INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and nine months ended September 30, 2020 and 2019

Indiva Limited
Condensed Consolidated Interim Statements of Financial Position
(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at	Note	September 30, 2020 $	December 31, 2019 $
ASSETS			
Current assets			
Cash		**420,128**	631,106
Taxes receivable		**298,216**	380,252
Accounts receivable	5	**3,060,055**	445,930
Inventory	6	**9,678,160**	8,343,843
Biological assets	7	**181,128**	453,867
Prepaid expenses and other	8	**672,544**	257,758
Total current assets		**14,310,231**	10,512,756
Other non-current assets			
Property, plant and equipment	9	**22,915,244**	18,773,075
Assets in process	10	**21,370**	3,694,404
Building, equipment and construction deposits		**389,567**	1,399,882
Intangible assets	11	**2,134,153**	9,030
Investment in joint venture	12	**-**	1,766,833
Equity investment		**1**	1
Promissory note		**1**	1
Prepaid royalties	13	**1,948,950**	1,948,950
Total assets		**41,719,517**	38,104,932
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**6,882,962**	9,413,077
Excise tax payable		**640,669**	62,461
Factoring payable	14	**1,844,674**	143,630
Deferred revenue	15	**2,862,448**	-
Other liabilities	16	**218,973**	584,870
Loan payable	14	**845,557**	6,232,998
Lease liability	17	**121,139**	103,929
Promissory note	18	**1,334,187**	-
Provision for onerous contract	28	**376,851**	-
Total current liabilities		**15,127,460**	16,540,965
Other non-current liabilities			
Other liabilities	16	**697,606**	-
Deferred revenue	15	**28,350**	-
Lease liability	17	**1,251,963**	814,398
Loan payable	14	**4,365,514**	-
Convertible debentures	19	**2,394,346**	1,457,958
Total liabilities		**23,865,239**	18,813,321
Equity			
Share capital	20	**42,237,981**	37,487,265
Contributed surplus		**398,267**	398,267
Reserves		**9,590,374**	7,239,801
Accumulated other comprehensive loss		**(19,537)**	(19,537)
Accumulated deficit		**(34,352,807)**	(25,814,185)
Total equity		**17,854,278**	19,291,611
Total liabilities and equity		**41,719,517**	38,104,932

Going Concern (Note 3), Commitments (Note 28), and Subsequent Events (Note 33)

These condensed consolidated interim financial statements were approved by the Board of Directors of Indiva Limited on November 25, 2020.

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Indiva Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	**Three months ended September 30**		**Nine months ended September 30**	
		2020	2019	**2020**	2019
		$	$	**$**	$
Gross revenue	**22**	**3,422,198**	211,386	**8,513,532**	703,801
Excise taxes		**(394,952)**	(25,847)	**(913,291)**	(103,393)
Net revenue		**3,027,246**	185,539	**7,600,241**	600,408
Cost of goods sold		**(2,355,385)**	(158,723)	**(6,286,262)**	(691,272)
License fee	**22**	**(1,086)**	-	**(518,598)**	-
Write down of inventory to net realizable value	**6**	**(145,906)**	-	**(472,979)**	-
Gross margin before fair value adjustments		**524,869**	26,816	**322,402**	(90,864)
Fair value adjustment on sale of inventory		**(167,505)**	(8,118)	**(234,473)**	(58,726)
Unrealized fair value adjustment on biological assets	**7**	**156,451**	108,908	**419,593**	196,991
Gross margin		**513,815**	127,606	**507,522**	47,401
Operating expenses					
General and administrative		**1,551,045**	1,728,778	**3,912,907**	4,992,466
Marketing and sales		**409,369**	645,276	**1,038,097**	1,571,104
Research and development		**512**	19,375	**3,428**	114,040
Share-based compensation	**20(c)**	**67,074**	135,485	**178,693**	502,456
Depreciation of property, plant and equipment	**9**	**95,333**	210,382	**184,238**	500,824
Amortization of intangible assets	**11**	**44,448**	2,763	**44,566**	22,267
Total operating expenses		**2,167,781**	2,742,059	**5,361,929**	7,703,157
Loss from operations		**(1,653,966)**	(2,614,453)	**(4,854,407)**	(7,655,756)
Other income (expenses)					
Realized foreign exchange gain (loss)		**(10,625)**	(12,338)	**(33,821)**	(26,476)
Unrealized foreign exchange gain (loss)	**12**	**(6,901)**	216	**57,099**	(55,284)
Interest and financing expenses		**(316,841)**	(5,197)	**(994,484)**	(7,975)
Interest on other liabilities	**16(b)**	**(37,824)**	-	**(37,824)**	-
Accretion and interest on convertible debentures	**19**	**(145,960)**	-	**(282,472)**	(72,747)
Transaction costs		**(108,624)**	-	**(298,744)**	-
Interest income		**7**	5,040	**7**	139,473
Expected credit loss		**-**	-	**(115,391)**	(326,726)
Share of income (loss) from investment in joint venture	**12**	**(5,749)**	-	**133,091**	-
Loss on non-refundable deposits	**8**	**(681,405)**	-	**(985,751)**	(552,217)
Provision for onerous contract	**28**	**(376,851)**	-	**(376,851)**	-
Loss on issuance of shares	**19**	**(25,400)**	-	**(25,400)**	-
Gain on settlement of joint venture	**12**	**10,621**	-	**10,621**	-
Loss on assets in process	**10**	**-**	-	**(88,161)**	-
Loss on disposal of equipment	**9**	**(212,263)**	-	**(646,134)**	-
Loss and comprehensive loss attributable to shareholders		**(3,571,781)**	(2,626,732)	**(8,538,622)**	(8,557,708)
Loss per share, basic and diluted	**21**	**(0.04)**	(0.03)	**(0.09)**	(0.10)
Weighted average number of outstanding shares, basic and diluted	**21**	**102,010,023**	83,036,228	**91,021,202**	83,036,228

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Indiva Limited

Condensed Consolidated Interim Statements of Changes in Equity

For the three and nine months ended September 30, 2020 and 2019

(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	$	$	$	$	$	$
Balance, January 1, 2020		83,588,269	37,487,265	398,267	7,239,801	(25,814,185)	(19,537)	19,291,611
Stock based compensation	**20(c)**	-	-	-	178,693	-	-	178,693
Equity portion of convertible debentures issued in 2020	**19**	-	-	-	722,288	-	-	722,288
Conversion of convertible debentures	**19**	7,500,000	1,540,061	-	(460,513)	-	-	1,079,548
Equity units issued with purchase warrants	**20(a)**	17,264,996	3,365,553	-	1,813,946	-	-	5,179,499
Shares issued in lieu of interest	**19**	461,832	140,858	-	-	-	-	140,858
Broker warrants	**20(a)**	-	(96,159)	-	96,159	-	-	-
Share issuance costs		-	(199,597)	-	-	-	-	(199,597)
Loss and comprehensive loss for the period		-	-	-	-	(8,538,622)	-	(8,538,622)
Balance, September 30, 2020		**108,815,097**	**42,237,981**	**398,267**	**9,590,374**	**(34,352,807)**	**(19,537)**	**17,854,278**

