	Amortized cost
Contingent consideration	FVTPL	Fair value

Further details about the Company's financial instruments and risk management can be found in Note 16 to the condensed interim consolidated financial statements.

#### Economic dependence (revenue)

##### Revenue:

During the nine months ended October 31, 2020, the Company derived 88% (2019 – 53%) of its revenues from Cannabis Corp.

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### OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

### RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere within the financial statements, key management personnel transactions, and related party transactions and balances as at October 31, 2020 and January 31, 2020, and for the nine months ended October 31, 2020 and ten months ended October 31, 2019 are listed below. As described below and throughout the financial statements, the Company engaged in several transactions with Cannabis Corp., a company jointly owned by the spouse of the former CEO, Director of the Company who resigned from the Company on July 31, 2020.

On June 8, 2020, the Company entered into a Business Combination Agreement to acquire all the issued and outstanding common shares of Cannabis Corp. by way of a share exchange. The transaction has not yet closed as of the MD&A Date.

#### Key management personnel compensation:

The net aggregate compensation paid or payable to key management during the nine months ended October 31, 2020 and ten months ended October 31, 2019 was as follows:

	October 31, 2020 \$	October 31, 2019 \$
(1) Consulting fees	-	337,395
(2) Management fees	557,776	178,202
(3) Professional fees	-	79,730
Share-based payments	94,394	752,086
(1) Listing expense - consulting fees	-	261,954
	<b>652,170</b>	<b>1,609,367</b>

(1) Consulting fees and listing expense comprised amounts paid or accrued to a company (now dissolved) in which a former CFO, and the President and interim CEO of the Company were partners.

(2) Management fees are paid to certain Officers of the Company, and until July 31, 2020, to an entity majority owned by a trust of which the former CEO of the Company is a beneficiary.

(3) Professional fees were paid or accrued paid to a law firm in which a Director of the Company is a partner.

Additionally, during the nine months ended October 31, 2020, Directors and Officers of the Company participated in the May 2020 private placement for an aggregate 2,631,571 Class A SUB Units and 904,139 Class B SVS Units in settlement of debt totalling \$565,714 (CAD \$791,761).

#### Other related party transactions:

The following transactions during the nine months ended October 31, 2020, and ten months ended October 31, 2019 involved other related parties as follows:

	October 31, 2020 \$	October 31, 2019 \$
(1) Lease and rental income	751,415	545,776
(1) Net service income	33,264	194,061
(2) Interest income on loans receivable	9,550	22,549
	<b>794,229</b>	<b>762,386</b>

(1) Amounts charged/products sold to Cannabis Corp.

(2) Interest income was earned on a loan receivable from Cannabis Corp., and a loan receivable from a company controlled by a common director.

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### Related party balances:

The following balances were payable/receivable to/from related parties as at October 31, 2020 and January 31, 2020:

	October 31, 2020	January 31, 2020
	\$	\$
(1) Receivables	495,743	418,980
(1) Leases receivable (current)	48,623	118,569
(1) Leases receivable (non-current)	626,448	685,462
(1) Loans receivable	118,070	108,520
Trade and other payables	(99,332)	(181,598)
(2) Other liabilities	-	(82,650)

(1) Amounts due from Cannabis Corp.

(2) Amounts due to the President of the Company, and to an entity majority owned by a trust of which the CEO of the Company is a beneficiary.

### CRITICAL ACCOUNTING ESTIMATES

The accounting policies estimates and critical judgments, methods of computation and presentation applied in the financial statements can be found in Note 2 to the audited annual financial statements for the thirteen months ended January 31, 2020.

### CHANGES IN ACCOUNTING POLICIES

There are no new accounting standards or interpretations that have not yet been adopted which are reasonably expected to affect the Company. There were no changes to the Company's significant accounting policies during the nine months ended October 31, 2020.

### ADDITIONAL INFORMATION

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at <https://cannabisone.life/>.

### OTHER PROPOSED TRANSACTIONS

The Company previously announced entering into the following agreements to acquire certain businesses and/or assets (these transactions are not yet completed):

#### Evergreen Organix:

On April 22, 2019, the Company announced it had executed three Definitive Agreements to acquire certain assets of Nevada-based LV 3480 Partners LLC, 3480 Investors, Inc., and Argo Finance LLC (collectively, "**Evergreen Organix**") (the "**Evergreen Organix Transaction**"). Subject to the approval of Nevada State regulators, the Company will acquire infrastructure, intellectual property and other assets including several flower and infused-product brands. Evergreen Organix has established manufacturing and distribution relationships for the production of its suite of brands across six states: Nevada, California, Colorado, Washington, Oregon, and Montana.

