

Invictus MD Strategies Corp.

The Master of its Fate

IMH-TSXV: \$1.10
Speculative Buy
\$2.00 Target

Initiating Coverage: We are initiating coverage on Invictus MD Strategies Corp. with a Speculative Buy recommendation and 12-month target price of \$2.00/shr. We view Invictus as an underfollowed cannabis producer with significant fully-funded growth potential. Possible catalysts include expansion announcements, improved financial results, and forthcoming clarity on the regulatory environment for Canada’s cannabis recreational market. Our target price is based on our estimates for F2020, although given the Company’s January FYE, we view its F2020 as essentially equivalent to C2019. We attribute the recent share price weakness to the expiration of the hold period on the March 2017 financing, presenting a buying opportunity for investors.

Investment Thesis: Invictus is a producer of cannabis, with interests in two Health Canada-licensed facilities, and a third application in development. Its aggregate land package of 250 acres is one of the largest amongst Canadian licensed producers (LPs), and the Company envisions expanding aggregate annual production capacity to 50,000kg by C2020.

- Fully-Funded Capacity of 18,400kg** – We expect the Company to exit the quarter ending July with cash and equivalents of \$20M. This should fund the expansion of the Acreage Pharms facility in Alberta to an annualized capacity of 13,400kg. This should also be sufficient to expand the facilities in Ontario (AB Labs and AB Ventures) to an aggregate capacity of approximately 5,000kg. We expect first harvest from Acreage Pharms this August, with first harvest from AB Ventures to be ready by April 2018. The Company also has warrants outstanding that could generate aggregate proceeds of almost \$46M. Assuming CAPEX of \$1,725/kg (in line with the amount required to take capacity to 18,400kg), full conversion of those warrants could fund expansion to over 44,000kg in annualized capacity.
- Supply Agreement with Canopy Growth Corporation (WEED-TSX, Speculative Buy, \$14.00/shr PT, last close \$8.09/shr) Validates Production Capability** – In April 2017, the AB Laboratories (or AB Labs) facility in Hamilton, Ontario, was named as one of the first three suppliers to Canopy as part of its CraftGrow product line. This agreement allows AB Labs to focus on production (it reached full capacity by the end of May) while effectively leveraging WEED’s online ordering platform, customer care, and packaging/fulfillment infrastructure. The Company also graduated from the Canadian Securities Exchange (CSE) to the TSX Venture Exchange in March, positioning it to broaden its investor audience. We estimate that management and directors own approximately 28% of the basic shares outstanding.
- Canada’s Cannabis Industry could Reach US\$11.3B in Sales in C2020/21** – We view Colorado (CO) as a solid leading indicator for Canada’s cannabis market. Because CO legalized its recreational market in C2014, its current cannabis sales levels indicate where Canada’s retail sales may be in C2020/21. Based on sales tax revenue data, we estimate combined recreational and medical CQ117 sales growth of 36% y/y. Assuming that growth rate persists this year, CO is positioned to generate C2017 cannabis sales of US\$1.7B on a population of 5.5M. Given Canada’s population of 36.5M, and assuming Canada follows a similar growth path, the CO data imply that aggregate legal cannabis sales could reach US\$11.3B in Canada in C2020/21.

Projected Return: 82%
Valuation: 7.5x F2020E EBITDA

Invictus MD Strategies Corp.

Market Cap. (FD)	124.4
Net Cash (est. July 31/17)	19.9
Enterprise Value	104.5
Basic Shares O/S	80.1
FD Shares O/S	113.1
Avg. Daily Volume	459,540
52 Week High	2.17
52 Week Low	1.05

Financial Metrics

31-Jan	2017E	2018E	2019E
Revenue	3.8	22.4	87.4
Adj. EBITDA	(9.0)	7.0	29.2
Diluted EPS	(\$0.17)	\$0.01	\$0.13
Operating CFPS	(\$0.04)	\$0.05	\$0.19

Valuation Data

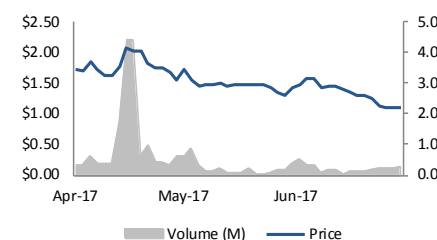
EV/EBITDA	Current	neg	15.0x	3.6x
Peers	121.9x	21.8x	7.7x	
Target	neg	32.5x	7.7x	
P/E	Current	neg	104.0x	8.3x
Peers	nmf	36.8x	10.4x	
Target	neg	189.2x	15.0x	

Quarterly Data

		Q1	Q2	Q3	Q4
Revenue	2017	0.5	0.5	1.2	1.6
	2018	1.9	6.1	7.2	7.2
EBITDA	2017	(6.2)	(0.8)	(1.3)	(0.8)
	2018	(0.4)	1.3	2.9	3.2
OCFPS	2017	(\$0.06)	(\$0.00)	(\$0.01)	(\$0.00)
	2018	(\$0.00)	\$0.01	\$0.02	\$0.02

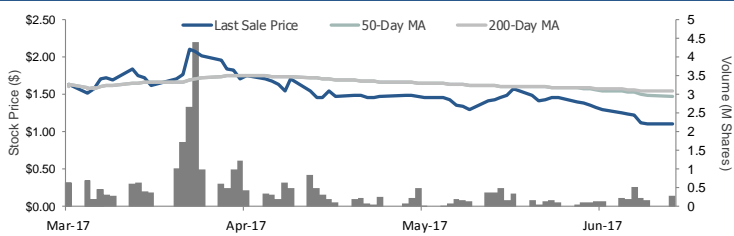
Company Description

Based in Vancouver, BC, Invictus MD Strategies Corp. has ownership interests in two Health Canada-licensed cannabis cultivation facilities. Its land package of 250 acres is amongst the largest for Canadian licensed producers (LPs), and the Company now employs 45 people. We believe the Company is fully-funded to expand annualized production capacity to 18,400 kg, and management envisions expanding its aggregate dried cannabis production capacity to 50,000 kg by December 2020.



Invictus MD Strategies Corp. (IMH-V, \$1.10) - Data Sheet

Speculative Buy | PT: \$2.00

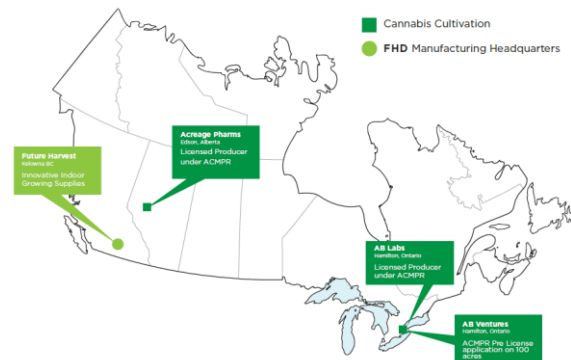
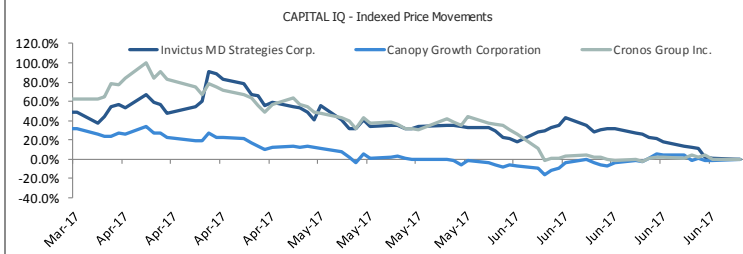


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Consensus	3 Mths Ago	Current	Return
Rating:	NA	Spec Buy	
Target:	NA	\$2.00	82%
Median:	NA	\$2.00	82%
High:	NA	\$2.00	82%
Low:	NA	\$2.00	82%

Consensus Distribution	
Sector Outperform/Buy	NA
Sector Perform/Hold	1
Sector Underperform/Sell	0
# Est	1

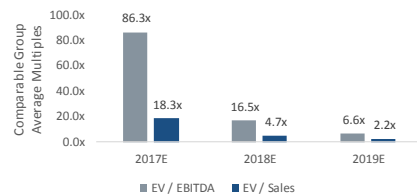
Indexed Price Movements



Key Financial Metrics

Financial Summary	2016A	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Consolidated									
Revenue	3.7	2.5	0.5	0.5	1.2	1.6	3.8	22.4	87.4
Growth y/y	nmf	(31%)	(41%)	(12%)	135%	152%	50%	488%	290%
Cons.	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. 3 Mts. Ago	NA	NA	NA	NA	NA	NA	NA	NA	NA
EBITDA Attributable	(1.0)	(5.3)	(6.2)	(0.8)	(1.3)	(0.8)	(9.0)	7.0	29.2
Growth y/y	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	320%
Cons.	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. 3 Mts. Ago	NA	NA	NA	NA	NA	NA	NA	NA	NA
EPS	(\$0.03)	(\$0.54)	(\$0.24)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.17)	\$0.01	\$0.13
Growth y/y	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	1200%
Cons.	NA	NA	NA	NA	NA	NA	NA	NA	NA
Cons. 3 Mts. Ago	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net Cash	(0.4)	(1.6)	4.3	19.9	16.7	16.2	16.2	1.2	12.3
FCF	(2.4)	(10.7)	(12.0)	(8.2)	(4.3)	(3.4)	(27.7)	(14.7)	21.4
FCF Yield	(56%)	(92%)	(118%)	(26%)	(14%)	(11%)	(27%)	(12%)	17%
Return on Invested Capital (ROIC)	(25%)	(33%)	(36%)	(4%)	(6%)	(5%)	(11%)	1%	15%
Return on Equity (ROE)	(3%)	(35%)	(48%)	(2%)	(5%)	(3%)	(12%)	1%	13%
Other Metrics									
Sales (kg)	0	0	0	336	456	456	1,248	3,820	4,741
Realized Price/gram	-	-	-	\$5.00	\$5.00	\$5.00	\$5.00	\$6.04	\$6.23
CAPEX (\$M) (incl. Acquisitions)	2	8	6	8	2	2	18	17	0
Operating Cash Flow (\$M)	(1.0)	(2.4)	(2.3)	(0.4)	(0.7)	(0.3)	(3.7)	5.5	21.7
Operating Cash Flow PS	(\$0.27)	(\$0.23)	(\$0.06)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.04)	\$0.05	\$0.19