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	$	$	$	$	$	$
Balance, January 1, 2019		83,036,228	37,282,515	-	6,548,367	(14,416,291)	(19,537)	29,395,054
Stock based compensation		-	-	-	502,456	-	-	502,456
Loss and comprehensive loss for the period		-	-	-	-	(8,557,708)	-	(8,557,708)
Balance, September 30, 2019		**83,036,228**	**37,282,515**	**-**	**7,050,823**	**(22,973,999)**	**(19,537)**	**21,339,802**

The accompanying notes are an integral part of these condensed consolidated interim financial statements

Indiva Limited
Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended September 30, 2020 and 2019
(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	September 30, 2020 $	September 30, 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss and comprehensive loss for the period		**(8,538,622)**	(8,557,708)
Adjustments to reconcile net loss to cash used in operating activities:			
Unrealized fair value adjustment on biological assets	**7**	**(419,593)**	(196,991)
Realized fair value adjustment on sale of inventory		**234,473**	58,726
Write-off of inventory to net realizable value	**6**	**472,979**	-
Depreciation and amortization	**9, 11**	**228,804**	523,091
Amortization of transaction costs on loan payable	**14**	**255,566**	-
Accretion of discount on convertible debenture	**19**	**192,659**	72,747
Accretion of transaction costs on convertible debentures	**19**	**7,765**	-
Interest accretion on lease liability	**17**	**68,903**	-
Interest accretion on other liabilities	**16**	**37,824**	-
Interest accretion on promissory note	**18**	**14,736**	-
Interest capitalized in purchase of assets in process	**10**	**(179,379)**	-
Accretion of transaction costs on promissory note	**18**	**13,615**	-
Share of income from investment in joint venture	**12**	**(133,137)**	-
Unrealized exchange (gain) loss	**12**	**(57,100)**	55,284
Gain on settlement of joint venture	**12**	**(10,621)**	-
Share-based compensation	**20(c)**	**178,693**	502,456
Shares issued in lieu of interest on convertible debentures	**19**	**140,858**	-
Loss on disposal of property, plant and equipment and intangibles	**9**	**646,134**	101,302
Loss on assets in process	**10**	**88,161**	-
Provision for onerous contract	**28**	**376,851**	-
Expected credit loss	**12**	**115,391**	326,726
Interest income		**(7)**	(139,473)
Changes in non-cash operating working capital	**23**	**(774,711)**	1,068,865
Total cash outflows used in operating activities		**(7,039,758)**	(6,184,975)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	**9**	**(133,112)**	(7,259,533)
Proceeds on disposal of property, plant and equipment	**9**	**238,094**	1,000
Acquisition of assets in process	**10**	**(943,209)**	(5,498,872)
Acquisition of intangible assets		**-**	(9,375)
Funds provided for promissory note		**-**	(300,000)
Interest received		**7**	139,473
Total cash outflows used in investing activities		**(838,220)**	(12,927,307)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of issuance costs	**20**	**4,979,902**	-
Proceeds from issuance of convertible debentures	**19**	**2,537,800**	-
Payment of principal portion of lease liabilities	**17**	**(138,893)**	-
Advances on secured bridge loan	**14**	**4,967,482**	-
Repayment of secured bridge loan	**14**	**(3,266,439)**	-
Repayment of loan payable	**14**	**(1,287,582)**	-
Transaction costs on loan payable	**14**	**(70,810)**	-
Transaction costs on promissory note	**18**	**(54,460)**	-
Total cash inflows from financing activities		**7,667,000**	-
Decrease in cash		**(210,978)**	(19,112,282)
Cash, beginning of period		**631,106**	19,565,606
Cash, end of period		**420,128**	453,324

Supplemental cash flow information is provided in Note 23

The accompanying notes are an integral part of these condensed consolidated interim financial statements

1. CORPORATE INFORMATION

Indiva Limited (the "Company") was incorporated on September 13, 1979, as "Thunder Sword Resources Inc." under the Laws of British Columbia. On November 20, 2009, the Company changed its name to Rainmaker Mining Corp., and on May 8, 2014, as part of the Company's rebranding, the Company again changed its name to Rainmaker Resources Ltd. ("Rainmaker").

On December 13, 2017, the Company completed a reverse takeover transaction, pursuant to which Indiva Corporation amalgamated with a wholly-owned subsidiary of the Company and was subsequently renamed Indiva Limited. The Company's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "NDVA" and the OTCQX under the symbol "NDVAF".

Its wholly-owned subsidiary, Indiva Inc. is a licensed producer of marijuana under the Cannabis Act and Cannabis Regulations (formerly Health Canada's *Access to Cannabis for Medical Purposes Regulations* "ACMPR"), in London, Ontario, focused on manufacturing derivative products and the cultivation of cannabis. The Company received the sales amendment to its licence on August 10, 2018 and its extracts, edibles and topicals amendment on January 31, 2020.

The address of the Company's corporate office is 333 Preston Street, Suite 710, Ottawa, Ontario, K1S 5N4.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019 (the "2019 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All figures presented in these Interim Financial Statements are reflected in Canadian dollars, which is also the functional currency of the Company and its subsidiaries. The Interim Financial Statements have been prepared using accounting policies consistent with those described in the 2019 Annual Financial Statements except for new accounting policies for government grants and joint operation.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on August 31, 2020.

(b) COVID-19 ESTIMATION UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially disrupt the Company's operations during the three months ended September 30, 2020. The production and sale of cannabis have been recognized as essential services across Canada. As at September 30, 2020, the Company has not observed any material impairments of its assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

(c) GOVERNMENT GRANTS

The Company recognizes government grants when there is reasonable assurance that the Company will comply with the conditions of the grant and the grant will be received. Government grants receivable are recorded in accounts receivable on the condensed consolidated interim statement of financial position. The Company recognizes government grants in the condensed consolidated interim statements of loss and comprehensive loss as a reduction in expenses in the same period as the expenses for which the grant is intended to compensate. In cases where a government grant becomes receivable as compensation for expenses already incurred in prior periods, the grant is recognized in the condensed consolidated interim statements of loss and comprehensive loss in the period in which it becomes receivable.

(d) JOINT OPERATION

The Company has entered into license and manufacturing agreements that are subject to joint arrangements. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. For joint operations, the Company recognizes its share of revenues, expenses, assets and liabilities, which are included in their respective descriptions on the condensed consolidated interim statement of financial position and condensed consolidated interim statements of loss and comprehensive loss. When an entity enters into a transaction with a joint operation in which it is a joint operator, such as a sale or contribution of assets, it is conducting the transaction with the other parties to the joint operation and, as such, the joint operator shall recognise gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation.

(e) ASSET ACQUISITION

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

3. GOING CONCERN

These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company has incurred losses in the current and prior periods, with a loss and comprehensive loss attributable to shareholders of $3,571,781 and $8,538,622 during the three and nine month periods ended September 30, 2020 (three and nine months ended September 30, 2019 – net loss of $2,626,732 and $8,557,708), an accumulated deficit of $34,352,807 at September 30, 2020 (December 31, 2019 - $25,814,185), and negative cash flow from operations during the nine months ended

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September 30, 2020 of $7,039,758 (nine months ended September 30, 2019 – negative cash flows from operations of $6,184,975). These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in the Interim Financial Statements.

