

# **NABIS HOLDINGS INC.**

## **Formerly Innovative Properties Inc.**

### **Management's Discussion and Analysis**

For the Three and Nine Months Ended July 31, 2019 and 2018

#### **1. Date of this Report: September 30, 2019**

The following Management's Discussion and Analysis ("MD&A") has been prepared by management and is provided to enable readers to assess the results of operations and financial condition of Nabis Holdings Inc. (formerly Innovative Properties Inc.) ("Nabis") for the three and nine months ended July 31, 2019. This MD&A should be read in conjunction with our condensed consolidated interim financial statements and related notes for the three and nine-month period ended July 31, 2019 and the annual audited financial statements at October 31, 2018 and accompanying MD&A dated December 17, 2018 and are based on known risks and uncertainties. The terms "Nabis", "Innovative", the "Company", "we", "us", and "our" in the following MD&A refer to Nabis Holdings Inc. All amounts, unless noted otherwise, are in Canadian dollars and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements, along with additional information on the Company, are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Board of Directors of the Company under the recommendation of its Audit Committee has approved the contents of this MD&A, and this report covers other relevant information available up to the date of this report.

#### **2. Overall Performance and Going Concern**

##### *Description of Business*

Nabis Holdings Inc. (formerly Innovative Properties Inc.) (the "Company") was formed by amalgamation under the Canada Business Corporations Act on October 31, 2002. The amalgamated entity was named "Innovative Properties Inc." and its common shares became listed and posted for trading on the TSX Venture Exchange under the symbol "INR".

The Company invests in various stocks and real estate properties and other projects and actively seeks out viable investments. It has discontinued its administrative management aspect as it is no longer feasible.

On September 2, 2014, the Company announced that it had received final approval to list its common shares on the Canadian Securities Exchange ("CSE"). The Company's common shares commenced trading on the CSE effective September 3, 2014, under the symbol "INR". It received consent from the Toronto Venture Stock Exchange to voluntarily delist its shares effective upon the closing of markets on September 5, 2014.

In late fiscal 2016, due to construction beside the main property managed by the Company, there was no access to parking, and there were some safety concerns. The building was sold by the landlord in January 2017. As a result, the property management contracts and the consulting services provided to the occupants in that property ended.

In January 2018, the Company executed a binding letter of intent ("LOI") with Modular Block Mining Inc. ("Modular") whereby the Company will acquire 100% of the issued and outstanding securities of Modular in exchange for 68,500,000 common shares of the Company along with the issuance of 15,000,000 Performance Warrants that vest on completion of certain milestones. As a condition of the agreement, the Company agreed to undertake a financing to raise a minimum of \$4,000,000 and up to \$12,000,000 via the issuance of equity units at a

price of \$0.40 per unit. Modular is an arms-length private company that designs and develops application software. Prior to the year-ended October 31, 2018, the proposed transaction with Modular fell through. The Company secured some computer equipment from Modular to offset a loan to Modular and plan to rent the equipment to cryptocurrency mining companies in order to generate some rental revenues.

The Company intends to focus its business in the US cannabis sector and changed the name of the Company to Nabis Holdings Inc. on May 29, 2019 and CSE ticker symbol to “NAB”.

During the nine months ended July 31, 2019, the Company was not able to finance its day-to-day activities. There is an indication of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Management intends to finance operating costs over the next twelve months with cash and proceeds from private placements. As at July 31, 2019, the Company had over \$20,256,000 in its bank accounts and marketable securities; Management believes this amount is adequate to finance the Company’s operations in the next twelve months.

### 3. Earnings

Management reports that in the three and nine-month period ended July 31, 2019, the Company had a net comprehensive loss of \$5,166,036 and \$13,052,317, respectively.

### 4. Results of Operations

#### *Selected Annual Information*

	2018		2017		2016
Revenue	\$	-	\$	-	\$ 642,700
Net income (loss)		(5,153,690)		(308,234)	(604,182)
Total assets		1,114,534		1,439,705	1,507,094
Basic and diluted EPS	\$	(0.21)	\$	(0.02)	\$ (0.05)

- Revenue for the year ended October 31, 2018 was \$nil compared to \$nil in 2017 and \$642,700 in 2016 because the Company’s management and service contracts ended in 2016.
- Net loss for 2018 was more than 2017 because the Company wrote off \$3,800,000 in loan receivable and incurred significant consulting and professional fees in 2018 due to potential business acquisition. 2017 was less than 2016 because the Company made a gain of \$104,500 in settlement of financial instruments and wrote off \$51,856 of loans receivable in 2017; while compared to 2016, the Company wrote off \$208,837 of loans receivable.
- Total assets of the Company decreased in 2018 because the Company sold a large portion of its marketable securities in first quarter while total assets decreased slightly in 2017 compared to 2016 because in 2017, the fair value of marketable securities were less than the fair value in 2016, and loan receivable in 2017 was either written off or collected.