Key Statistics	Value
52-Week High	\$2.17 (97%)
52-Week Low	\$1.05 (5%)
Avg Vol (3-Mo, M)	0.5
Shares Outstanding (FD)	113
Market Cap (FD)	124
Net Cash (est.)	20
Enterprise Value	104
FYE	Jan 31



F2020 (equivalent to C2019)			
Valuation Sensitivity	\$24.3	\$29.2	\$35.0
5.5x	\$1.18	\$1.42	\$1.70
6.5x	\$1.40	\$1.68	\$2.01
7.5x	\$1.61	\$1.94	\$2.32
8.5x	\$1.83	\$2.19	\$2.63
9.5x	\$2.04	\$2.45	\$2.94

Comparables

Comparables and Peer Analysis	Ticker	Price	52-Week High	52-Week Low	90-Day Vol (M)	FD Mkt. Cap (\$M)	Cash (\$M)	Debt (\$M)	FD EV (\$M)	EV / Sales		EV / EBITDA		P / E	
										2018E	2019E	2018E	2019E	2018E	2019E
Invictus MD Strategies Corp.	IMH-V	\$1.10	\$2.17	\$1.05	0.5	\$124	\$20	\$0	\$104	4.7x	1.2x	15.0x	3.6x	104.0x	8.3x
Canopy Growth Corporation	WEED-T	\$7.94	\$17.86	\$2.72	1.9	\$1,358	\$102	\$10	\$1,266	5.0x	3.0x	45.6x	19.8x	66.2x	nmf
Cronos Group Inc.	MIN-V	\$1.72	\$3.54	\$0.18	0.4	\$317	\$22	\$4	\$299	6.1x	2.0x	24.9x	6.6x	43.0x	11.1x
Peer Average										5.2x	2.1x	28.5x	10.0x	71.1x	9.7x

WEED and MIN multiples are based on consensus estimates.

Estimates & Assumptions

Baseline Assumptions: We present our estimates and the key drivers in the exhibit below. Full financial statements are presented in Appendix C.

Exhibit 1 – Highlights of Forecast

	31-Jan-17	30-Apr-17	31-Jul-17	31-Oct-17	31-Jan-18	31-Jan-18	31-Jan-19	31-Jan-20
Key Operating Assumptions	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Future Harvest Revenue (\$M)	\$2.5	\$0.5	\$0.5	\$0.5	\$0.5	\$2.0	\$2.4	\$3.0
Acreage Farms								
Sales (kg equivalent)	-	-	-	105	158	263	2,859	12,058
Realized Price/gram	-	-	-	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
Revenue (\$M)	-	-	-	\$0.7	\$1.1	\$1.8	\$20.0	\$84.4
AB Laboratories								
Sales (kg equivalent)	-	-	336	456	456	1,248	1,824	1,824
Realized Price/gram	-	-	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Revenue (\$M)	-	-	\$1.7	\$2.3	\$2.3	\$6.2	\$9.1	\$9.1
AB Ventures								
Sales (kg equivalent)	-	-	-	-	-	-	1,996	2,917
Realized Price/gram	-	-	-	-	-	-	\$7.00	\$7.00
Revenue (\$M)	-	-	-	-	-	-	\$14.0	\$20.4
Consolidated Results	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Revenue (\$M)	\$2.5	\$0.5	\$0.5	\$1.2	\$1.6	\$3.8	\$22.4	\$87.4
EBITDA								
From Acreage Farms and Future Harvest	(\$5.3)	(\$6.2)	(\$0.7)	(\$1.3)	(\$0.8)	(\$9.0)	\$5.3	\$26.6
EBITDA Margin	(207%)	(1249%)	(151%)	(107%)	(51%)	(237%)	24%	30%
IMH Share of AB Labs / Ventures	-	-	(\$0.1)	\$0.0	\$0.0	(\$0.0)	\$1.6	\$2.6
Adjusted EBITDA (\$M)	(\$5.3)	(\$6.2)	(\$0.8)	(\$1.3)	(\$0.8)	(\$9.0)	\$7.0	\$29.2

Source: Company Filings (historical data), Echelon Wealth Partners (estimates)

- Note the Accounting Treatment** – As IMH currently owns a 33.3% interest in AB Labs and AB Ventures, we do not expect the Company to consolidate the results of those two facilities on its financial statements. For the time being, IMH will likely account for them using the equity method, meaning that its net results will flow through to the statement of comprehensive income. In the exhibit above, we present our key operating assumptions, but owing to the accounting treatment for AB Labs/Ventures, the consolidated financial statements will only reflect the results of Future Harvest and Acreage Farms. The Adjusted EBITDA estimate shown above includes our forecast for the EBITDA contribution of AB Labs/Ventures attributable to Invictus, and this is the EBITDA number that is the basis for our valuation.
- Revenue Model Assumptions** – We assume that Future Harvest generates revenue/gross margins of \$2.0M/40% in F2018, followed by \$2.4M/50% in F2019, and \$3.0M/60% in F2020. For Acreage Farms, with it recently receiving its license, we assume first harvest in August, which falls in the Company's FQ318. We further assume that the Phase 2 expansion from 840kg to 4,149kg is completed such that first harvest from the added capacity comes in April 2018, with a full quarter impact in FQ219 ending July 31st. This effectively assumes that construction is completed in January, approximately one month behind management's target. We assume that the Phase 3 expansion to almost 13,400kg is completed in January 2019, so that it makes a full impact in F2020. For AB Ventures, we assume that construction is completed in January 2018 (also one month behind management's target), so that the capacity of 3,070kg makes a full quarter impact in FQ219 ending July 31st. With respect to pricing, we assume that AB Labs realizes approximately \$5.00/gram, reflecting our view that the vast majority of production will be sold to Canopy at wholesale prices. We assume that other facilities realize a price of \$7.00/gram. Should the Company build out oil production capabilities and successfully shift its product mix to oils, we would expect realized pricing to improve to the \$8-9/gram range.

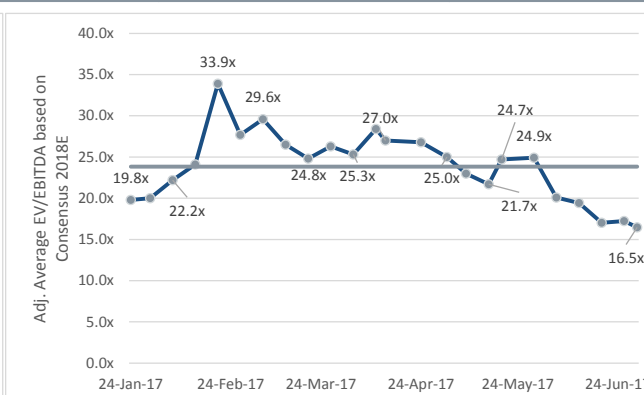
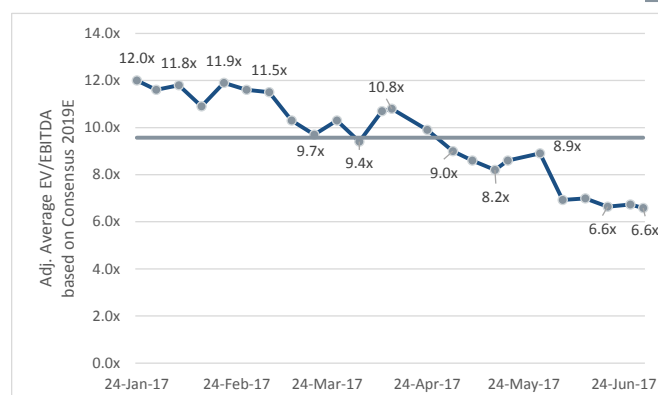
Valuation

Peer Group Multiples Vary Considerably: We view C2019 as the most relevant year for valuation purposes, as that should be the first full year with a legalized recreational/adult use market in Canada. IMH has a January 31 FYE, so its F2020 is for all practical purposes equivalent to C2019 (one month difference).

As shown below, EV/EBITDA multiples vary considerably, from a low of 4.3x to a high of 19.8x consensus EBITDA. On a YTD basis, the peer group average multiple is approximately 9.6x, ranging from a high of 12.0x in January to a recent low of 6.6x.

Exhibit 2 – Comparable Companies (top); Multiple Trends (bottom)