The Company will need to raise additional financing in the form of debt and/or equity in order to fund continuing operations. Even if the Company has been successful in raising funds in the past, there is no assurance that it will manage to obtain financing in the future.

In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. If the going concern assumption was not appropriate for these Interim Financial Statements, then adjustments would likely be necessary in the carrying amounts of assets and liabilities, expenses, the accumulated deficit and the classification used in the condensed consolidated interim statement of financial position. These adjustments could be material.

4. NEW STANDARDS

New standards and interpretations adopted

Amendment to IFRS 3 – Business Combinations

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

5. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	September 30, 2020	December 31, 2019
	$	$
Trade receivables	**545,977**	261,583
Trade receivables subject to factoring arrangement	**2,305,843**	182,332
Other receivables – CEWS	**206,298**	-
Other receivables	**1,937**	2,015
Total accounts receivable	**3,060,055**	445,930

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement (Note 14).

(Unaudited, Expressed in Canadian dollars, except per share amounts)

The Company has not recognized any expected credit loss related to accounts receivable for the three and nine months ended September 30, 2020 (September 30, 2019 - $nil).

In April 2020, the Government of Canada announced the Canada Emergency Wage Subsidy ("CEWS") in order to help employers keep and/or return Canadian-based employees to payrolls in response to challenges posed by the COVID-19 pandemic. The Company determined that it met the employer eligibility criteria and applied for the CEWS retroactively to June 7, 2020. The Company was eligible to receive $846,414 and $1,138,295 for three and nine months ended September 30, 2020, and amounts claimed but not received are included in accounts receivable as at September 30, 2020. During the three and nine months ended September 30, 2020, $572,935 and $830,577, respectively, of the wage subsidy relates to the Company's production employees and has reduced the cost of inventory produced during the period, $137,809 and $154,459 has been recorded as a credit to wages and salaries expense for administrative employees included in general and administrative expenses and $135,670 and $153,259 for marketing and sales employees has been included in marketing and sales expense. The Company intends to continue its participation in the CEWS program, subject to meeting the eligibility requirements. There are no unfulfilled conditions or other contingencies related to the current CEWS program.

6. INVENTORY

Inventory consisted of the following as at:

	September 30, 2020			December 31, 2019
	Capitalized cost	**Biological assets fair value adjustments**	**Total**	Total
	$	**$**	**$**	$
Dried cannabis				
Finished goods	233,233	70,839	**304,072**	117,032
Work-in-process	720,277	278,793	**999,070**	255,474
Cannabis extracts				
Finished goods	1,297,676	-	**1,297,676**	1,126,186
Work-in-process	4,753,967	-	**4,753,967**	6,122,626
Processing services				
Finished goods	294,028	-	**294,028**	-
Work-in-process	9,494	-	**9,494**	-
Harvested cannabis trim	411,491	-	**411,491**	98,923
Packaging, supplies and other inventory	1,608,362	-	**1,608,362**	623,602
Total inventory	**9,328,528**	**349,632**	**9,678,160**	8,343,843

Inventory expensed to cost of goods sold during the three and nine months ended September 30, 2020 was $1,927,246 and $5,855,073 respectively (three and nine months ended September 30, 2019 – $158,723 and $691,271). In the three and nine months ended September 30, 2020, the Company recorded inventory write-offs totalling $146,906 and $472,979, where the carrying costs of inventory exceeded the net realizable value (three and nine months ended September 30, 2019 - $nil).

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At September 30, 2020, inventory included $303,522 (December 31, 2019 - $8,987) of goods that are finished or in-process related to the Company's contract manufacturing agreements. The carrying value of these goods represents the manufacturing cost incurred by the Company.

7. BIOLOGICAL ASSETS

The changes in the carrying value of the biological assets are as follows:

	September 30, 2020	December 31, 2019
	$	$
Carrying amount, beginning of period	**453,867**	-
Production costs capitalized	**875,931**	536,901
Net increase in fair value due to biological transformation less cost to sell	**419,593**	375,627
Plants sold prior to harvest	**-**	(4,308)
Transferred to inventory upon harvest	**(1,568,263)**	(454,353)
Carrying amount, end of period	**181,128**	453,867

As at September 30, 2020, the fair value of biological assets included $181,128 in cannabis plants (December 31, 2019 - $453,867). The significant estimates used in determining the fair value of cannabis plants are as follows:

- Yield by plant;
- Stage of growth estimated as the amount of time in growth stage compared to previous timelines for the same or comparable strains;
- Percentage of costs incurred for each stage of plant growth;
- Post-harvest costs calculated as the cost per gram of harvested cannabis to complete the sale of cannabis plants post-harvest, consisting of direct and indirect materials and labour related to processing, labelling, packaging and shipping;
- Wastage – represents the weighted average percentage of plants which are expected to fail to mature into cannabis plants that can be harvested; and
- Fair value selling price per gram less cost to complete and cost to sell.

The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the cost to sell. For in-process biological assets, the fair value at the point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the time the asset has spent in the grow cycle compared to the estimated time of the full life cycle to the point of harvest and is used to arrive at an in-process fair value for estimated biological assets, which have not yet been harvested.

Management's identified significant unobservable inputs, their range of values and sensitivity analysis of the impact that a 5% increase or decrease in each input would have on the fair value of biological assets are presented in the table below:

(Unaudited, Expressed in Canadian dollars, except per share amounts)

Unobservable inputs	September 30, 2020, input values	December 31, 2019, input values	5% increase (decrease) in significant input as at September 30, 2020	5% increase (decrease) in significant input as at December 31, 2019
Average selling price Obtained through actual purchase and sale prices observed in the marketplace	$5.08 – $5.30 per gram	$4.65 - $5.41 per gram	$16,000 increase ($16,000 decrease)	$29,000 increase ($29,000 decrease)
Yield per plant Obtained through historical harvest cycle results on a per strain basis or where practicable actual harvest results used	32 - 43 grams per plant	23 - 34 grams per plant	$9,000 increase ($9,000 decrease)	$23,000 increase ($23,000 decrease)
Stage of growth Obtained through the estimates of stage of completion within the harvest cycle from historical harvest timelines	Average of 77% complete	Average of 59% complete	$4,000 increase ($9,000 decrease)	$25,000 increase ($22,000 decrease)
Post harvest costs include drying and curing, testing, post-harvest overhead allocation, packaging and labelling costs	$2.34 per gram	$1.14 per gram	$7,000 decrease ($7,000 increase)	$7,000 decrease ($7,000 increase)
Wastage Represents the average percentage of biological assets which are expected to fail to mature into cannabis plants that can be harvested	1%–3% dependent upon the strain	7%–9% dependent upon the strain	< $1,000 decrease (< $1,000 increase)	$2,000 decrease ($2,000 increase)

The unobservable inputs, all of which are classified as Level 3 on the fair value hierarchy are used in determining the fair value of biological.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

8. PREPAID EXPENSES AND OTHERS

	September 30, 2020	December 31, 2019
	$	$
Rent, security and utility deposits	**290,205**	38,293
Other prepayments	**382,339**	219,465
Total prepaid expenses and others	**672,544**	257,758

Other prepayments are primarily comprised of prepayments for raw materials for production and packaging inventory.