Consideration payable by the Company will total \$47,710,623 comprised of Class B SVS Shares, cash, and assumed liabilities as follows:

- i. Payable to LV 3480 Partners LLC: \$24,607,506 in Class B SVS Shares less any funds previously advanced by the Company to Evergreen Organix. The Class B SVS Shares will be subject to a lock-up period of 18-months following the date of issuance which restricts the transfer of these securities during the lock-up period. During the lock-up period 33.33% of the issued Class B SVS Shares will be released from the lock-up every six months;
- ii. Payable to 3480 Investors, Inc.: \$15,000,000, comprised of \$14,355,000 in assumed liabilities and \$645,000 in cash; and
- iii. Payable to Agro Finance LLC: \$8,103,117 in cash.

Any amount owed to the Company by Evergreen Organix at the time of closing of the Evergreen Organix Transaction will be offset against the consideration payable by the Company.

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### Itachi Advisory Group:

On April 24, 2019, the Company entered into a Letter Agreement with Colorado-based cannabis industry consulting firm Itachi Advisory Group LLC ("**Itachi**"), to evaluate potential acquisitions for the Company of various assets related to cannabis retail, cultivation, and manufacturing operations from certain entities. Specifics as to the targeted assets and eventual consideration payable by the Company will be determined once acquirable assets are identified.

## **LEGAL AND REGULATORY MATTERS**

### **United States Federal Overview**

In the United States ("U.S."), 34 states, the District of Columbia, and four U.S. territories allow the use of medical cannabis. Moreover, 15 states and the District of Columbia have legalized the sale and adult-use of recreational cannabis: Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, New Jersey, Nevada, Oregon, Washington, South Dakota, Vermont. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

### **Colorado State Level Overview**

The Colorado medical and recreational cannabis industries are regulated by the Colorado Marijuana Enforcement Division (MED), an office of the Colorado Department of Revenue. In November 2000, medical cannabis was decriminalized by voter passage of Amendment 20. Recreational cannabis was later voter approved through the passage of Amendment 64 in November 2012. Laws governing both medical and recreational cannabis are presented within Colorado's Constitutional Article XVIII, sections 14 and 16, respectively. The Colorado Revised Statutes (C.R.S.) are the codified general and permanent statutes of the Colorado General Assembly; laws related to cannabis can be found in C.R.S. Title 44, Articles 11 and 12.

### **U.S. Legal Advice**

The Company uses reasonable commercial efforts to confirm, through the advice of its U.S. counsel, through the monitoring and review of its business practices, and through regular monitoring of changes to U.S. Federal enforcement priorities, that its businesses are in compliance with applicable regulatory frameworks. The Company has not received noncompliance orders, citations or notices of violation, that may have an impact on business activities or operations.

### **Nature of the Company's Involvement in the U.S. Cannabis Industry**

INDVR through its wholly-owned subsidiary, Cannabis One U.S., Inc. is a U.S.-based, professional management corporation formed to service the fast-growing, legal cannabis industry through real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company, headquartered in Denver, Colorado, intends to redefine the traditional, vertically-integrated, seed-to-sale business model with a specific focus on aggregating cannabis retail distribution and brand manufacturing.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on any stock exchange, its financial position, operating results and profitability. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

### **Description of Company Activities**

The Company is focused on providing personnel and management resources, as well as infrastructure and equipment, for the production, cultivation and dispensary operations of licensed cannabis participants in the states of Washington, Oregon and Colorado. The Company itself does not produce or sell cannabis products but does provide support services to licensed cannabis participants in the state of Colorado. The Company operates primarily in the state of Colorado, where the legal

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commercial production and vending of cannabis by licensed participants is permitted by Colorado state law under Colorado Amendment 64. In addition, the Company will continue to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in any state in which it operates, by continuous review of its compliance with state regulations and affirmation certifications from management.

The Company will continue to monitor, evaluate and re-assess regulatory frameworks in the states in which it operates and any jurisdiction that it may look to expand its operations to in the future, and the federal laws applicable thereto, on an ongoing basis; and will update its continuous disclosure regarding government policy changes or new or amended guidance, laws or regulations regarding cannabis in the U.S.

### **Anti-Money Laundering Laws and Regulations**

The Company is subject to a variety of laws and regulations in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. 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) and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S.

Notwithstanding that the Company does not manufacture, produce, distribute, or sell cannabis or cannabis-infused products, the Company's activities, and any proceeds thereof, may be considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This may restrict the ability of the Company to declare or pay dividends or effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.