Ticker	Company	Last Price	52-Week High	52-Week Low	FD Mkt. Cap. (\$mm)	Net Cash (\$mm)	FD EV (\$mm)	Consensus C2018E				Consensus C2019E			
								EV / Sales	EV / EBITDA	P/E	P / CFPS	EV / Sales	EV / EBITDA	P/E	P / CFPS
TSX:WEED	Canopy Growth Corporation	\$7.94	\$17.86	\$2.72	\$1,357.8	\$91.5	\$1,266.4	5.0x	45.6x	66.2x	nmf	3.0x	19.8x	nmf	nmf
TSXV:ACB	Aurora Cannabis Inc.	\$2.16	\$3.95	\$1.56	\$912.2	\$148.3	\$763.8	3.9x	9.7x	nmf	86.4x	nmf	nmf	nmf	nmf
TSX:LEAF	MedReleaf Corp.	\$8.50	\$9.65	\$6.81	\$800.2	\$89.5	\$710.7	5.2x	14.2x	26.8x	128.3x	3.4x	9.2x	17.0x	nmf
TSX:APH	Aphria Inc.	\$5.31	\$8.77	\$1.57	\$786.6	\$170.2	\$616.4	6.2x	16.1x	26.9x	nmf	2.5x	6.6x	nmf	nmf
TSXV:MJN	Cronos Group Inc.	\$1.72	\$3.54	\$0.18	\$316.9	\$18.1	\$298.8	6.1x	24.9x	43.0x	nmf	2.0x	6.6x	11.1x	nmf
TSXV:FIRE	Supreme Pharmaceuticals Inc.	\$1.24	\$1.44	\$1.19	\$284.9	\$12.4	\$272.5	4.2x	15.9x	nmf	nmf	2.0x	5.5x	nmf	nmf
TSXV:OGI	OrganiGram Holdings Inc.	\$2.18	\$4.49	\$1.03	\$243.7	\$44.5	\$199.2	3.4x	10.5x	20.1x	nmf	1.5x	4.3x	8.6x	nmf
TSX:CMED	CanniMed Therapeutics Inc.	\$8.11	\$13.35	\$7.32	\$220.0	\$29.5	\$190.5	4.4x	13.9x	18.1x	nmf	2.4x	5.7x	7.6x	nmf
TSXV:EMC	Emblem Corp.	\$1.60	\$4.60	\$1.52	\$188.7	\$27.8	\$160.9	5.5x	22.9x	nmf	nmf	2.5x	6.6x	15.0x	7.6x
TSXV:THCX	The Hydropothecary Corporation	\$1.31	\$2.90	\$1.25	\$121.0	\$17.1	\$103.8	3.7x	19.2x	nmf	nmf	1.4x	5.1x	9.6x	nmf
TSXV:EMH	Emerald Health Therapeutics, Inc.	\$1.17	\$2.19	\$0.17	\$132.6	\$39.7	\$92.9	17.2x	nmf	nmf	nmf	nmf	nmf	nmf	nmf
CNSX:IAN	iAnthus Capital Holdings, Inc.	\$2.95	\$3.75	\$1.20	\$127.1	\$2.8	\$124.3	3.2x	10.6x	59.0x	nmf	1.8x	7.4x	17.9x	nmf
CNSX:THC	THC Biomed Intl Ltd.	\$0.40	\$1.50	\$0.10	\$41.5	\$0.2	\$41.3	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf
TSXV:CMM	Canabo Medical Inc.	\$0.47	\$1.28	\$0.34	\$18.7	\$8.4	\$10.3	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf
Average (Raw)								5.7x	18.5x	37.2x	107.4x	2.3x	7.7x	12.4x	7.6x
High								17.2x	45.6x	66.2x	128.3x	3.4x	19.8x	17.9x	7.6x
Low								3.2x	9.7x	18.1x	86.4x	1.4x	4.3x	7.6x	7.6x
Adjusted Average								4.7x	16.5x	35.2x	nmf	2.2x	6.6x	12.2x	7.6x



Source: Capital IQ, Company Filings, Echelon Wealth Partners

We believe that a 7.5x EV/F2020E EBITDA multiple is appropriate for IMH. As shown in the next exhibit, this implies a per share value of approximately \$1.94/shr, which we round to \$2.00/shr to arrive at our 12-month target, and our Speculative Buy recommendation. As we also show in the next exhibit, this target price implies an EV/EBITDA multiple of 32.0x on our F2019 EBITDA estimate. While higher than the 16.5x average for the group in C2018, we note that the range of multiples is considerable (from 9.7x to 45.6x). We stress that our target price reflects our baseline assumptions for F2020, and potential upward revisions could follow an accelerated expansion plan, better-than-expected realized pricing, and M&A.

Exhibit 3 – Implied Valuation Based on EV/EBITDA

	F2020 (equivalent to C2019)						F2019 (equivalent to C2018)				
	\$20.3	\$24.3	\$29.2	\$35.0	\$42.0		\$4.8	\$5.8	\$7.0	\$8.3	\$10.0
5.5x	\$0.99	\$1.18	\$1.42	\$1.70	\$2.04	30.0x	\$1.28	\$1.54	\$1.84	\$2.21	\$2.66
6.5x	\$1.17	\$1.40	\$1.68	\$2.01	\$2.42	31.0x	\$1.32	\$1.59	\$1.91	\$2.29	\$2.74
7.5x	\$1.34	\$1.61	\$1.94	\$2.32	\$2.79	32.0x	\$1.37	\$1.64	\$1.97	\$2.36	\$2.83
8.5x	\$1.52	\$1.83	\$2.19	\$2.63	\$3.16	33.0x	\$1.41	\$1.69	\$2.03	\$2.43	\$2.92
9.5x	\$1.70	\$2.04	\$2.45	\$2.94	\$3.53	34.0x	\$1.45	\$1.74	\$2.09	\$2.51	\$3.01

Source: Echelon Wealth Partners

Moreover, our valuation uses the fully-diluted share count of 113.1M. We could be accused of being too conservative in this regard, as many of the dilutive securities are currently out-of-the money. If we used the share count excluding those dilutive securities that are currently out-of-the-money (approximately 82.8M), all else being equal, our 12-month target price would be in the \$2.50-2.75/shr range; this is illustrated below.

Exhibit 4 – Valuation Based on Adjusted Share Count

	F2020 (equivalent to C2019)				
	\$20.3	\$24.3	\$29.2	\$35.0	\$42.0
5.5x	\$1.35	\$1.62	\$1.94	\$2.33	\$2.79
6.5x	\$1.59	\$1.91	\$2.29	\$2.75	\$3.30
7.5x	\$1.84	\$2.20	\$2.65	\$3.17	\$3.81
8.5x	\$2.08	\$2.50	\$3.00	\$3.60	\$4.32
9.5x	\$2.33	\$2.79	\$3.35	\$4.02	\$4.83

Source: Echelon Wealth Partners

Checking our Valuation Estimate against Discounted Cash Flow: While DCF estimates require a larger number of explicit assumptions that open the door to additional modelling risk, we present below our DCF estimates for Invictus as a check on our comparable company-based valuation.

Exhibit 5 – Discounted Cash Flow

		Discount Rate				
		8.5%	9.5%	10.5%	11.5%	12.5%
Terminal Multiple	9.5x	\$2.18	\$2.12	\$2.06	\$2.01	\$1.95
	8.5x	\$2.00	\$1.94	\$1.89	\$1.84	\$1.79
	7.5x	\$1.82	\$1.77	\$1.72	\$1.67	\$1.62
	6.5x	\$1.63	\$1.59	\$1.54	\$1.50	\$1.46
	5.5x	\$1.45	\$1.41	\$1.37	\$1.33	\$1.29

Source: Echelon Wealth Partners

Background

Invictus Began by Investing in Ancillary Business Lines: Invictus was originally incorporated as BioAB Strategies Ltd., and it initially focused on acquiring bio-pharmaceutical assets. In December 2014, the Company completed a reverse takeover, obtained a listing on the CSE, and was renamed Invictus MD Strategies Corp. IMH proceeded to make several investments in multiple verticals within the cannabis industry, including fertilizers and nutrients, as well as vaporizers. It has since exited a number of those investments, including one divestiture that generated a net gain to IMH of \$2.9M, funding a \$1.0M special dividend to Invictus shareholders in December 2016.

The Pivot Towards Cannabis Cultivation: In December 2016, Invictus acquired a 33.3% interest in AB Labs for \$10.5M in cash and stock. AB Labs owns a 16,000-square foot cannabis production facility in Hamilton, Ontario, which recently reached full effective production capacity. The Company also acquired 11.8% of AB Ventures for \$2.0M in cash (valuing it at \$17.0M), and expects its stake to increase to 33.3% for another \$5.5M in cash.

March Private Placement Funds Expansion Plan: In early March 2017, IMH closed a \$16.2M bought deal private placement (including partial exercise of the over-allotment) at \$1.65/unit. We discuss the financing terms in more detail on page 14. At the end of March, the Company also up-listed from the CSE to the TSX Venture Exchange.

Invictus Acquires Acreage Pharms, with Co-Founder Becoming CEO: In April 2017, IMH exercised its option to acquire Acreage Pharms, which had obtained its production license for its Edson, Alberta, facility from Health Canada in March, following its pre-license inspection in January. Importantly, the co-founders have taken positions with IMH. Mr. Trevor Dixon has become the Company's CEO and joined its board of directors, while Ms. Brenda Dixon is the Company's new Chief Science Officer. The Company's prior CEO, Mr. Dan Kriznic, stepped down but continues as its Executive Chairman (see Appendices A and B for management/director biographies). Purchase consideration totalled approximately \$43.2M, including 20M shares at a deemed price of \$1.86/shr, \$6M in cash and 3M warrants converting at \$1.50/shr, with one-third of the warrants expiring at each of 6 months, 12 months, and 18 months from closing. Management envisions expanding Acreage Pharms' annualized production capacity from its current level of 840kg to 25,000kg by December 2020.

Financing Fully Funds IMH to Almost 18,400kg of Capacity: In May 2017, the Company completed a \$25.0M bought deal private placement (including full exercise of the over-allotment) at \$1.35/unit. Each unit includes one share plus one-half warrant exercisable at \$1.75/shr through November 24, 2018 (i.e., 18 months). Echelon Wealth Partners was a member of the investment banking syndicate, and the four-month hold period expires on September 25, 2017. The net proceeds are to be used for expansion plans and general corporate purposes. K2 Principal Fund L.P. separately announced that it had purchased 7.3M units, or approximately 39% of the offering. Including its prior holdings, K2 owns approximately 9.5M shares and 5.3M warrants, representing an approximate 12% basic share count. The financing had originally been announced as a \$40M bought deal of convertible debentures, but the IMH board subsequently determined that a smaller unit offering would be more in line with the Company's plans.

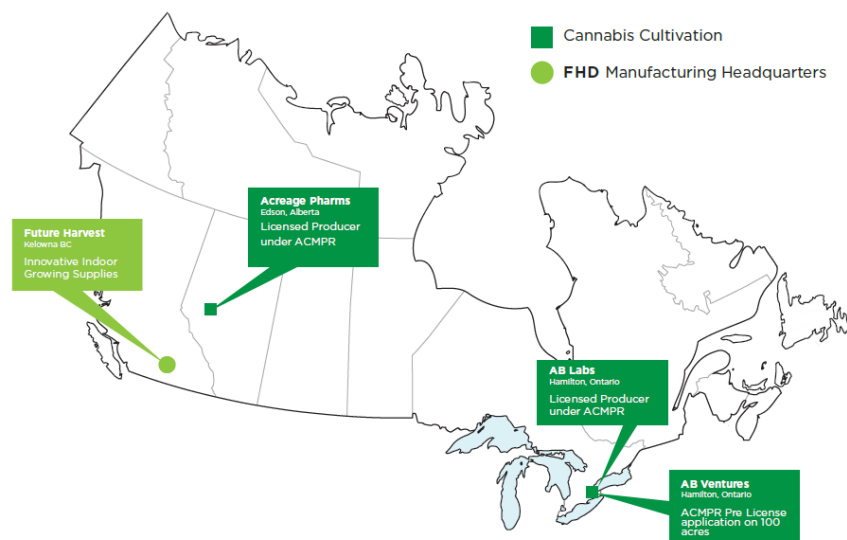
Agreement with Industry Leader Positions Hamilton Facility to Focus on Production: In April 2017, the Company and Canopy Growth Corporation separately announced that Canopy had launched CraftGrow, a line of cannabis products grown by third parties. Invictus' existing facility in Hamilton, AB Labs, was named as one of three 'founding' suppliers. This agreement allows AB Labs to focus on ramping up production, while effectively outsourcing processing, sales, and shipping requirements. Canopy is the largest cannabis company by capacity and market capitalization. We therefore view this as a major validation of AB Labs' production potential, in terms of quality and reliability.