During the three and nine months ended September 30, 2020, the Company wrote off non-refundable deposits totalling $681,405 and $985,751 respectively related to extraction equipment and facility upgrades (three and nine months ended September 30, 2019 - $nil and $552,217). The Company is no longer proceeding with the planned implementation of this line and has shifted resources to other production activities.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

9. PROPERTY, PLANT AND EQUIPMENT

	Land $	Building and building improvements $	Leasehold improvements $	Facility equipment $	Vehicle $	Office equipment & furniture $	Right of use assets $	Total $
Cost								
Balance, January 1, 2019	-	-	4,357,289	1,164,398	74,702	236,783	-	5,833,172
Adoption of IFRS 16	-	-	-	-	-	-	25,742	25,742
Additions	252,275	6,332,873	51,100	1,218,762	2,213	115,418	954,212	8,926,853
Disposal on building purchase	-	(2,390)	-	(54,212)	(2,250)	(6,647)	-	(65,499)
Transferred from assets in process	-	3,795,834	-	1,532,729	-	102,549	-	5,431,112
Transfer between building improvements and leaseholds	-	4,408,389	(4,408,389)	-	-	-	-	-
Balance, December 31, 2019	252,275	14,534,706	-	3,861,677	74,665	448,103	979,954	20,151,380
Additions	-	303,226	25,046	457,435	-	14,378	524,765	1,324,850
Disposals	-	-	(1,100)	(1,016,602)	-	(16,515)	-	(1,034,217)
Transferred from assets in process	-	3,528,070	-	1,005,742	-	16,250	-	4,550,062
Balance, September 30, 2020	**252,275**	**18,366,002**	**23,946**	**4,308,252**	**74,665**	**462,216**	**1,504,719**	**24,992,075**
Accumulated depreciation								
Balance, January 1, 2019	-	-	218,025	231,045	10,437	80,094	-	539,601
Depreciation for the year	-	334,132	25,034	331,124	9,179	89,466	49,769	838,704
Transfer between building improvements and leaseholds	-	243,059	(243,059)	-	-	-	-	-
Balance, December 31, 2019	-	577,191	-	562,169	19,616	169,560	49,769	1,378,305
Depreciation for the period	-	286,647	618	367,042	7,353	71,600	115,255	848,515
Disposals	-	-	(202)	(146,782)	-	(3,005)	-	(149,989)
Balance, September 30, 2020	**-**	**863,838**	**416**	**782,429**	**26,969**	**238,155**	**165,024**	**2,076,831**
Carrying amounts as at:								
December 31, 2019	252,275	13,957,515	-	3,299,508	55,049	278,543	930,185	18,773,075
September 30, 2020	**252,275**	**17,502,164**	**23,530**	**3,525,823**	**47,696**	**224,061**	**1,339,695**	**22,915,244**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at September 30, 2020, $322,759 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2019 - $666,101). In the nine months ended September 30, 2020, building, equipment and construction deposits totaling $1,010,315 have been applied towards the cost of additions to property, plant and equipment.

Total depreciation expense for the three and nine months ended September 30, 2020 was $307,147 and $848,514 respectively (three and nine months ended September 30, 2019 - $290,442 and $500,824), of which $211,698 and $664,277 (three and nine months ended September 30, 2019 - $nil) has been capitalized in the production of biological assets and inventory.

In the three and nine months ended September 30, 2020, the Company disposed of cultivation equipment and related computer hardware with an aggregate book value of $212,263 and $884,228, for proceeds totalling $nil and $238,094 (three and nine months ended September 30, 2020 - $nil).

10. ASSETS IN PROCESS

	Building & building improvements	Leasehold improvements	Facility equipment	Office equipment & furniture	Total
	$	$	$	$	$
Cost					
Balance, January 1, 2019	-	3,875,806	5,938	102,549	3,984,293
Additions	2,111,776	962,906	1,256,362	16,250	4,347,294
Capitalized interest and accretion	834,425	-	-	-	834,425
Disposals	-	(40,496)	-	-	(40,496)
Transfer between categories	2,414,898	(3,429,670)	1,014,772	-	-
Transferred to PPE	(2,427,288)	(1,368,546)	(1,532,729)	(102,549)	(5,431,112)
Balance, December 31, 2019	2,933,811	-	744,343	16,250	3,694,404
Additions	463,044	-	322,766	-	785,810
Capitalized interest and accretion	179,379	-	-	-	179,379
Transfers between categories	(10,665)	-	10,665	-	-
Write-off	-	-	(88,161)		(88,161)
Transferred to PPE	(3,565,569)	-	(968,243)	(16,250)	(4,550,062)
Balance, September 30, 2020	**-**	**-**	**21,370**	**-**	**21,370**

Interest of $nil and $179,379 was capitalized to building improvements during the three and nine months ended September 30, 2020 respectively (three and nine months ended September 30, 2019 - $369,935 and $926,766).

As at September 30, 2020, $nil of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2019 - $157,399).

(Unaudited, Expressed in Canadian dollars, except per share amounts)

During the three and nine months ended September 30, 2020, the Company wrote-off consultant fees capitalized in assets in process totaling $nil and $88,161 respectively, related to the setup of an extraction line in the Company's production facility (three and nine months ended September 30, 2019 - $nil). The amounts were written off as the Company is no longer proceeding with the planned implementation of this line and has shifted resources to other production activities.

11. INTANGIBLE ASSETS

	Lease buyout	Genetics	Book rights	License	Total
	$	$	$	$	$
Cost					
Balance, January 1, 2019	115,000	211,575	97,375	-	423,950
Additions	-	9,375	-	-	9,375
Disposal on building purchase	(115,000)	-	-	-	(115,000)
Impairment loss	-	(211,575)	(97,375)	-	(308,950)
Balance, December 31, 2019	-	9,375	-	-	9,375
Additions	-	-	-	2,169,689	2,169,689
Balance, September 30, 2020	**-**	**9,375**	**-**	**2,169,689**	**2,179,064**
Accumulated amortization					
Balance, January 1, 2019	70,288	2,575	4,869	-	77,732
Amortization for the year	3,486	10,924	9,738	-	24,148
Disposal on building purchase	(73,774)	-	-	-	(73,774)
Impairment loss	-	(13,154)	(14,607)	-	(27,761)
Balance, December 31, 2019	-	345	-	-	345
Amortization for the period	-	352	-	44,214	44,566
Balance, September 30, 2020	**-**	**697**	**-**	**44,214**	**44,911**
Carrying amounts as at:					
December 31, 2019	-	9,030	-	-	9,030
September 30, 2020	**-**	**8,678**	**-**	**2,125,475**	**2,134,153**