### **RISK FACTORS**

This MD&A should be read in conjunction with the risk factors set out below and as set out under "Risk Factors" in the Company's filing statement dated February 19, 2019. The Company is subject to financial, business and other risks, many of which are beyond its control and which could have a material adverse effect on the business and operations of the Company. A summary of some of the risk factors relating to the business:

#### **Global Pandemic (COVID-19)**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

#### **Intense Competition in the Cannabis Industry**

The U.S. market for cannabis and cannabis-related paraphernalia is very competitive. There are numerous small companies competing in this space. As most sales in this section would be user-based, there is a relatively low capital threshold to enter this business. Management anticipates that the Company will be subject to increased competition as the cannabis market continues to grow in North America.

#### **No Assurance of Profitability**

The Company does not have a history of earnings and profitability, due to the nature of the Company's business, there can be no assurance that the Company will ever become profitable. The Company has not paid dividends on its shares since incorporation and does not presently anticipate doing so in the foreseeable future. The present source of funds available to the Company is from lease income, product sales, and service income, and the sale of its common shares, and, possibly, loans from institutions and related parties. While the Company intends to derive a significant portion of its working capital through its operating business, there can be no assurance that any additional funds derived from equity offerings or debt instruments will be on favorable terms, or at all. At present, it is impossible to determine what amount of additional funding may be required to pursue the Company's expansion plans indefinitely. Failure to raise additional capital could put the expansion plans of the Company at risk.

#### **Dependence Upon Others and Key Personnel**

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additionally highly-skilled employees may adversely affect its

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business and future operations.

### Dilution to the Company's Existing Shareholders

The Company will require additional equity financing to be raised in the future. The Company may issue securities on less than favorable terms to raise sufficient capital to fund its expansion plans. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

### ADDITIONAL RISK DISCLOSURE FOR ISSUERS WITH U.S. CANNABIS OPERATIONS

The Company provides services to participants in the U.S. cannabis market, and more specifically in the states of Colorado, Washington and Oregon and may face varied risks. While the company does not own any cannabis licenses, the Company is engaged in business related to cannabis paraphernalia and owns intellectual property ("IP") and brands associated with these products, including "Cannabis™", "The Joint™ by Cannabis", "Fat Face Farms" and the "INDVR™" suite of brands. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. There are a number of risks that accompany participation, whether direct or indirect, in the cannabis markets in North America. Below is a discussion of some of these risk factors.

- The involvement with recreational cannabis remains illegal under federal law, and it is possible that the Company may be forced to cease activities. The U.S. federal government, through both the Drug Enforcement Agency (the "DEA") and Internal Revenue Service (the "IRS"), has the right to actively investigate, audit and shut-down cannabis industry participants, including those servicing the industry indirectly. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Company's operations will have an adverse effect on the Company's business, operating results and financial condition.
- Some of the Company's proposed business activities, while believed to be compliant with certain applicable U.S. state and local law, are illegal under United States federal law. Although certain states and territories of the U.S. authorize medical or recreational adult-use cannabis production and distribution by licensed or registered entities under applicable state laws, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. A shareholder's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment and, in the case of a non-US citizen, a permanent bar to entry into the United States.
- Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its financial position, operating results, profitability, or liquidity. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.
- The possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law. The Company may be deemed to be aiding and abetting illegal activities through the service contracts it has entered into and the cannabis paraphernalia products that it provides and sells. The Company intends to lease IP and/or real property to cannabis industry participants, including cultivators, distributors, and retailers. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and members could lose their entire investment. Such an action would have a material negative effect on the business and operations of the Company.
- The state regulatory systems are constantly evolving, so there remain uncertainties as to how authorities will interpret and administer applicable regulatory requirements in the future. Any determination that the Company fails to comply with state cannabis regulations would require the Company either to significantly change or terminate lines of business, or the business as a whole, which could adversely affect the Company's business.
- Regulatory scrutiny of the industry to which the Company services may negatively impact its ability to raise additional capital. The Company's business activities are expected to rely, directly and/or indirectly, on the laws and regulations of any state in which the Company operates or may operate in the future. These laws and regulations are rapidly evolving and may be subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S.