AB Labs Now Running Flat Out: By the end of May 2017, AB Labs was operating at full capacity and had completed its first harvest, in line with management's stated targets. AB Ventures had also closed the acquisition of 100 acres to support the future development of cultivation operations.

Business Overview: Platforms for Growth in Alberta and Ontario

Based in Vancouver, BC, Invictus MD Strategies Corp. has ownership interests in two Health Canada-licensed cannabis cultivation facilities. Its land package of 250 acres is amongst the largest for Canadian LPs, and the Company now employs 45 people.

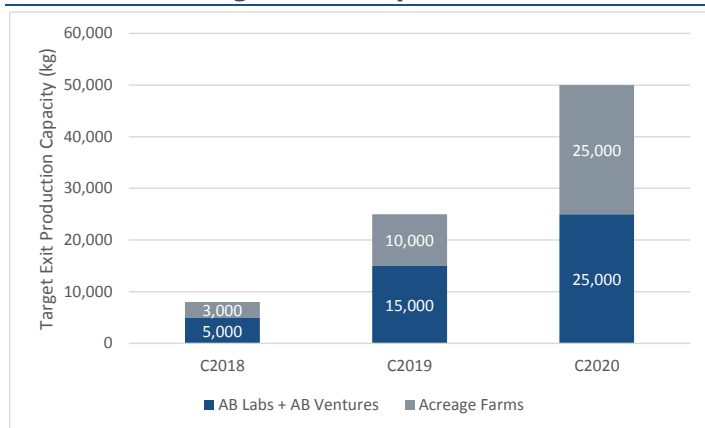
Exhibit 6 – Operating Facility Locations



Source: Company Reports

As illustrated in the next exhibit, management envisions expanding its aggregate dried cannabis production capacity to 50,000kg by December 2020. As the Company has a January 31 FYE, we view that as a F2021 target.

Exhibit 7 – Management’s Expansion Plan



Source: Company Reports, Echelon Wealth Partners

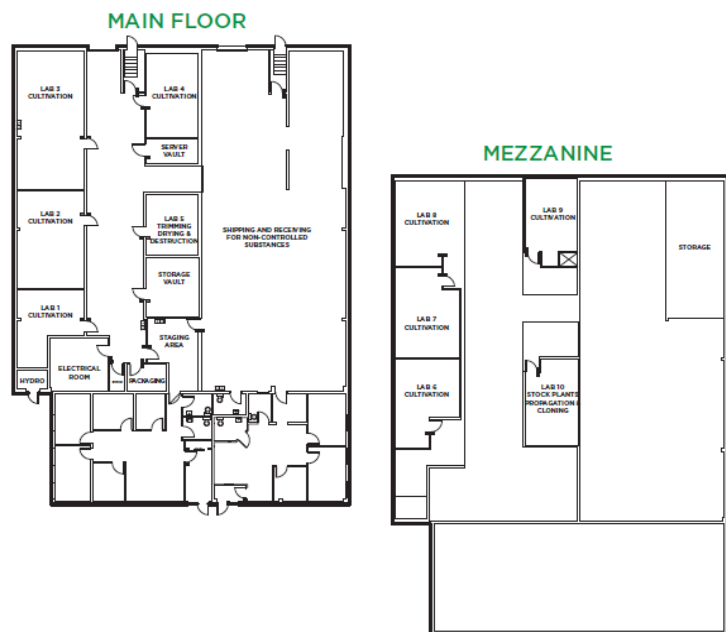
AB Laboratories – Already Running at Capacity: In December 2016, IMH acquired a 33.3% interest in AB Labs for total consideration of \$10.5M, which valued the total business at \$31.5M. The purchase price included \$5M in cash up front, \$3.5M in stock at \$1.44/shr, and another \$2M in cash paid 90 days after closing.

AB Labs operates a 16,000-square foot cannabis cultivation facility in Hamilton, Ontario. It has been licensed to cultivate since October 2016, and in May 2017, it completed its first harvest. By the end of May, the facility was operating at full effective cultivation capacity, representing an annualized production rate of 1,920kg (or approximately \$13M+ of annualized revenue, assuming a realized price of \$7/gram). The Company is currently working on obtaining its sales license, which it expects to receive before the end of July 2017.

As we mentioned in the Estimates & Assumptions section, we do not expect IMH to consolidate the results of AB Labs and AB Ventures on its financial statements, as its ownership position is 33.3%.

We visited the AB Labs operation in early May 2017, and were impressed by the founder’s industry knowledge and experience (particularly with respect to the Health Canada licensing process), as well as the facility’s layout.

Exhibit 8 – AB Laboratories Floor Plan



Source: Company Reports

Unique amongst the vast majority of the operations we have visited, AB Labs’ operation includes a main floor as well as a mezzanine level with additional cultivation capacity. This allows the facility to optimize its production capacity on a relatively modest footprint.

Examples of strains being grown during our visit included Shark Shock CBD, Blue Cheese, Sour Kush, and Super Critical. Following cutting, plants spend approximately one week in vegetation, followed by eight weeks of flowering. The facility is currently taking a ‘short cycle’ approach, meaning that cannabis plants are harvested at a relatively early stage, allowing for faster production ‘turns’.

In April 2017, the Company announced an agreement with Canopy Growth Corporation under which IMH will supply dried cannabis production to WEED on a wholesale basis, with the resulting product offered for sale on WEED’s Tweed Main Street online store under its new CraftGrow product line. This agreement was separately announced by WEED, as discussed in [our note](#) published at the time.

We view this development as a win/win for both players, and very strong validation for IMH. As one of the first three CraftGrow suppliers announced by WEED, we think it demonstrates AB Labs’ production readiness. It also highlights the fact that legal cannabis product is in very short supply right now, reflecting a strong demand/supply environment for IMH in general. From WEED’s perspective, the relationship allows it to leverage its existing infrastructure, including oil production, quality assurance, and sales/marketing capabilities. While AB Labs will realize lower pricing (wholesale vs. retail), it will not have to immediately incur the infrastructure costs that major players like Canopy have already invested in.

AB Ventures – Targeting December 2017 Completion: In December 2016, IMH also acquired 11.8% of AB Ventures for \$2M in cash (valuing it at \$17.0M) in return for 13.33 shares. IMH also obtained a warrant to acquire another 36.66

shares for \$5.5M, which is to be used to fund development and licensing requirements. AB Ventures was incorporated to develop a second cannabis cultivation facility in the Hamilton area.

AB Ventures acquired a 100-acre land package for \$1.65M in May 2017, with plans to construct an initial 42,000-square foot operation (21,000-square foot floor plan, with a 21,000-square foot mezzanine), eventually expanding that to five facilities covering 100,000 square feet by C2019. Invictus’ aggregate cash investment of \$7.5M should be sufficient to put the first 21,000-square foot facility into production as well as build the exterior for the second 21,000-square foot facility.

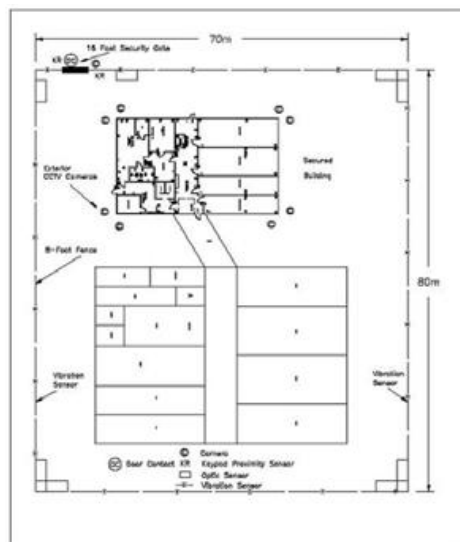
The AB Ventures facility will be in proximity to the AB Labs facility (8-10 minute drive), and management expects the licensing process to be somewhat compressed, as the ‘persons in charge’ for the new facility have already received Health Canada clearance as part of the licensing process for AB Labs. Moreover, all 100 acres are considered to be one address for licensing purposes.

Once fully ramped up, management expects the combined capacity of AB Labs and AB Ventures to reach 25,000kg by C2020, or approximately \$175M in annualized revenue, assuming a realized price of \$7/gram. The property is large enough to accommodate additional buildings, which will be constructed based on demand.

Acreage Pharms – Alberta Producer Targeting 25,000kg in C2020: Acreage Pharms operates a 6,800-square foot, purpose-built facility within 60,000 square feet of secured perimeter near Edson, Alberta. Its current annualized capacity is approximately 840kg. Management has indicated that planning has begun for its Phase 2 buildout, which includes a 30,000-square foot floor plan, and the option to add a 20,000-square foot mezzanine. This should bring annualized capacity to approximately 4,100kg. The Company also intends to build out cannabis oil extraction capabilities. A third expansion phase would add approximately 9,200kg for CAPEX of \$16.5M, bringing aggregate fully-funded capacity to almost 13,400kg.

This operation controls a 150-acre land package, giving it more than ample flexibility for scaling operations as demand warrants. Management envisions expanding annualized capacity to 25,000kg of cannabis products by the end of C2020.

