# NABIS HOLDINGS INC.

## Formerly Innovative Properties Inc.

### Management's Discussion and Analysis

For the Three and Twelve-months Ended October 31, 2019 and 2018

**1. Date of this Report: December 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 twelve-months ended October 31, 2019. This MD&A should be read in conjunction with our condensed consolidated interim financial statements and related notes for the three and twelve-month period ended October 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. 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".

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.

On May 29, 2019, the Company changed its name to Nabis Holdings Inc. and CSE ticker symbol to "NAB". Nabis is a Canadian investment issuer that invests in high quality cash flowing assets across multiple industries, including real property and all aspects of the U.S. and international cannabis sector. The Company is focused on investing across the entire vertically integrated aspects of the space with a focus on revenue generation, EBITDA and growth.

On November 13, 2019, the Company announced that its common stock commenced trading on the OTCQB Venture Market in the U.S. under the symbol "NABIF". The Company also announced that the Board of Directors had approved to change its fiscal year from October 31 to December 31, effective in 2019.

During the twelve-month period ended October 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 October 31, 2019, the Company had $4,764,374 in cash and although the newly acquired dispensary in Arizona is cash producing, the Company expects to raise debt in the next twelve months to continue to execute its corporate strategy.

## 3. Earnings

Management reports that in the three and twelve-month period ended October 31, 2019, the Company had a net loss of $4,255,003 and $17,307,320, respectively.

## 4. Results of Operations

***Selected Annual Information***

| | | 2018 | | 2017 | | 2016 |
|---|---|---|---|---|---|---|
| Revenue | $ | - | $ | - | $ | 642,700 |
| Net 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 fiscal 2017 and $642,700 in fiscal 2016 as the Company's management and service contracts ended in 2016.
- Net loss for fiscal 2018 increased compared to fiscal 2017 as the Company wrote off $3,800,000 in an uncollectible loan receivable and incurred significant consulting and professional fees in fiscal 2018 due to potential business acquisitions. Net loss for fiscal 2017 was less than fiscal 2016 as the Company realized a gain of $104,500 resulting from a settlement of financial instruments and wrote off a loan receivable in the amount of $51,856; in fiscal 2016, the Company wrote off $208,837 of loans receivable.
- Total assets of the Company decreased in 2018 as the Company sold a large portion of its marketable securities in the first quarter while total assets decreased slightly in 2017 compared to 2016 as 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.

The above selected Annual Information is the result of operations of Innovative Properties Inc. prior to the Company changing its name to Nabis Holdings Inc. and focusing primarily on operations across the vertically integrated cannabis industry in the US.

***Summary of Quarterly Results***

| | Oct 31 2019 | Jul 31, 2019 | Apr 30, 2019 | Jan 31, 2019 |
|---|---|---|---|---|
| Revenue | 644,164 | - | - | - |
| Cost of goods sold | 443,457 | - | - | - |
| Gross profit | 200,707 | | | |
| Operating expenses | (2,337,543) | (3,732,604) | (3,549,944) | (3,533,417) |
| Other income (expenses) | (2,118,167) | (1,433,432) | (680,124) | (122,795) |
| Net loss | (4,255,003) | (5,166,036) | (4,230,068) | (3,656,212) |
| Weighted-average number of shares outstanding | 109,642,527 | 101,494,364 | 95,344,659 | 83,925,034 |
| Loss per share | (0.04) | (0.05) | (0.04) | (0.04) |

| | Oct 31 2018 | Jul 31, 2018 | Apr 30, 2018 | Jan 31, 2018 |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Cost of goods sold | - | - | - | - |
| Gross Profit | - | - | - | - |
| Operating expenses | (364,213) | (59,306) | (484,571) | (351,580) |
| Other income (expenses) | (3,670,726) | (20) | (58,920) | (164,353) |
| Net loss | (4,034,939) | (59,326) | (543,491) | (515,933) |
| Weighted-average number of shares outstanding | 27,598,865 | 24,142,033 | 24,635,536 | 16,414,966 |
| Loss per share | (0.16) | (0.00) | (0.02) | (0.03) |

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

Retail and wholesale revenue for the three-month period ended October 31, 2019 was $644,164 (2018 - $nil).

During the three-month period ended October 31, 2019, the Company incurred $2,100,608 in selling, general and administrative expenses compared to $364,204 in the comparative three-month period in 2018. The Company also recognized $27,860 in share-based compensation expenses and $209,075 in depreciation and amortization expenses.

Total expenses increased by $1,973,330 when compared to the same period in fiscal 2018. The increase in expenses is due to the fact that the Company has ramped up their activity level with the acquisitions of multiple cannabis investments in Michigan, Arizona and Washington.

The Company has undergone a recent cost containment exercise which resulted in an expected annualized savings of $1.04M largely due to the termination, or non -renewal of non-essential contracts. As a result of this exercise, the Company expects to report significant cost reductions in their SG&A expenses in fiscal 2020.

***Results for the Twelve-Month Period ended October 31, 2019***

Retail and wholesale revenue for the twelve-month period ended October 31, 2019 was $644,164 (2018 - $nil).

During the twelve-month period ended October 31, 2019, the Company incurred $11,440,958 in selling, general and administrative expenses compared to $1,259,245 for the same period in fiscal 2018. The Company also recognized $1,362,432 in share-based compensation expenses and $348,903 in depreciation and amortization expenses.