Effective July 20, 2020, the Company and Bhang amended the license agreement (the "Amended License Agreement"), replacing the previous license agreement that was entered into in connection with the Bhang JV (see Note 2). Bhang's interest in the Bhang JV was conveyed to the Company for no consideration and the joint venture agreement was terminated. Under the Amended License Agreement, the Company has the exclusive right to manufacture and sell Bhang THC-infused chocolate products in Canada, and the non-exclusive right to export those products internationally. In exchange for the license, the Company has paid an upfront license fee of $1,355,900 (USD$1,000,000), settled by the $1,355,900 (USD$1,000,000) previously advanced from Indiva to the Bhang JV. In addition to the upfront license fee paid, the Company will pay Bhang a net royalty on the sale of Bhang products manufactured and sold by the Company beginning on the effective date as well as a royalty on any non-Bhang cannabis chocolate products produced and sold by the Company. The agreement includes minimum monthly royalty payments throughout the term. The present value of the minimum royalty payments is also included in the cost of the license and a liability in the amount of $813,789 has been recorded in other liabilities on the condensed consolidated interim statement of financial position. The minimum royalty payments have been discounted using an effective interest rate of 22.31%.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

12. INVESTMENT IN JOINT VENTURE

The Company owned a 50% interest in 2639177 Ontario Inc. (the "Bhang JV"), a company incorporated in Ontario, under terms of a definitive joint venture agreement with Bhang Corporation ("Bhang"). The joint venture is a private company therefore no quoted market prices are available for its shares. Under the terms of the Amended License Agreement (Note 11) the joint venture agreement was cancelled and the joint venture partner's interest in the Bhang JV was conveyed to the Company for no consideration, making the Bhang JV a wholly-owned subsidiary of the Company.

The Company's net investment in the Bhang JV prior to settlement included:

	$
Opening balance, January 1, 2019	1,364,200
Change in amounts receivable for expenses paid on behalf of joint venture	887,424
Expected credit loss	(26,726)
Change in foreign exchange on loan to joint venture	(65,400)
License fees payable to joint venture	-
Share of loss from joint venture	(392,665)
Ending balance on December 31, 2019	1,766,833
Change in amounts receivable for expenses paid on behalf of joint venture	120,588
Expected credit loss	(115,391)
Change in foreign exchange on loan to joint venture	57,099
License fees payable to joint venture	(518,598)
Share of income from joint venture	133,091
Ending balance on July 19, 2020	1,443,622
Settlement of the joint venture on July 20, 2020	(1,443,622)
Ending balance on September 30, 2020	**-**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

The impact of the settlement and Amended License Agreement on Interim Financial Statements of the Company as at the effective date, July 20, 2020, are as follows:

	Before Amended License Agreement	**After Amended License Agreement**
	$	**$**
Investment in joint venture	1,443,622	**-**
Intangible asset - license	-	**2,169,689**
Taxes receivable	-	**102,093**
Accrued liabilities	-	**(3,750)**
Other liability –present value of minimum royalty payments	-	**(813,789)**
Gain on settlement of joint venture	-	**(10,621)**
	1,443,622	**1,443,622**

Taxes receivable and accrued liabilities relate to transactions in the Bhang JV prior to the Amended License Agreement and are included in the interim condensed consolidated interim statement of financial position.

13. PREPAID ROYALTIES

On June 11, 2018, the Company prepaid $1,948,950 (USD$1,500,000) to DeepCell Industries ("DeepCell") for future royalty fees for sales of DeepCell branded products, which are edible cannabis derivatives. This agreement has a term of five years. The prepaid royalties will be expensed on a per unit basis as the Company produces and sells DeepCell licensed products. As at September 30, 2020, the Company had not yet begun producing DeepCell branded products.

14. LOAN PAYABLE AND FACTORING PAYABLE

On October 11, 2019, the Company entered into an agreement with an institutional lender for a $7,500,000 secured bridge loan (the "Secured Bridge Loan"), secured by eligible receivables, and a $6,500,000 secured demand loan facility (the "Demand Loan Facility") (together, the "Debt Facilities") at an interest rate of 9% above the Bank of Montreal prime rate, secured by the Company's assets, repayable within 12 months from the date of advance. At any given time, the combined outstanding balance of the Debt Facilities cannot exceed $11,000,000. Transaction costs totalling $348,725 were capitalized and are amortized over the term of the loans.

On July 31, 2020, the Company agreed to terms with the lender to extend the maturity of the Company's Secured Bridge Loan and Demand Loan Facility until October 31, 2021. In consideration for this extension, the Company has paid fees to the lender of $65,000, and is subject to an increase of two percent in the annual interest rate charged on the Demand Loan Facility, bringing the rate to 11% above the Bank of Montreal prime rate. Until such time as the outstanding principal owing on the Demand Loan Facility is reduced to $5,000,000, 50% of the purchase price of all receivables purchased by the lender under the Secured Bridge Loan facility shall be applied to reduce the principal amount on the Demand Loan Facility, after which the Company will make monthly payments in the amount of $104,167.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at September 30, 2020, the loan payable consists of the following:

	$
Total proceeds received from demand loan, October 11, 2019	**6,500,000**
Transaction costs	(348,725)
Total proceeds, net of transaction costs	6,151,275
Amortization of transaction costs	81,723
Loan payable, December 31, 2019	6,232,998
Interest charged	591,328
Repayment of loan principal	(1,287,582)
Repayment of interest on loan payable	(510,429)
Transaction costs on extension	(70,810)
Amortization of transaction costs	255,566
Loan payable, September 30, 2020	**5,211,071**
Current portion	**845,557**
Long term portion	**4,365,514**

As at September 30, 2020, the Company owed $1,844,674 to the lender for receivables assigned under the Secured Bridge Loan (December 31, 2019 - $143,630). During the nine months ended September 30, 2020, the Company received advances on the Secured Bridge Loan totaling $4,967,482 (for the nine months ended September 30, 2019 - $nil), and the Company made repayments on the Secured Bridge Loan of $3,266,439 (for the nine months ended September 30, 2019 - $nil).

15. DEFERRED REVENUE AND JOINT OPERATION

On February 18, 2020, the Company entered into a license and manufacturing agreement with Dycar (the "Dycar Agreement") to produce and sell cannabis products in Canada. The unincorporated arrangement is a joint arrangement as, contractually, all the decisions about the relevant activities require unanimous consent by both parties.

On February 18, 2020, Dycar advanced the Company $3,000,000 to be applied against the cost of manufacturing services provided by the Company pursuant to the agreement. Dycar committed to advancing an additional $4,500,000, subject to the Company achieving certain production targets. The $3,000,000 advance is recorded as deferred revenue on the condensed consolidated interim statement of financial position and recognized over the agreement term from the Company's share of proceeds from the sale of products sold. Refer to Note 28 for the Company's commitments under this contract.