Exhibit 9 – AB Ventures Floor Plan



Source: Company Reports

Purchase consideration totalled approximately \$43.2M, including 20M shares at a deemed price of \$1.86/shr, \$6M in cash and 3M warrants converting at \$1.50/shr, with one-third of the warrants expiring at each of 6 months, 12 months, and 18 months from closing.

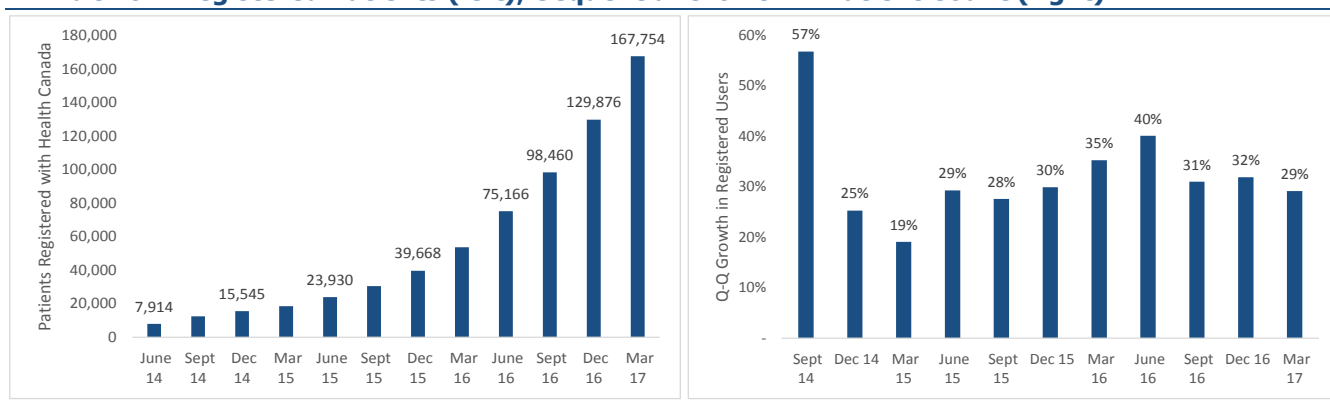
Cannabis Production is Core, but Invictus has Other Investments: We highlight two of them below. The others are viewed as non-core or have nominal value at this point.

- **Future Harvest Development Ltd.** – Based in Kelowna, BC, Future Harvest is a manufacturer and distributor of products and solutions for the hydroponic and indoor agricultural markets. Its products are marketed across North America, the UK, and Europe. Over several tranches, IMH invested an aggregate of \$2.1M in acquiring an 82.5% stake in Future Harvest. In August 2016, the Company completed the sale of Future Harvest’s Sunblaster product line for cash consideration of \$4.6M (or \$3.8M net to IMH, after excluding the non-controlling interest), realizing a net gain of approximately \$2.9M for the Sunblaster division. The Company used a portion of the proceeds to pay a \$1.0M special dividend to shareholders (\$0.07/shr) in December 2016.
- **Poda Technologies** – Formerly known as Edison Vape Co., Poda is developing a vaporizer system for consuming herbal products, based around an improved vaporizer that uses disposable cartridges. IMH acquired its initial 40% interest in Poda in January 2015 for less than \$0.1M in cash and a non-interest bearing loan. In October 2015, IMH exercised its option to acquire the other 60% for \$1.2M in stock subject to escrow provisions. The initial product prototype has been completed, and management is working to secure manufacturing capabilities, financing, and distribution partners. In its late May 2017 update, management noted that a spin-out of this asset is imminent.

Canada's Cannabis Industry: Ready for Recreational Market

Medical Market – Registered Patient Growth Continues to Impress: Under current regulations, patients can buy cannabis for medical use once they have obtained a recommendation from a physician and registered with an LP. As of writing, there are now 50 LPs in Canada, up from 38 at the end of January 2017. As shown below, there were almost 168,000 registered patients nationwide at the end of March, up 29% from the prior quarter (i.e., equivalent to annualized growth of 178%). Moreover, the q/q growth has been relatively consistent in the 30-40% range over the past six quarters. We estimate the current patient base at closer to 200,000, assuming a continuation of recent growth rates. Naturally, this pace of growth is not sustainable on a long-term basis, but for the immediate term, there is no material evidence of slowing. For additional detail on the history of Canada's medical market and potential uses of cannabis, please refer to our [industry report](#).

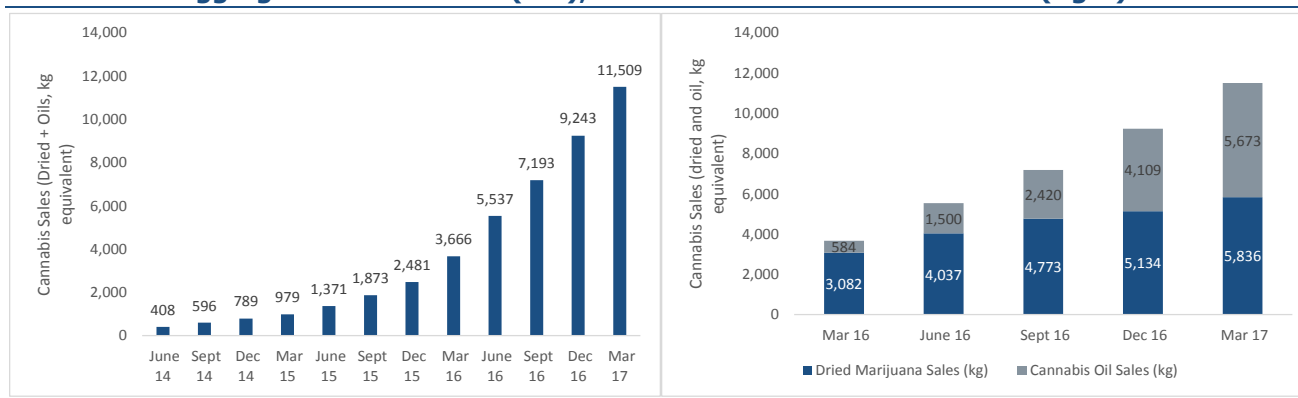
Exhibit 10 – Registered Patients (left); Sequential Growth in Patient Count (right)



Source: Health Canada, Echelon Wealth Partners

Not surprisingly, this has driven significant growth in sales volumes. Volume sales for the March 2017 quarter exceeded 11,500kg (equivalent to 46,000kg annualized), up 25% from the prior quarter (representing annualized growth of 140%). Moreover, the sales mix has shifted with the legalization of cannabis oils, with sales of that product type almost pulling even with dried cannabis volumes last quarter (below, right).

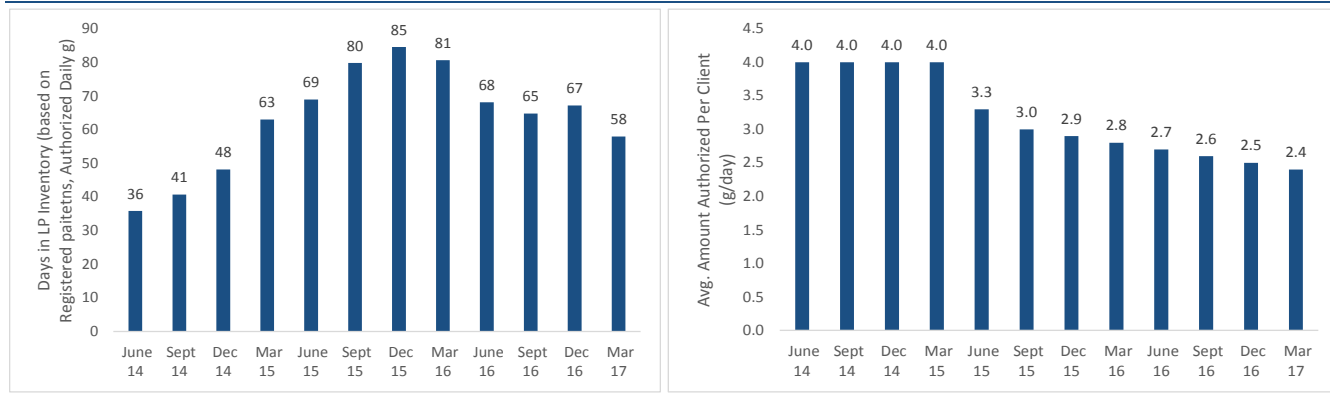
Exhibit 11 – Aggregate Volume Sales (left); Breakdown of Dried vs. Oil Sales (right)



Source: Health Canada, Echelon Wealth Partners

Supply has Become the Primary Impediment to Growth: In our view, the lack of product supply has become the industry's primary challenge. This is illustrated in the next exhibit. Based on the average authorized dosage level per patient (2.4 grams/day in the March 2017 quarter), producer inventories have continued to decline from a peak of 85 days in the December 2015 quarter to 58 days for the March 2017 quarter.

Exhibit 12 – Dwindling Inventories (left); Authorized Patient Use (right)



Source: Health Canada, Echelon Wealth Partners

Health Canada has Announced Plans to Speed Licensing Process to Expand Supply: To a large extent, the supply shortage can be attributed to the licensing time required for both new applicants and existing producers seeking to expand capacity.

In late May 2017, Health Canada announced a number of initiatives – with immediate effect – in order to compress the licensing process in terms of time. These include the following:

- **Staffing Up** – Health Canada announced increased resources for reviewing and processing applications, particularly at the review stage, and secondarily at the intake and screening stages (no dollar amounts were specified in the release);
- **Concurrent Processing** – Health Canada will also begin completing the review stage concurrent with the personnel security screening process, which should compress the time required relative to the prior sequential treatment used;
- **Licensed Capacity = Physical Capacity** – LPs will be allowed to increase cannabis production to the maximum they are authorized to store based on their vault security and capacity levels, and license renewal requirements should be less frequent;
- **Smoother Expansion Requirements** – Finally, existing producers with good compliance records may be able to obtain approvals for straightforward expansions following an application review (i.e., no physical inspection required until the next regular inspection).

These changes should condense the time-to-market for new producers, while also allowing existing producers to expand more rapidly. On a mid-/long-term basis, the expansion of supply should be bearish for dried cannabis pricing. However, we believe the market generally expected such a commitment from Health Canada, and we view a more streamlined process as a necessity to support the demand likely to develop once the recreational market is legalized.