### ***Summary of Quarterly Results***

	Jul 31, 2019	Apr 30, 2019	Jan 31, 2019	Oct 31, 2018
Service revenue	-	-	-	-
Expenses	(3,732,604)	(3,549,944)	(3,533,417)	(364,213)
Other income (expenses)	(1,433,432)	(680,124)	(122,795)	149,978
Net income (loss)	(5,166,036)	(4,230,068)	(3,656,212)	(4,034,940)
Weighted-average number of shares outstanding	101,494,364	95,344,659	83,925,034	24,034,822
Loss per share	(0.05)	(0.04)	(0.04)	(0.15)

  

	Jul 31, 2018	Apr 30, 2018	Jan 31, 2018	Oct 31, 2017
Service revenue	-	-	-	-
Expenses	(59,306)	(484,571)	(351,580)	(401,450)
Other income (expenses)	(20)	(58,920)	(164,353)	(425,656)
Net income (loss)	(59,326)	(543,491)	(515,933)	(277,741)
Weighted-average number of shares outstanding	24,142,033	24,635,536	16,414,966	16,414,966
Loss per share	(0.00)	(0.02)	(0.03)	(0.00)

### ***Results for the Three-Month Period ended July 31, 2019***

Service revenue for the three-month period was \$nil (2018 - \$nil).

During the three-month period ended July 31, 2019, the Company paid \$635,236 (2018 - \$nil) in investor relations expenses, \$687,784 (2018 - \$nil) in marketing expenses, \$739,604 (2018 - \$39,221) in consulting and management fees, \$137,473 (2018 - \$nil) in corporate finance expenses, \$163,194 (2018 - \$13,797) in professional fees, and \$215,038 (2018 - \$nil) in salaries.

Total expenses increased by \$3,673,298 as compared to the same period in 2018. This is because in 2019, the Company hired more consultants and advisors as it increased and expanded its business activities.

### ***Results for the Nine-Month Period ended July 31, 2019***

Service revenue for the nine-month period was \$nil (2018 - \$nil).

During the nine-month period ended July 31, 2019, the Company paid \$1,816,890 (2018 - \$648,025) in consulting and management fees, \$1,718,485 (2018 - \$nil) in corporate finance expenses, \$847,943 (2018 - \$nil) in investor relations expenses, \$1,731,340 (2018 - \$1,104) in marketing expenses, and \$1,334,572 (2018 - \$nil) in stock-based compensation expense.

Total expenses increased by \$9,920,509 as compared to the same period in 2019. This is because in 2019, the Company hired consultants and advisors and incurred more professional fees as it increased its business activities and expanded its operations.

## 5. Liquidity

At July 31, 2019, the Company had \$4,103,973 in current liabilities (October 31, 2018 - \$264,033). In addition, the Company had a working capital surplus of \$19,549,517 (October 31, 2018 – \$650,501).

	July 31, 2019		October 31, 2018	
Current assets	\$	23,653,490	\$	914,534
Current liabilities		(4,103,973)		(264,033)
Working capital	\$	19,549,517	\$	650,501

The Company had a net loss of \$5,166,036 (2018 – \$59,326) and \$13,052,317 (2018 - \$1,118,751) for the three and nine months ended July 31, 2019, respectively. In addition, it had an accumulated deficit of \$19,729,752 (October 31, 2018 - \$6,677,435). The Company's ability to continue as a going concern is dependent upon its ability to finance operations with revenue derived from new business opportunities.

## 6. Capital Resources

During the nine months ended July 31, 2019, the Company acquired 5 properties and assets in the state of Michigan. The Company was able to obtain financings from the vendors of these properties. Also see Note 12 in the accompanying financial statements.