Total expenses increased by $11,892,623 as compared to the same period in fiscal 2018. The increase in expenses is due to the fact that the Company has ramped up their activity level with the acquisitions of multiple cannabis investments in Michigan, Arizona and Washington.

## 5. Liquidity

At October 31, 2019, the Company had $15,676,513 in current liabilities, of which $13,730,316 relates to mortgages and notes payable in connection with Michigan and Arizona acquisitions. (October 31, 2018 - $264,033).

| | | October 31, 2019 | | October 31, 2018 |
|---|---|---|---|---|
| Current assets | $ | 6,509,758 | $ | 914,534 |
| Current liabilities | | (15,676,513) | | (264,033) |
| Working capital (deficit) | $ | (9,166,755) | $ | 650,501 |

The Company had a net loss of $4,255,003 (2018 – $4,034,939) and $17,307,320 (2018 - $5,153,690) for the three and twelve-months ended October 31, 2019, respectively. In addition, it had an accumulated deficit of $23,984,755 (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 and expect to raise additional capital within the next twelve months.

## 6. Capital Resources

During the twelve months ended October 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 as detailed in Note 10 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.

On September 10, 2019, the Company closed the acquisition of a 44,000 square foot cultivation, production and fulfillment facility located on 2.5 acres of land in Camp Verde, Arizona, near Phoenix for total consideration of $3,478,969 (US$2,645,000) which has been capitalized as production facilities in the amount of $3,287,485 and land in the amount of $197,284 at October 31, 2019.

In October, 2019, the Company acquired exclusive rights to operate the Emerald dispensary in Phoenix, Arizona, whose license is held by Perpetual Healthcare, Inc. Total consideration for the transaction was $19,710,000 (US$15,000,000) of which US$7,000,000 was paid in cash up-front and $10,528,000 (US$8,000,000) is payable 12 months after closing. The note payable has an interest rate of 5%. Transfer of ownership occurred on October 10, 2019 and accordingly, the condensed consolidated results of operations reflect the operating results for the period of October 11, 2019 until October 31, 2019.

Subsequent to the end of the three and twelve-month periods ended October 31, 2019, the Company completed its investment in two additional properties that have municipal approvals for provisioning centres in the state of Michigan.

See Note in the accompanying financial statements for additional information on the acquisitions of investments during the three and twelve-month periods ended October 31, 2019.

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.

| | | October 31, 2019 | | October 31, 2018 |
|---|---|---|---|---|
| Rental income | $ | 4,302 | $ | - |
| Management and consulting fees | | 207,695 | | 392,829 |
| Data mining preparation fees | | 14,048 | | - |
| Professional fees | | 219,462 | | 80,395 |
| | $ | 445,507 | $ | 433,083 |

As at October 31, 2019, $nil (October 31, 2018 - $48,504) is included in trade payables and accrued liabilities from amounts owing to related parties.

## 9. Subsequent Events

On November 15, the Board of Directors approved the grant of an aggregate of 8,725,000 Restricted Share Units ("RSUs") under the Company's Restricted Share Unit Plan (the "Plan") to certain Officers, Directors and Employees of the Company ("RSU Recipients"). The RSU's have been granted to the RSU Recipients as compensation for their services to the Company and as an incentive mechanism to foster long-term success of the Company. Each RSU carries the right to receive one common share of the Company upon vesting; certain RSU Recipients have vesting conditions attached to their grant. The issuance of the RSUs are subject to the terms of the Plan and all required approvals, including, if applicable, the approval of the CSE.

On November 18 the Company announced that it had completed its investment in two strategically located properties that have municipal approvals for provisioning centers in Emmet Township and Kawkawlin, Michigan. Total consideration for the investments was US$1,600,000 of which US$240,000 was paid in cash and the balance of US$1,360,000 was financed by the vendor at an interest rate of 4% per annum, due within 12 months. Effective December 1, 2019, the Michigan cannabis market broadened beyond medical use as residents may legally purchase marijuana from stores for recreational use.

## 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. In addition, see Note 3 of the Company's financial statements for the three and twelve-month periods ended October 31, 2019 for information on the Company's adoption of *IFRS 16 – Leases.*

## 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: 109,904,435 common shares as at the report date.

***Warrants***
As at the report date, the Company has 38,921,547 common share purchase warrants and 3,331,335 broker's warrants outstanding.

***Stock Options***
As at the report date, the Company has 8,360,000 common share purchase stock option outstanding.

***Restricted Stock Units ("RSUs")***
As at the report date, the Company had granted 8,725,000 RSUs, of which 6,225,000 RSUs had met the vesting conditions and have been exercised.

## 14. Financing

In October, 2019, the Company issued 300,000 common shares as compensation for consulting services received. Shares issued had a fair value of $25,500.

In August, 2019, 259,095 warrants were exercised at $0.15 per share for gross proceeds of $38,864.

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.

## 15. 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.

## 16. 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 immediate 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.

***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
Mark Krytiuk, COO and Chairman
Nicole Rusaw, CFO
Emmanuel Paul, Director
Safiya Lyn-Lassiter, Director
Yoni Ashurov, Director

**Contact:**

Nicole Rusaw
(416) 223-2300
info@nabisholdings.com