Recreational Legalization Targeted for Mid-C2018: In April 2017, Canada’s federal government introduced Bill C-45, otherwise known as the Cannabis Act. The proposed legislation creates a framework for the production, distribution, and sale of recreational (or adult use) cannabis in Canada.

As tabled, the legislation is broadly in line with the recommendations made by the government-appointed task force in December 2016. For the key recommendations made, please see page 14 of our [industry report](#). In essence, the task force recommended that cannabis distribution/sales be handled in a manner similar to that for alcohol, with marketing and advertising to face similar requirements and restrictions as tobacco. In that sense, there were very few surprises in the proposed legislation.

The floor for the legal age has been set at 18, with a possession limit of 30 grams of dried cannabis equivalent, and a personal grow limit of four plants/dwelling-house. Assuming 100 grams/plant/grow cycle, we estimate that four plants could support daily consumption of 4.8 grams/day, although plant yields could significantly vary.

We also note that **individual provinces will have authority to impose more restrictive requirements**, including a higher minimum age, lower personal possession limits, and/or personal grow limits. Making cannabis products at home, such as food and beverages, will be allowable as long as organic solvents are not used. Provinces will also be able to restrict where adults can consume cannabis, such as in public or in vehicles.

The federal government has targeted July 2018 for implementation of the legislation. On June 8th, the bill passed its second reading and has now been referred back to the Standing Committee on Health (HESA) for further review. The Committee is expected to begin holding hearings on September 11th.

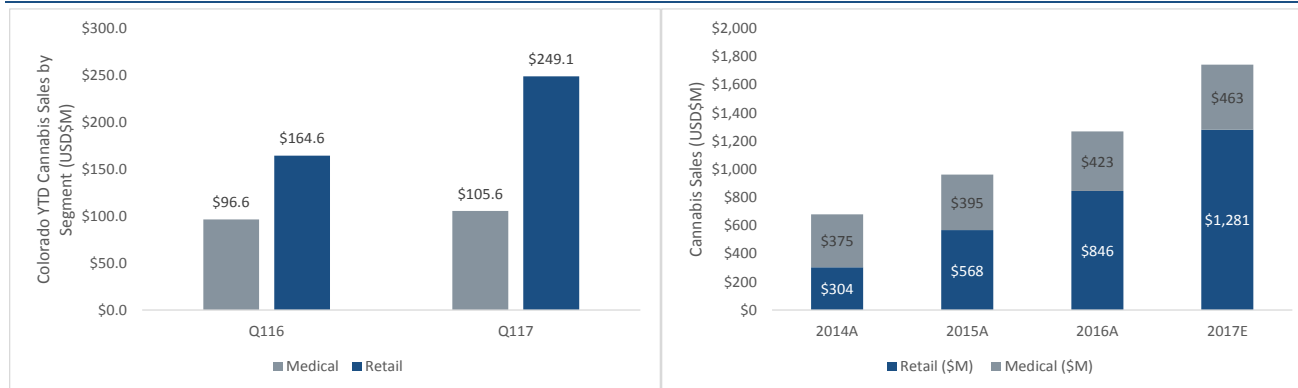
The bill leaves much of the implementation detail to the individual provinces to iron out, and as of writing, Quebec is the only province that has indicated a target timeline for introducing its own legislation (fall 2017). The biggest looming questions remain the legal minimum age each province will use, and the specific form that the distribution/sales systems will take (e.g., what role will alcohol distribution monopolies, such as the LCBO, and major pharmacy chains, such as Shoppers Drug Mart have?).

Canada’s Cannabis Industry could Generate Annual Sales of US\$11.3B in C2020: We view Colorado as a solid leading indicator for Canada’s market. Because CO legalized its recreational market in C2014, its current revenue levels indicate where Canada’s retail sales may be in C2020/21.

Colorado sales tax data for March 2017 imply aggregate medical and adult use/recreational sales of US\$127M for the month, bringing CQ117 aggregate sales to almost US\$355M. That represents y/y growth of 36%, including 9% growth of medical sales and 51% in recreational/adult use sales (shown in the next exhibit, left).

Adult use sales growth rates are actually accelerating, from 38% y/y in January to 48% in February and 68% for March. Should the CQ117 sales growth rate persist, C2017 cannabis sales would reach US\$1.7B on a population base of 5.5M. This is illustrated in the next exhibit (right).

Exhibit 13 – Colorado CQ117 Cannabis Sales (left); Annual Sales (right)



Source: Colorado Department of Revenue, Echelon Wealth Partners

Canada has a population of 36.5M, or approximately 6.6x that of Colorado. Should sales growth in Canada follow the same path as Colorado’s, cannabis sales in Canada would reach US\$11.3B in C2020.

We also note that the legal age for adult use possession in CO is 21. Canada’s federal government has proposed a minimum age of 18, though we remind readers that the provinces are free to set the minimum age at a higher level. Moreover, we believe that comparatively easier/faster licensing requirements in CO has contributed to an increase in product supply that has significantly reduced wholesale cannabis prices, so its retail sales data is particularly impressive because those dollar amounts reflect strong volume growth that has more than offset pricing pressure.

Invictus has a Strong Balance Sheet & Shareholder Base

Future Harvest Results: IMH reported F2017 revenue of \$2.5M, down from \$3.7M in the prior year due primarily to the sale of the Sunblaster product line of Future Harvest. While our estimates do reflect a contribution from this business going forward, the growth focus is clearly the cannabis production opportunity.

The Balance Sheet Fully Funds Capacity Expansion to 18,400 kg: We estimate Invictus' cash position will be approximately \$20M at the end of July (Q218). This reflects two financings that generated \$41.2M in gross proceeds, less the issuance costs, the \$6M cash component of the Acreage Pharms acquisition, the remaining \$5.5M payment for AB Ventures and growth CAPEX. We estimate that IMH can self-finance the expansion of Acreage Pharms, AB Labs and AB Ventures to an aggregate annualized capacity of almost 18,400 kg.

Prior equity financings include (in reverse order):

- **April 2017: \$25.0M bought deal at \$1.35/unit including full exercise of the over-allotment** – Each unit includes one share plus a ½ warrant exercisable at \$1.75/shr through November 24, 2018 (i.e. 18 months). Echelon Wealth Partners was a member of the investment banking syndicate. The four-month hold period expires on September 25, 2017.
- **March 2017: \$16.2M bought deal private placement at \$1.65/unit including partial exercise of the over-allotment** - Each unit included one share plus a ½ warrant convertible at \$2.35/shr through September 2018 (i.e. 18-months). IMH has the option to accelerate the expiry if the 10-day VWAP exceeds \$3.75/shr. The four-month hold period expires on July 3, 2017.
- **December 2016: \$12.0M non-brokered private placement at \$1.05/unit** – Each unit included one share plus a ½ warrant convertible at \$1.75/shr through June 2018 (18-months). The Company has the option of accelerating the expiry of the warrants if the closing price exceeds \$2.75/shr for 10 straight trading days.

Management & Directors Own Significant Share of Stock: Management and directors own a combined 22.4M shares, representing approximately 28% of the basic SO. The Company has two major institutional investors – K2 & Associates and MM Asset Management – who own approximately 12% and 3% of the basic shares outstanding, respectively.

Exhibit 14 – Major Shareholders

Shareholder	Shares (M)	% of Basic SO
Trevor Dixon - CEO	10.0	12.5%
Brenda Dixon - CSO	10.0	12.5%
Dan Kriznic - Executive Chairman	2.3	2.9%
Other Management & Directors	0.1	0.1%
Management & Directors	22.4	28.0%
K2 & Associates	9.5	11.9%
MM Asset Management	2.4	3.0%
Known Institutional Ownership	12.0	14.9%

Source: Company Reports, Capital IQ, Echelon Wealth Partners

Invictus has approximately 80.1M basic shares outstanding, with options and warrants bringing the fully-diluted share count to 113.1M shares. Full conversion of the outstanding warrants would generate gross proceeds of approximately \$45.8M, although the portion that are currently in-the-money (ITM) represent potential proceeds of \$1.0M.

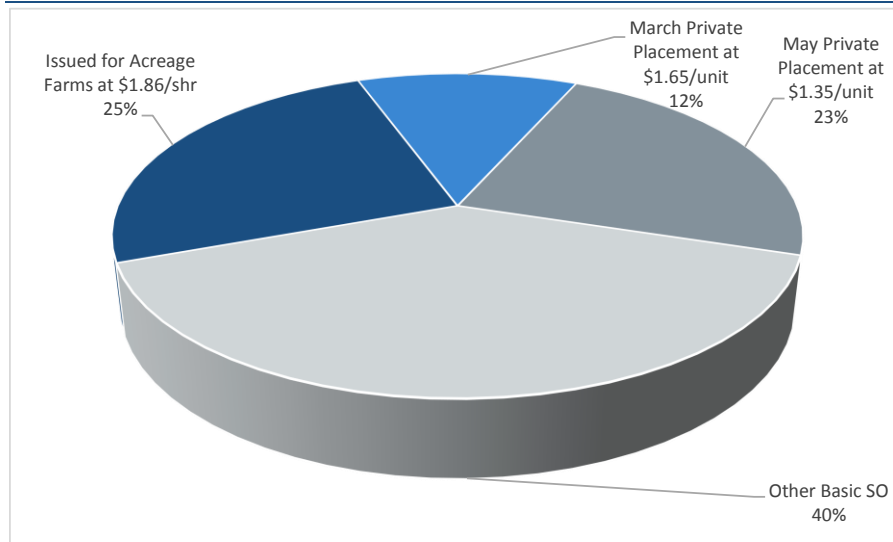
Exhibit 15 – Share Structure

	Outstanding (M)	Potential Proceeds (\$M)	ITM Proceeds (\$M)
Basic SO	80.1		
Options	6.6	\$10.1	\$0.5
Warrants	26.4	\$45.8	\$1.0
Total Dilutive	33.0	\$55.8	\$1.5
Fully Diluted OS	113.1		
Adjusted Diluted OS (ITM only)	82.8		

Source: Company Reports, Echelon Wealth Partners

The chart below illustrates the various prices at which stock has been issued.