The Company purchased certain assets from a private company in the State of Washington and paid for the purchase with cash, in addition, the Company also acquired 49% ownership interests in a private company in Israel that provides innovative solutions for cannabis consumption with a combination of cash and shares. Refer to Note 3 in the accompanying financial statements.

The Company has intentions to acquire more properties and assets in the US, and to finance these acquisitions with a combination of cash and debt.

## 7. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## 8. Transactions with Related Parties

### *Related Party Transactions*

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	July 31, 2019		April 30, 2018	
Rental income	\$	4,302	\$	-
Management fees		66,195		392,829
Data mining preparation fees		14,048		-
Professional fees		173,595		34,254
Rent		-		6,000
	\$	253,838	\$	433,083

### *Related Party Balances*

As at July 31, 2019, \$17,413 (October 31, 2018 - \$1,820) is included in trade payables and accrued liabilities from amounts owing to related parties.

## **9. Subsequent Events**

On August 12, 2019, the Company entered into an agreement to acquire 100% membership units of a licensed medical marijuana business in the State of Arizona (the “Asset”) for a total consideration of \$19,650,000 (US\$15,000,000), of which US\$7,000,000 in cash, US\$2 million in Nabis common stock and US\$6,000,000 deferred for 12 months. The Asset operates a dispensary in Phoenix, Arizona, and has been operating since 2015 with proprietary branded products and wholesale operations, including an established distribution network serving more than 50% of the dispensaries in Arizona. The dispensary will be branded as Nabis after the transaction closes.

On September 10, 2019, the Company closed the acquisition of a cultivation, production and fulfillment facility and equipment located in Camp Verde, Arizona, near Phoenix for a total consideration of \$3,478,969 (US\$2,645,000). The 44,000 square foot cultivation, fulfillment and production facility is located on 2.5 acres of land and is one of the largest industrial warehouses in the Verde Valley. In addition to its expansive floor space, the property features a 4,000 square foot mezzanine, 2,000 square feet of executive offices and a 2,000 square feet production office, given the facility’s 56-foot ceiling height clearance, there is ample room for doubling growth. Acting as the hub of Nabis’ operations, the facility will play an integral role in the expansion of the Company’s business operations, adding to its portfolio of vertically integrated assets in Arizona.

On September 18, 2019, the Company announced it had entered into a strategic agreement with CannaKorp, Inc. (“CannaKorp”), a Massachusetts-based technology start-up company that is simplifying and improving the experience for herbal vaporization, to be an authorized partner manufacturing and supplying Wisp Pods to be used in CannaKorp’s innovative Wisp Vaporizing System in the State of Arizona. In addition, the Company will supply custom Wisp Pods branded as BIS, the Company’s recently launched cannabidiol (“CBD”) brand.

## **10. Critical Accounting Estimates**

Not applicable to a venture issuer.

## **11. New Accounting Standards and Interpretations**

See Note 3 of the Company’s financial statements for the year ended October 31, 2018 for a detailed summary of accounting standards issued but not yet effective.

## **12. Financial Instruments and Other Instruments**

The Company’s financial instruments are cash, receivables, and accounts payable and accrued liabilities.

The Company’s carrying value of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximates fair value due to the immediate or short-term maturity of these instruments.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company may be exposed to interest rate price risk through fixed rate debt and interest rate cash flow risk through floating interest rate bank indebtedness and credit facilities.

### **13. Share Capital**

#### ***Common Shares***

Authorized: unlimited common voting shares without nominal or par value

Issued: 109,345,322 common shares as at the report date.

#### ***Warrants***

As at the report date, the Company has 43,987,592 common share purchase warrants and 3,860,130 broker's warrants outstanding.

#### ***Stock Options***

As at the report date, the Company had 6,225,000 common share purchase stock option outstanding.

### **14. Financing**

In July 2019, 432,125 warrants were exercised at \$0.15 per share for gross proceeds of \$64,819.

In May 2019, 62,500 options were exercised at \$0.16 per share for gross proceeds of \$10,000.

In April 2019, 125,000 stock options were exercised at \$0.16 per share for gross proceeds of \$20,000.

In March 2019, the Company issued 35,088 units of unsecured convertible debentures at a price of \$1,000 per unit for total principal of \$35,088,000; each unit also consists of 1,111 common share purchase warrants with an exercise price of \$1.10 per common share and expires on March 26, 2022. These convertible debentures will mature on March 26, 2022, bears interest at 8% per annum, payable on the last day of each calendar quarter and are convertible into common shares of the Company at a conversion price of \$0.90 per share at the option of the holder.