The Company's share of the revenue and expenses related to this joint arrangement is equal to the value of the manufacturing services as defined in the agreement and is recognized when the products are sold. In the three and nine months ended September 30, 2020, the Company recorded gross sales of $49,340 and $156,234 and cost of sales of $50,504 and $140,309 (three and nine months ended September 30, 2019 - $nil) in the condensed consolidated interim statements of loss and comprehensive loss representing the Company's share of revenue and expenses in the periods. Of the gross sales of $156,234, $137,552 represents a draw down of the deferred revenue and $18,682 was additional proceeds earned on the sale of the products sold.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

Under the terms of the Dycar Agreement the Company has committed to guaranteed cash payments payable to Dycar over the term of the agreement and prior to the guaranteed sales date. Dycar has committed to providing the Company an advance for manufacturing services payable at the beginning of each phase of the agreement. Guaranteed cash payments and advances amounts are as follows:

	Guaranteed cash payments to Dycar	Advance payment to Indiva	Guaranteed sales date
	$	$	
Phase 1	7,086,750	3,000,000	February 28, 2021
Phase 2	5,670,496	2,500,000	June 28, 2021
Phase 3	4,410,995	2,000,000	September 28, 2021

On August 7, 2020, the Company and Dycar amended certain terms of the Dycar Agreement. The guaranteed sale dates above reflect the dates in the amended agreement.

During the three months ended September 30, 2020, the Company recognized a $376,851 provision for onerous contract related the guaranteed cash payments required by this agreement. The provision reflects assumptions the Company has made with respect to whether funding for guaranteed cash payments can be generated from the sale of Dycar products. The actual amount of the liability to Indiva will vary depending on actual sales that occur prior to the guaranteed sales date. The amount that the expected costs and payment obligations under the contract exceed the sales proceeds and advance payments has been included in the provision for onerous contract on the condensed consolidated interim statement of loss and comprehensive loss.

16. OTHER LIABILITIES

		September 30, 2020			December 31, 2019		
		Current	**Long-term**	**Total**	Current	Long-term	Total
		$	**$**	**$**	$	$	$
Equipment advances	**(a)**	**64,966**	**-**	**64,966**	584,870	-	584,870
Minimum royalties	**(b)**	**154,007**	**697,606**	**851,613**	-	-	-
Ending balance		**218,973**	**697,606**	**916,579**	584,870	-	584,870

(a) Under terms of the Dycar Agreement, Dycar provided the Company with an advance payment of $600,000 on December 27, 2019. $100,000 of the advance was for the procurement of production molds and $500,000 was provided to secure cannabis inputs for Dycar branded products, $64,966 of which remains unspent and is included in other liabilities as at September 30, 2020 (December 31, 2019 - $584,870).

(b) The present value of minimum royalty payments required under terms of the Bhang license agreement at initial recognition was $813,789 (Note 11). During the three and nine months ended September 30, 2020, interest accretion of $37,824 was recorded in the condensed consolidated interim statements of loss and comprehensive loss. Minimum royalty payments begin in January 2021.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

17. LEASE LIABILITY

	Office space $	Office equipment $	Facility equipment $	Total $
Balance, January 1, 2019	19,622	-	-	19,622
Additions	898,250	9,989	-	908,239
Lease payments	(23,412)	-	-	(23,412)
Interest expense	13,820	58	-	13,878
Balance, December 31, 2019	908,280	10,047	-	918,327
Additions	-	-	524,765	524,765
Lease payments	(137,112)	(1,781)	-	(138,893)
Interest expense	68,415	488	-	68,903
Balance, September 30, 2020	**839,583**	**8,754**	**524,765**	**1,373,102**
Current				**121,139**
Non-current				**1,251,963**

During the nine months ended September 30, 2020, the Company received advances from Dycar totalling $553,115 for the Company to procure production equipment. During the three months ended September 30, 2020, the Company received this production equipment at a cost of $524,765. The difference between the amount advanced and the cost of the equipment totalling $28,350 is an administrative fee payable to Indiva that is included in deferred revenue on condensed consolidated interim statement of financial position and is recognized as revenue as payments are made to Dycar. Pursuant to the terms of the equipment purchase agreement with Dycar, the Company will provide manufacturing services to drawdown the purchase price of the equipment, after which title to the equipment will transfer to Indiva. The Company has determined the period of use until title transfers to Indiva shall be accounted for as a lease and accordingly a right of use asset, included in property, plant and equipment, and lease liability has been recorded in the amount of $524,765 on the condensed consolidated interim statement of financial position. The manufacturing services related to the equipment purchase commence after phase 3 of the Dycar agreement (Note 28).

During the three and nine months ended September 30, 2020, the Company recognized $42,725 and $70,385 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (for the three and nine months ended September 30, 2019 - $24,252 and $94,637).

(Unaudited, Expressed in Canadian dollars, except per share amounts)

At September 30, 2020, the Company's future minimum lease payments are as follows:

	< 1 Year	2 to 3 Years	4 – 5 Years and thereafter	**Total**
	$	$	$	**$**
Office space	200,762	408,350	492,956	**1,102,068**
Facility equipment	-	524,765	-	**524,765**
Office equipment	2,374	4,748	2,968	**10,090**
Minimum lease payments	203,136	937,863	495,924	**1,636,923**
Financing charges	(81,997)	(120,426)	(61,398)	**(263,821)**
Total lease liabilities	**121,139**	**817,437**	**434,526**	**1,373,102**

18. PROMISSORY NOTE

On September 4, 2020, the Company issued a promissory note to a vendor for $1,360,296, representing the balance owing on account with the vendor. Under the terms of the promissory note interest accrues on the outstanding balance at a rate of 15% per annum until the maturity date on January 15, 2021. The interest rate increases to 18% per annum on any balances not paid by the maturity date. A penalty fee of $150,000 is applied on each of January 15, 2021, June 15, 2021, and November 1, 2021, if the balance including interest is not paid in full. The promissory note is secured by a general security agreement, share pledge agreement made by the Company in favor of the secured party, assignment of insurance proceeds, and a security interest in the Company's intellectual property. During the three and nine months ended September 30, 2020, interest expense on the promissory note totalled $14,736 included in interest and finance expenses on the condensed consolidated interim statements of loss and comprehensive loss.
In connection with issuing the promissory note, the Company incurred legal fees totaling $54,460. Legal fees are amortized straight-line over the term to maturity. During the three and nine months ended September 30, 2020, amortization of legal costs totalling $13,615 is included in transaction costs on the condensed consolidated interim statements of loss and comprehensive loss. No payments were made on the promissory note during the three months ended September 30, 2020.

19. CONVERTIBLE DEBENTURES

<u>December 2019 Convertible Debentures</u>

On December 23, 2019, the Company closed a private placement of unsecured convertible debentures in the aggregate principal amount of $2,115,000. The debentures mature December 23, 2022, bear interest at the rate of 10% per annum, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2020. The debentures were issued at a price of $1,000 per debenture with each debenture being convertible, at the option of the holder, into 5,000 common shares in the capital of the Company at a conversion price of $0.20 per share.

The convertible debentures are considered to be compound instruments comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 25.0%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the condensed consolidated interim statement of financial position. The Company paid transaction costs in connection with issuance in the amount of $2,800 and legal costs of $20,000. The debentures, net of the equity component, are accreted using the effective interest method over the term of the debentures such that the fair value of the financial liability will equal the principal balance at maturity using an effective interest rate of 24.7%.

During the three and nine months ended September 30, 2020, debentures with an aggregate principal totaling $100,000 and $1,245,000 were converted by the holders into 500,000 and 6,225,000 common shares of the Company. Upon conversion a carrying value of $71,755 and $897,175 from convertible debentures and $30,660 and $381,714 from equity reserves was reclassified to share capital for the three and nine months ended September 30, 2020.