Exhibit 16 – Prior Share Issuances/Prices



Source: Company Reports, Echelon Wealth Partners

Investment Risks

While this is not an exhaustive list, we view the following as the most relevant to investors in Invictus.

Regulatory Risk: In April 2017, Canada's federal government introduced Bill C-45, otherwise known as the Cannabis Act, which would legalize recreational/adult use of cannabis. The government has indicated that it plans to bring the legislation into force by July 2018.

Many of the details with respect to sales and distribution are being left to the individual provinces to determine, and as of writing, there is little more than speculation as to what the market will really look like. This uncertainty will likely linger and potentially weigh on the market until individual provinces make their plans known.

Competition Risk: To date, the medical market in Canada has grown so rapidly that the biggest challenge LPs currently have had is keeping up with demand. Eventually, the industry will mature, and individual LPs will have to battle each other for market share (or higher value product niches) in order to continue expanding revenue and protect margins. This will become particularly true as dried cannabis becomes more commoditized (see below).

We believe the relationship with Canopy gives Invictus some immediate credibility and brand recognition, which positions it well to drive sales growth through capacity expansion.

Forecasting Risk: Our estimates contemplate significant production and revenue growth for Invictus. While expansion plans are largely within a company's control, the pricing any one producer realizes is subject to prevailing market conditions.

In our view, the variable involving the most uncertainty in our model is realized pricing. Many LPs have completed significant equity financings in order to fund capacity expansions, and while the market is currently in short supply of product, there is the risk of eventual oversupply.

In order to achieve the government's objective of diverting cannabis revenue out of the hands of criminal elements, final pricing will have to be comparable to that in the illicit market. This will mean that cultivation operations will have to be content with realized pricing for dried cannabis that is well below current levels in order to allow for the revenue impact of both federal/provincial taxes and whatever distribution system is allowed by each province.

We therefore believe a sustainable business model is one that involves specific initiatives for moving up the value chain into products that will be less commoditized, as they should offer better price and margin protection.

Appendix A: Senior Management Team

Dan Kriznic, Executive Chairman, Founder & Director

Mr. Kriznic founded Invictus MD in June 2014 with a vision to create a Canadian Licensed Producer of cannabis to meet the significant legal demand. He has been responsible for incubating companies in a variety of industries including cannabis, education, real estate, lithium and senior care facilities. Through his strategic direction and execution, these companies have grown to over \$750M in enterprise value. Prior to this, he was a Senior Manager at Deloitte where he served in leadership roles in its Assurance and Advisory group, advising public and privately held companies for a period of 10 years.

Trevor Dixon, CEO & Director

Mr. Dixon founded Acreage Pharms Ltd. in 2013 with his sister Ms. Brenda Dixon, Chief Science Officer. Prior to that, he founded a company that specialized in unique, high quality, bathroom renovations where he developed a franchise system, and within a decade was serving customers in more than 50 cities across Canada. His philosophy of customer value, quality, and excellent service has been carried over into the design and operational strategy of Acreage Pharms Ltd. and Invictus MD.

Herrick Lau, CFO

Mr. Lau, currently the Managing Director of Baron Global Financial Canada Ltd., has over 20 years of experience in financial management and corporate finance. As a senior financial executive, he has acted as CFO and, or a director for various public companies listed on the TSX, TSXV, and CSE. Mr. Lau holds Bachelor and Master's degrees in Business and Economics from Simon Fraser University and is a charter holder of the Chartered Financial Analyst (CFA) designation.

Larry Heinzlmeir, VP of Marketing & Communications

Mr. Heinzlmeir brings over 25 years of executive level experience in sales and marketing with several of the largest publicly traded companies in the for-profit higher education sector, namely DeVry and EDMC, that had a combined market cap in excess of \$7B. He was Vice President, Marketing and CMO of a growth-oriented organization that was Canada's largest private, for profit, education company and was responsible for the aggressive growth of seven brands and over four years grew revenue tenfold. He has extensive experience in developing marketing strategies, multi-brand development, product management, communications, creative and content development, and leveraging digital marketing across multiple platforms and technologies including web, mobile and social.

Appendix B: Board of Directors

Dan Kriznic, Executive Chairman, Founder & Director – see Appendix A

Trevor Dixon, CEO & Director – see Appendix A

George Kveton

Mr. Kveton is a founding partner of LOGSCALE Venture Partners, which focuses on early and growth-stage companies in healthcare. He has in-depth strategic and corporate development experience in fast moving consumer goods. As VP at Japan Tobacco he led M&A transactions valued at US\$1.5B, expansion into in the US and Latin America, as well as deal origination and execution for emerging products. At Philip Morris, he led two major acquisitions (up to US\$1B), readied businesses in Central and Eastern Europe for EU accession, and facilitated new market entries into Croatia and neighbouring countries. His multi-billion dollar private and public company deals are global, spanning five continents. He's a graduate of Queen's, the executive studies at Berkeley Haas and HBS.

Aaron Bowden

Mr. Bowden specializes in taxation and currently manages all areas of taxation for a large Canadian public company with over 12,000 employees and \$4B in sales. Prior to this Mr. Bowden worked at Deloitte advising clients on assurance and tax matters and has been involved in various forms of financing, mergers, acquisitions, and divestitures.

Josef W. Hocher

Mr. Hocher was a founder of Buried Hill Energy, an international oil and gas company, where he acted as co-chief executive in creating, developing and implementing the organization's strategic direction. He continues to serve as the Senior Independent Director and is also either a Chair or a member of various committees. Mr. Hocher also founded Hitic Energy Ltd., and was a partner at Osler, Hoskin & Harcourt LLP. He currently serves as Chairman of Orthoshop Geomatics Ltd., a geomatics services company; holds the position of Chief Commercial Officer at Field Upgrading Limited and Western Hydrogen Limited; and since 2016, has been a Partner at Cassels, Brock & Blackwell LLP.

Paul Sparkes

Mr. Sparkes is an accomplished business leader with over twenty five years' experience in media, public affairs, venture capital, and Canada's political arena. He is Currently President of Otterbury Holdings Inc., a corporation advising growth companies in the private and public markets. Most recently Mr. Sparkes was Executive Vice Chair, Director and co-founder of Difference Capital Financial, a TSX-listed specialty finance company. Previously, Mr. Sparkes was Executive Vice President, Corporate Affairs for CTVglobemedia (now Bellmedia). Prior to joining Bell Globemedia in 2001 as Group Vice-President, Public Affairs, Mr. Sparkes held senior positions in the public service, including with the Government of Canada and the Government of Newfoundland and Labrador. From 1996 to 2001, he served in the Office of the Prime Minister of Canada as Director of Operations, and Special Assistant for Atlantic Canada. Mr. Sparkes also served as Executive Assistant to two Premiers of Newfoundland and Labrador. Mr. Sparkes sits on several public and private boards including Thunderbird Entertainment (private), Bluedrop Performance Learning Inc. (BPL-TSXV, NR), Antler Gold Inc. (ANTL-TSXV, NR) BlastGard International Inc. (BLGA-US) and is a former board member of the Liquor Control Board of Ontario (LCBO).

Appendix C: Historic & Projected Financial Statements

	31-Jan-16	31-Jan-17	30-Apr-17	31-Jul-17	31-Oct-17	31-Jan-18	31-Jan-18	31-Jan-19	31-Jan-19
Income Statements (FYE January 31, \$M)	2016A	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Revenue	3.7	2.5	0.5	0.5	1.2	1.6	3.8	22.4	87.4
Cost of Sales	2.5	1.6	0.4	0.3	1.6	1.4	3.7	8.1	25.3
Gross Profit	1.2	1.0	0.1	0.2	(0.3)	0.2	0.1	14.3	62.1
Selling & Marketing	0.6	0.6	0.7	0.7	0.9	1.0	3.3	9.0	32.8
General & Administrative	1.6	5.7	5.5	0.4	0.4	0.5	6.8	3.7	8.7
Operating Expenses	2.2	6.3	6.2	1.1	1.3	1.4	10.1	12.7	41.5
Operating Income (Loss)	(1.0)	(5.3)	(6.2)	(0.9)	(1.6)	(1.2)	(9.9)	1.6	20.6
Other Income (Expense)	1.0	(0.9)	(2.7)	-	-	-	(2.7)	-	-
Earnings Before Income Tax	(0.0)	(6.2)	(8.9)	(0.9)	(1.6)	(1.2)	(12.6)	1.6	20.6
Income Tax Recovery (Expense)	-	0.5	-	0.2	0.4	0.3	1.0	(0.4)	(5.5)
Net Income (Loss)	(0.0)	(5.7)	(8.9)	(0.7)	(1.2)	(0.9)	(11.6)	1.2	15.1
Non-Controlling Interest	0.1	(0.1)	(0.0)	(0.1)	0.1	(0.2)	(0.2)	(0.0)	0.1
Net Income (Loss) Attributable to Shareholders	(0.1)	(5.6)	(8.9)	(0.6)	(1.3)	(0.8)	(11.5)	1.2	15.0
Basic WASO	3.9	10.5	37.2	80.1	80.1	80.1	69.4	80.1	80.1
Diluted WASO	3.9	10.5	37.2	113.1	113.1	113.1	94.1	113.1	113.1
Basic EPS	(\$0.03)	(\$0.54)	(\$0.24)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.17)	\$0.01	\$0.19
Diluted EPS Attributable	(\$0.03)	(\$0.54)	(\$0.24)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.17)	\$0.01	\$0.13
Revenue Growth	nmf	(31%)	(41%)	(12%)	135%	152%	50%	488%	290%
Gross Margin (IFRS)	33%	39%	13%	40%	(27%)	12%	3%	64%	71%
Adjusted EBITDA									
Operating Income (Loss)	(1.0)	(5.3)	(6.2)	(0.9)	(1.6)	(1.2)	(9.9)	1.6	20.6
Depreciation	0.0	0.1	0.0	0.2	0.3	0.4	0.9	3.7	6.0
EBITDA from Acreage Farms + Future Harvest	(1.0)	(5.3)	(6.2)	(0.7)	(1.3)	(0.8)	(9.0)	5.3	26.6
EBITDA Margin	(26%)	(207%)	(1249%)	(151%)	(107%)	(51%)	(237%)	24%	30%
IMH Share of EBITDA from AB Labs + AB Ventures	-	-	-	(0.1)	0.0	0.0	(0.0)	1.6	2.6
Adjusted EBITDA	(1.0)	(5.3)	(6.2)	(0.8)	(1.3)	(0.8)	(9.0)	7.0	29.2
EBITDA Growth	nmf	nmf	nmf	nmf	nmf	nmf	nmf	nmf	320%
Return on Equity (ROE)	(3%)	(35%)	(48%)	(2%)	(5%)	(3%)	(12%)	1%	13%

Source: Company Filings, Echelon Wealth Partners.