In February 2019, 150,000 warrants were exercised at \$0.75 per share and 362,500 stock options were exercised \$0.16 per share for gross proceeds of \$170,500.

In January 2019, 5,000 warrants were exercised at \$0.75 per share and 620,000 brokers' warrants were exercised at \$0.05 for total gross proceeds of \$34,750.

In late November 2018, 630,000 brokers' warrants were exercised at \$0.05 for gross proceeds of \$31,500.

In late November 2018, the Company closed 2 tranches of a private placement financing. For the first tranche of financing, the Company issued 14,591,497 shares at a price of \$0.15 per share for gross proceeds of \$2,188,725. For the second tranche of financing, the Company issued 7,341,838 shares at a price of \$0.15 per share for gross proceeds of \$1,101,275, of which \$45,000 were receivable from subscribers as at January 31, 2019.

In early November 2018, the Company closed a private placement financing consisting of \$40,000,000 shares at a price of \$0.05 per share for gross proceeds of \$2,000,000.

In February 2018, the Company closed its first tranche of financing via the issuance of 6,746,118 units at a price of \$0.40 per unit for gross proceeds of \$4,698,447. Each unit consists of one common share and one-half share-purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 until August 14, 2019.

In March 2018, the Company closed its second and third tranches of financing via the issuance of 4,437,781 units at a price of \$0.40 per unit for gross proceeds of \$1,775,112. Each unit consists of one common share and one-half share-purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 for 19 months following date of issuance.

In addition, the Company paid an aggregate of \$211,519 in cash commission to eligible finders; furthermore, 528,796 broker's warrants were issued to eligible finders to purchase up to 528,796 common shares for 18 months following the date of issuance.

## 15. Marketable Securities

As at July 31, 2019 and October 31, 2018, the Company's marketable securities were comprised of investments in shares and share-purchase warrants.

	July 31, 2019		October 31, 2018	
<b><i>Common Shares</i></b>				
Fair value, beginning	\$	125	\$	725,851
Dispositions		-		(302,867)
Change in fair value		(65)		(422,859)
Fair value, end	\$	60	\$	125
<b><i>Warrants</i></b>				
Fair value, beginning	\$	166,927	\$	14,333
Dispositions		-		-
Change in fair value		(166,924)		152,594
Fair value, end	\$	3	\$	166,927
Total	\$	63	\$	167,052

During the nine-month period ended July 31, 2019, the Company realized a gain of \$nil (July 31, 2018 - \$148,723) with respect to its dispositions of marketable securities.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted-average assumptions:

	July 31, 2019	October 31, 2018
Expected life of warrants	0.31 years	1.06 years
Annualized volatility	35%	116%
Risk-free interest rate	1.6%	2.2%
Dividend rate	0.0%	0.0%

## 16. Management's Report on Internal Control over Financial Reporting

Venture issuers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"). In particular, the Company's certifying officers are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's generally accepted accounting principles.

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make. Investors should be aware that inherent limitations on the ability of the Company are certifying officers to design and implement on a cost effective basis.

## **17. Financial Risk Management and Capital Management**

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows.

### ***Credit Risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its trade receivables. Cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

### ***Foreign Exchange Risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign currency risk.

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.



### ***Capital Management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any internally imposed capital requirements.

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### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "intend", "plan" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors outside of management's control that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct; such forward-looking statements are based solely on information available up to the date of this MD&A. The Company assumes no responsibility for the accuracy and completeness of the forward-looking statements and does not undertake any obligations to publicly revise these forward-looking statements to reflect subsequent events or circumstances, unless required to do so by Securities Regulators.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations (including tax laws), successful execution of our strategy and our ability to complete and integrate acquisitions successfully, our ability to attract capital, our ability to attract and retain key employees and executives, the financial position of our customers, our ability to refinance our debts upon maturity and changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

#### **Officers and Directors**

Shay Shnet, CEO and Director  
Emmery Wang, CFO  
Liran Kandinov, Director  
Larry Koza, Director  
Safiya Lyn-Lassiter, Director  
Emmanuel Paul, Director

#### **Contact:**

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