<u>January 2020 Convertible Debentures</u>

On January 20, 2020, the Company closed the final tranche of its private placement of unsecured convertible debentures in the aggregate principal amount of $1,040,000. The debentures mature January 20, 2023, bear interest at the rate of 10% per annum, payable semi-annually on the last day of June and December of each year, commencing on June 30, 2020. The debentures were issued at a price of $1,000 per debenture with each debenture being convertible, at the option of the holder, into 5,000 common shares in the capital of the Company at a conversion price of $0.20 per share.

The convertible debentures are considered to be compound instruments comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 25.0%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the condensed consolidated interim statement of financial position. The Company paid transaction costs in connection with issuance in the amount of $24,500 and legal costs of $1,200. The debentures, net of the equity component, are accreted using the effective interest method over the term of the debentures such that the fair value of the financial liability will equal the principal balance at maturity using an effective interest rate of 24.5%.

During the three and nine months ended September 30, 2020, debentures with an aggregate principal totaling $75,000 and $255,000 were converted by the holders into 375,000 and 1,275,000 common shares of the Company. On conversion a carrying value of $55,490 and $182,373 from convertible debentures and $23,177 and $78,799 from equity reserves was reclassified to share capital for the three and nine month periods ending September 30, 2020.

<u>February 2020 Convertible Debentures</u>

On February 4, 2020, the Company closed a non-brokered private placement of unsecured convertible debentures in the aggregate principal amount of $1,500,000. The debentures mature February 4, 2023, bear interest at a rate of 10% per annum, payable semi-annually, on the last day of June and December of each year. The debentures were issued at a price of $1,000 per debenture with each debenture being convertible, at the option of the holder, into 4,000 common shares in the capital of the Company at a conversion price of $0.25 per share.

The convertible debentures are considered to be compound instruments comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 22.5%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the condensed consolidated interim statement of financial position The Company paid legal costs of $1,000. The debentures, net of the equity component, are accreted using the effective interest method over the term of the debentures such that the fair value of the financial liability will equal the principal balance at maturity using an effective interest rate of 22.3%.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

Convertible debentures consist of the following:

	Debt	**Equity**	**Total**
	$	$	$
Balance, January 1, 2019	4,397,610	559,765	4,957,375
Accretion interest on debenture discount	436,672	-	436,672
Accretion of transaction costs	182,000	-	182,000
Repayment of debentures	(5,002,071)	(161,498)	(5,163,569)
Equity portion transferred to contributed surplus on repayment	-	(398,267)	(398,267)
Proceeds on issuance, net of transaction costs	1,443,747	648,453	2,092,200
Balance, December 31, 2019	1,457,958	648,453	2,106,411
Accretion interest on debenture discount	192,659	-	192,659
Accretion of transaction costs	7,765	-	7,765
Conversion to common shares	(1,079,548)	(460,513)	(1,540,061)
Proceeds on issuance, net of transaction costs	1,815,512	722,288	2,537,800
Balance, September 30, 2020	**2,394,346**	**910,228**	**3,304,574**

A reconciliation of interest and accretion expense on the convertible debentures in the nine months ended September 30, 2020, and 2019, is as follows:

	2020	2019
	$	$
Accretion interest on debenture discount	**192,659**	436,672
Interest expense payable	**269,192**	562,841
	461,851	999,513
Total interest and accretion	**461,851**	999,513
Interest expenses capitalized in assets in process (Note 10)	**(179,379)**	(926,766)
Accretion and interest on convertible debentures expensed	**282,472**	72,747
Interest expense payable	**269,192**	562,841
Interest expense paid in shares	**(103,664)**	-
Interest expense paid in cash	**(81,665)**	(519,924)
Interest expense included in accounts payable and accrued liabilities	**83,863**	42,917

On August 7, 2020, the Company settled interest payments totaling $115,458 in exchange for common shares in the Company. This included $103,664 of interest expense related to the nine months ended September 30, 2020 and $11,794 related to the year ended December 31, 2019. The fair value of the shares, based on the trading price on the date issued, was $140,858 and accordingly a loss on issuance was recorded totaling $25,400 in the condensed consolidated interim statements of loss and comprehensive loss. The fair value of the shares on the issuance date was $0.30 per share.

20. SHARE CAPITAL

(a) CAPITAL STOCK

Authorized capital stock consists of an unlimited number of common shares, without par value.

As at September 30, 2020, a total 108,815,097 (December 31, 2019 – 83,588,269) common shares were issued and outstanding. No special shares have been issued or are outstanding.

Pursuant to an agreement dated April 18, 2019, the Company issued shares in 2019 in exchange for services rendered by a consultant to the Company. A total of 177,041 shares were issued at a price of $0.4787 to pay for services rendered in the amount of $84,750.

On October 22, 2019, the Company issued 375,000 common shares at a price of $0.32 per share, as a finders' fee in connection with the Debt Facilities.

On June 25, 2020, the Company closed the first tranche of a $5,100,000 equity offering for proceeds totaling $1,012,300, in exchange for 3,374,333 units. Each unit of the offering is comprised of one common share of the Company and one common share purchase warrant at a purchase price of $0.30 per unit. Each warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date. The proceeds were recognized in equity and allocated $660,196 to common shares and $352,104 to reserves (Note 19(b)) based on the relative fair value of each equity instrument. The Company incurred share issuance costs totalling $5,000 related to this transaction.

On August 10, 2020, the Company closed the second and final tranche of equity units issued for total proceeds of $4,167,199 in exchange for 13,890,663 units. Total proceeds of this equity offering was $5,179,499 and the total number of units issued to 17,264,996. Each unit of the offering is comprised of one common share of the Company and one common share purchase warrant, at a purchase price of $0.30 per unit. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.40 any time up to 36 months following the applicable closing date. The proceeds were recognized in equity and allocated $2,705,357 to common shares and $1,461,842 to reserves (Note 19(b)) based on the relative fair value of each equity instrument. The Company incurred share issuance costs totalling $194,597 related to this transaction.

(b) WARRANTS, FINDERS' UNITS AND FINDERS' WARRANTS

On November 26, 2019, the Company amended the terms of an aggregate of 9,429,896 outstanding common share purchase warrants issued in connection with the Company's reverse takeover transaction

(Unaudited, Expressed in Canadian dollars, except per share amounts)

(the "RTO Warrants"), which was completed on December 15, 2017. The RTO Warrants were exercisable into common shares at an exercise price of $0.90 per common share and were set to expire on December 13, 2019. The amendment to the RTO Warrants reduced the exercise price from $0.90 to $0.75 per common share and extends the expiry date from December 13, 2019 to December 13, 2020.
In connection with the final tranche of equity units issued August 10, 2020, the Company paid broker fees in cash totaling $168,700, representing 4.9% of the proceeds raised from units placed by the brokers and issued to the brokers a total of 562,333 non-transferable broker warrants, representing 4.9% of the units placed by such brokers. Each such broker warrant entitles the holder to acquire one Common Share of the Company at an exercise price of $0.30 for a period of 36 months.