	31-Jan-16	31-Jan-17	30-Apr-17	31-Jul-17	31-Oct-17	31-Jan-18	31-Jan-18	31-Jan-19	31-Jan-19
Balance Sheets (FYE January 31, \$M)	2016A	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Cash & Equivalents	0.2	0.5	4.4	20.0	16.8	16.3	16.3	1.3	12.4
Short-Term Investments	-	3.0	2.1	2.1	2.1	-	-	-	-
Accounts Receivable	1.5	0.6	0.8	0.1	0.3	0.4	0.4	1.6	4.9
Prepaid Expenses & Other	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.3	0.9
Inventory	0.6	0.6	0.6	0.5	1.2	1.6	1.6	7.2	21.9
Loans Receivable	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Assets Held for Sale	4.9	-	-	-	-	-	-	-	-
Current Assets	7.2	5.7	9.0	23.7	21.4	19.2	19.2	11.3	41.0
Investments	-	12.5	12.5	18.0	18.0	18.0	18.0	18.0	18.0
Property & Equipment	0.1	0.4	2.2	4.1	5.7	7.3	7.3	20.1	14.3
Intangible Assets	0.9	1.2	52.9	52.9	52.9	52.9	52.9	52.9	52.9
Other Assets	-	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Non-Current Assets	0.9	14.4	68.0	75.3	77.0	78.6	78.6	91.3	85.6
Total Assets	8.1	20.0	77.0	99.0	98.3	97.8	97.8	102.7	126.5
Bank Indebtedness	0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Accounts Payable & Accrued Liabilities	1.2	0.3	0.9	0.3	0.7	0.9	0.9	4.0	12.1
Note Payable	-	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Due to Related Party	-	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Current Liabilities	1.6	2.4	1.3	0.7	1.1	1.3	1.3	4.4	12.5
Convertible Loan	0.2	-	-	-	-	-	-	-	-
Deposit	0.1	-	-	-	-	-	-	-	-
Liabilities Associated with Assets Held for Sale	0.5	-	-	-	-	-	-	-	-
Non-Current Liabilities	0.8	-	-	-	-	-	-	-	-
Total Liabilities	2.4	2.4	1.3	0.7	1.1	1.3	1.3	4.4	12.5
Share Capital	3.9	17.3	71.9	95.1	95.1	95.1	95.1	95.1	95.1
Subscriptions Receivable	-	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Contributed Surplus	0.4	6.1	18.5	18.7	18.8	19.0	19.0	19.6	20.2
Equity Portion of Convertible Loan	0.1	-	-	-	-	-	-	-	-
Retained Earnings Deficit	(0.8)	(7.4)	(16.3)	(16.8)	(18.1)	(18.9)	(18.9)	(17.7)	(2.6)
Shareholders' Equity	3.5	16.0	74.0	96.8	95.6	95.0	95.0	96.8	112.5
Non-Controlling Interest	2.2	1.6	1.6	1.5	1.6	1.5	1.5	1.4	1.5
Total Liabilities & Shareholders' Equity	8.1	20.0	77.0	99.0	98.3	97.8	97.8	102.7	126.5

Source: Company Filings, Echelon Wealth Partners

	31-Jan	31-Jan	30-Apr	31-Jul	31-Oct	31-Jan	31-Jan	31-Jan	31-Jan
Cash Flow Statements (FYE January 31, \$M)	2016A	2017A	Q118A	Q218E	Q318E	Q418E	2018E	2019E	2020E
Net Income (Loss)	(0.0)	(5.7)	(8.9)	(0.7)	(1.2)	(0.9)	(11.6)	1.2	15.1
Accretion of Convertible Debt	0.0	-	-	-	-	-	-	-	-
Bargain Purchase Gain	(0.5)	-	-	-	-	-	-	-	-
Gain on Fair Value Remeasurement of Equity	(0.7)	-	-	-	-	-	-	-	-
Depreciation	0.0	0.1	0.0	0.2	0.3	0.4	0.9	3.7	6.0
Gain on Settlement of Debt	(0.0)	-	-	-	-	-	-	-	-
Interest Expense	0.0	0.1	-	-	-	-	-	-	-
Loss on Sale of Investments and Subsidiaries	(0.1)	-	-	-	-	-	-	-	-
Loss on Sale of SunBlaster	-	0.7	-	-	-	-	-	-	-
Other Income	(0.0)	-	-	-	-	-	-	-	-
Share of Loss of Equity-Accounted Investees	0.1	-	-	-	-	-	-	-	-
Share-based Compensation	0.1	2.4	6.6	0.2	0.2	0.2	7.0	0.6	0.6
Non-Cash Items	(1.0)	3.3	6.6	0.3	0.5	0.6	7.9	4.3	6.6
Operating Cash Flow (before Working Capital)	(1.0)	(2.4)	(2.3)	(0.4)	(0.7)	(0.3)	(3.7)	5.5	21.7
Net Change in Working Capital	(0.0)	(0.1)	0.4	0.3	(0.5)	(0.3)	(0.1)	(4.0)	(10.4)
Cash From (Used In) Operating Activities	(1.1)	(2.5)	(1.9)	(0.1)	(1.3)	(0.6)	(3.8)	1.5	11.4
Investments	-	(7.0)	-	(5.5)	-	-	(5.5)	-	-
Short-Term Investments	-	(3.0)	0.9	-	-	2.1	3.0	-	-
Loans Receivable	-	(1.0)	-	-	-	-	-	-	-
Other Assets	-	(0.3)	(0.0)	-	-	-	(0.0)	-	-
Proceeds on Sale of SunBlaster	-	3.7	-	-	-	-	-	-	-
Proceeds on Disposal of Subsidiary	0.0	-	-	-	-	-	-	-	-
Acquisition of Subsidiaries	(1.6)	-	(6.2)	-	-	-	(6.2)	-	-
Acquisition of Additional Interest in Future Harvest	-	(0.6)	-	-	-	-	-	-	-
Cash Acquired on Acquisition of Subsidiaries	0.3	-	-	-	-	-	-	-	-
Cash Disposed of on Disposal of Subsidiaries	(0.0)	-	-	-	-	-	-	-	-
Purchase of Property & Equipment	(0.0)	(0.4)	(0.0)	(2.0)	(2.0)	(2.0)	(6.0)	(16.5)	(0.3)
Intangible Assets	(0.1)	(0.3)	(0.1)	-	-	-	(0.1)	-	-
Cash From (Used In) Investing Activities	(1.4)	(8.8)	(5.4)	(7.5)	(2.0)	0.1	(14.8)	(16.5)	(0.3)
Dividends	-	(0.9)	-	-	-	-	-	-	-
Deposit Received on Assets Held for Sale	0.1	-	-	-	-	-	-	-	-
Exercise of Warrants	0.3	1.3	0.2	-	-	-	0.2	-	-
Exercise of Options	-	0.0	-	-	-	-	-	-	-
Private Placements	1.6	12.7	16.2	25.0	-	-	41.2	-	-
Share Issuance Costs	(0.1)	(0.9)	(1.2)	(1.8)	-	-	(3.0)	-	-
Bank Indebtedness	0.2	(0.4)	(0.0)	-	-	-	(0.0)	-	-
Repayment of Note Payable	-	-	(2.0)	-	-	-	(2.0)	-	-
Repayment of Convertible Loan	-	(0.3)	-	-	-	-	-	-	-
Repayment to Related Party	-	-	(2.0)	-	-	-	(2.0)	-	-
Proceeds from Issuance of Convertible Loan	0.3	-	-	-	-	-	-	-	-
Cash From (Used In) Financing Activities	2.4	11.6	11.2	23.2	-	-	34.4	-	-
Net Increase (Decrease) in Cash	(0.1)	0.2	4.0	15.6	(3.3)	(0.5)	15.8	(15.0)	11.1
Beginning Cash	0.4	0.2	0.5	4.4	20.0	16.8	0.5	16.3	1.3
Ending Cash	0.2	0.5	4.4	20.0	16.8	16.3	16.3	1.3	12.4
Free Cash Flow	(2.4)	(10.7)	(12.0)	(8.2)	(4.3)	(3.4)	(27.7)	(14.7)	21.4
Free Cash Flow per Share	(\$0.61)	(\$1.02)	(\$0.32)	(\$0.07)	(\$0.04)	(\$0.03)	(\$0.29)	(\$0.13)	\$0.19
Free Cash Flow Yield	(54%)	(89%)	(114%)	(25%)	(13%)	(11%)	(26%)	(11%)	17%

Source: Company Filings, Echelon Wealth Partners

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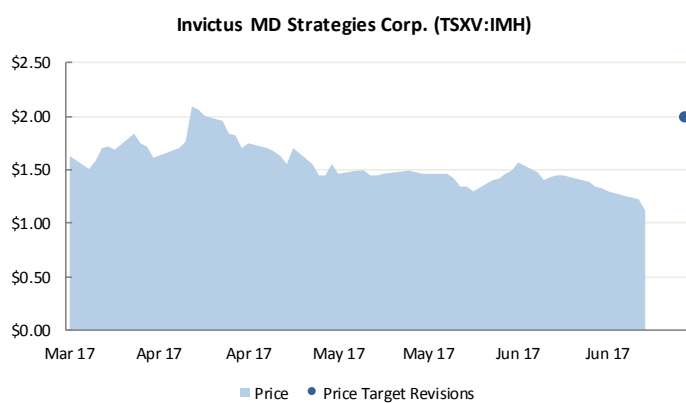
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