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Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis or its derivatives (including cannabidiol) for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry to which the Company services may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

- The size of the Company's target market is difficult to quantify, and members will be reliant on their own estimates on the accuracy of market data. Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for members and potential members to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, members and potential members will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Company regularly purchases and follows market research.
- Although the Company does not have difficulty accessing financial services, the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate. In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis or cannabis-related businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis or cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis or cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned. The Company will continue to ensure its operations remain compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS.
- Notwithstanding that the Company maintains trademarks with the State of Colorado, U.S. Federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance. As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.
- The Company's contracts may not be legally enforceable in the United States. Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.
- There is uncertainty surrounding the Trump Administration policies in connection with the cannabis industry as a whole. As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis business in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum. The Cole Memorandum was addressed to all U.S. Attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized and have implemented strong and effective regulatory systems were not characterized as a high priority. On January 4, 2018, US Attorney General Jeff Sessions issued a memorandum to U.S. Attorneys which rescinded the Cole

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Memorandum. With the Cole Memorandum rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute compliant state law cannabis-related operations as violations of U.S. federal law throughout the United States. The potential impact of the decision to rescind the Cole Memorandum is unknown and may have a material adverse effect on the Company's business and results of operations.

- The Company's business interests in the United States include the provision of real estate development and lease-back equipment financing, operating lines of credit, consultation, and intellectual property and brand management within U.S. state-legal markets. The Company is not aware of any non-compliance with the applicable licensing requirements or regulatory framework enacted by the states where the Company transacts business.
- In February 2017, the Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the United States. Names of those serving on the task force have not been published, and the group was supposed to deliver its recommendations by July 27, 2017. The recommendations of the group were not made public on that date, but Mr. Sessions issued a public statement which said he had received recommendations "on a rolling basis" and he had already "been acting on the task force's recommendations to set the policy of the department." Based on previous public statements made by Mr. Sessions, there had been some expectation that the task force may make some recommendations with respect to laws relating to cannabis. However, to date there has been no public announcement in this regard.
- Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes. Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. Despite only an indirect involvement in the cannabis industry, the Company may also be exposed to the foregoing risks.
- In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as 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 and effect other distributions. Furthermore, while the Company has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Company may decide to, or be required to, suspend declaring or paying dividends without advance notice and for an indefinite period of time.
- In the future, the Company may become subject to Section 280E of the Internal Revenue Code of 1986 ("**Section 280E**") because of its business activities and the resulting disallowance of tax deductions could cause the company to incur more than anticipated U.S. federal income tax. Section 280E provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year "in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any state in which such trade or business is conducted." Because cannabis is a Schedule I controlled substance under the CSA, although the Company is not engaged in the purchase and sale of cannabis products, if any of the Company's activities could be considered the carrying on of a trade or business consisting of "trafficking" in controlled substances then the provisions of Section 280E could apply to disallow tax deductions to the Company. Although the Company is not engaged in the purchase and sale of cannabis products, the Company cannot provide a guarantee that it will not be or become subject to Section 280E. If such tax deductions are disallowed it may increase the Company's effective tax rate and have an adverse effect on the Company's operating results and financial condition.

### A CAUTIONARY NOTE

*Certain statements in this MD&A may contain "forward-looking information", within the meaning of applicable securities laws. Such statements include, but are not limited to, statements about the growth of the business, revenue expectations, and the provision of services to licensed entities operating within the U.S. cannabis industry. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. Management has based these forward-looking statements on its current views with respect to future events and financial performance for the Company.*

*With respect to forward-looking statements contained in this MD&A, the Company has made certain assumptions and applied*

## **INDVR BRANDS INC. (FORMERLY CANNABIS ONE HOLDINGS INC.)**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE NINE MONTHS ENDED OCTOBER 31, 2020**

Expressed in United States Dollars

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*certain factors regarding, amongst other things, an ability to secure additional funding; the cost of its operating inputs; its ability to market products successfully to current and anticipated licensed clients; reliance on key personnel and contractual relationships with licensed third parties, including, but not limited to, Cannabis Corp.; the ability to maintain such relationships and foster new relationships with licensed third parties; the ability to successfully expand Company operations into new jurisdictions, such as Nevada, Washington, California, and Oregon; the intention of the Company to own, directly or via partnership, where jurisdictional legislation and regulations permit, cannabis licenses or licensed facilities engaged in the manufacture, production, distribution, and/or sale of cannabis, cannabis derivatives, and/or cannabis-infused products; the regulatory environment in the United States and in those states in which the Company currently operates and may operate in the future and the application of federal, state, and municipal laws in respect thereof; and the impact of increasing competition in the emerging legal cannabis sector from domestic and international market participants.*

*These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risk Factors" and "Additional Risk Disclosure for Issuers with U.S. Cannabis Operations" sections and elsewhere in this MD&A and other risks detailed from time-to-time by the Company. Forward-looking statements do not guarantee future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, the reader should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the MD&A Date and, except as required by law, INDVR undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events, or circumstances.*

Respectfully submitted on behalf of the Board of Directors,

*Joshua Mann*

Interim Chief Executive Officer