	Warrants outstanding	**Weighted average exercise price**
	#	$
Outstanding, January 1, 2019	27,285,084	1.10
Expired/cancelled	(2,020,113)	0.75
Outstanding, December 31, 2019	25,264,971	1.08
Issued	17,827,329	0.40
Expired	(15,234,820)	1.28
Outstanding, September 30, 2020	**27,857,480**	**0.53**

All warrants outstanding as at September 30, 2020, are exercisable.

The following warrants remain outstanding as at September 30, 2020:

Warrant description	**# of warrants**	**Expiry date**	**Exercise price**
	#		$
Warrants issued on August 10, 2020 equity offering	13,890,663	8/10/2023	0.40
Warrants issued to brokers on August 10, 2020 equity offering	562,333	8/10/2023	0.30
Warrants issued on June 25, 2020 equity offering	3,374,333	6/25/2023	0.40
RTO warrants on conversion of June 2017 derivative financial instrument	1,400,000	12/13/2020	0.75
RTO warrants issued on December equity transaction	8,029,896	12/13/2020	0.75
Rainmaker predecessor warrants	173,451	10/28/2020	1.09
Rainmaker predecessor finders' units	13,693	10/28/2020	1.09
Rainmaker predecessor warrants	265,234	05/27/2021	0.87
Rainmaker predecessor finders' units	19,326	05/27/2021	0.76
Rainmaker predecessor warrants	85,799	09/22/2021	1.25
Rainmaker predecessor finders' units	12,810	09/22/2021	0.98
Rainmaker predecessor finders' warrants	29,942	04/27/2022	0.54
Total warrants and weighted average exercise price	**27,857,480**		**0.53**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at September 30, 2020, the warrants outstanding have a weighted average remaining life of 1.90 years.

Warrants issued and modified in the nine months ended September 30, 2020, and the year ended December 31, 2019 were valued using the Black-Scholes option pricing model using the following range of assumptions:

	September 30, 2020	December 31, 2019
Share price	$0.27 - $0.285	$0.18
Expected dividend yield	-	-
Volatility	98.6% - 99.61%	84.75%
Expected life	3.00 years	1.00 years
Risk-free rate	0.26% - 0.32%	1.57%

Volatility was estimated using the average historical volatility of the Company and comparable companies in the industry that have trading history and volatility history.

(c) SHARE BASED COMPENSATION

The equity compensation plans which the Company has in place relate to grants issued to officers, directors, employees and consultants and was approved by the Board of Directors in 2017.

As at September 30, 2020, based on the Company's total common shares outstanding, a total of 10,881,510 (December 31, 2019 - 8,358,827) stock options may be issued and outstanding. Based on this, the Company could grant up to 3,500,677 (December 31, 2019 – 3,607,827) additional stock options beyond what was issued and outstanding as at September 30, 2020. TSXV approval is required to reserve the related common shares for issuance. Unless otherwise determined by the Board, options issued under the plan vest over a three-year period except for options granted to consultants or persons employed in Investor Relations Activities (as defined in the policies of the Exchange).

Stock option activity for the equity compensation plan for the period ending September 30, 2020, was as follows:

	Number of options #	Weighted average exercise price $
Outstanding, January 1, 2019	4,278,315	0.78
Granted	1,151,000	0.79
Expired	(133,315)	0.91
Forfeited	(545,000)	0.77
Outstanding, December 31, 2019	4,751,000	0.77
Granted	3,724,833	0.40
Forfeited	(1,095,000)	0.67
Outstanding, September 30, 2020	**7,380,833**	**0.59**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

During the three and nine months ended September 30, 2020, the Company recognized share-based compensation expense of $67,074 and $178,693 respectively (three and nine months ended September 30, 2019 – $135,485 and $502,456) related to stock options included in operating expenses.

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

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

On June 24, 2019, the Company granted 341,000 stock options to certain consultants, exercisable for common shares at a price of $0.75 per share, 18,750 options vest immediately and expire two years from the grant date with an additional 56,250 options vesting over one year and expiring two years from the grant date. The remaining 266,000 options vest immediately and expire five years from the grant date.

On May 10, 2019, the Company granted 810,000 stock options, exercisable for common shares at a price of $0.80 per share, vesting over three years. The options expire five years from the date of grant.

The grant date fair value is calculated using the Black-Scholes pricing model and the below inputs. Expected volatility is based on the share price volatility of comparable publicly traded companies from within the same industry. The exercise price used in the pricing model is that of the respective option granted. The outstanding options as at September 30, 2020, have a weighted average remaining contractual life of 3.51 years (December 31, 2019 – 3.32 years).

The table below summarizes assumptions used by the Company in calculating the value of stock options:

	Nine months ended September 30, 2020	**Year ended December 31, 2019**
Share price	**$0.30 to $0.335**	$0.48
Expected dividend yield	**$nil**	$nil
Volatility	**78.87% to 99.38%**	56.03% to 87.17%
Expected life (years)	**3 to 4**	2 to 5
Forfeiture rate	**31%**	30%
Risk-free rate	**0.52% to 1.07%**	1.34% to 1.55%

(Unaudited, Expressed in Canadian dollars, except per share amounts)

The following table presents information related to stock options at September 30, 2020:

Weighted average exercise price	Number of options	Vested	Weighted average remaining life (years)
$0.40	3,614,833	-	4.44
$0.75	2,431,000	2,167,670	2.33
$0.80	1,100,000	526,671	3.26
$0.87	235,000	190,001	2.40
$0.59	**7,380,833**	**2,884,342**	**3.51**

The following table presents information related to stock options at December 31, 2019:

Weighted average exercise price	Number of options	Vested	Weighted average remaining life (years)
$0.75	3,151,000	1,706,838	3.29
$0.80	1,335,000	356,669	4.00
$0.87	265,000	155,001	3.15
$0.77	4,751,000	2,218,508	3.32

21. LOSS PER SHARE

The following table represents the number of shares to be issued on the exercise of the stock options, warrants and convertible debentures outstanding. The effect of this on diluted loss per share is anti-dilutive and accordingly, diluted loss per share is the same as basic loss per share:

	September 30, 2020	September 30, 2019
Stock options	**7,380,833**	5,049,315
Warrants	**27,903,309**	27,089,084
Convertible debentures	**14,650,000**	6,866,667

22. GROSS REVENUE

Gross revenue for the three and nine months ended September 30, 2020, and 2019, are disaggregated as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Product sales	**3,292,904**	211,386	**7,555,090**	703,801
Sale of cannabis to other licensed producers	**-**	-	**446,478**	-
Tolling revenue	**129,294**	-	**511,964**	-
Total	**3,422,198**	211,386	**8,513,532**	703,801

(Unaudited, Expressed in Canadian dollars, except per share amounts)

During the three and nine months ended September 30, 2020, the Company had gross revenue totalling $999,108 and $4,518,415 related to the sale of Bhang licensed products (three and nine months ended September 30, 2019 - $nil). Prior to the Amended License Agreement effective July 20, 2020, the joint venture held the license for these products. A license fee is paid by the Company to the joint venture in the amount of the gross margin of these products. The gross margin is equal to the gross revenue less excise tax and cost of sales. For the three and nine months ended September 30, 2020, the license fee payable to the joint venture totalled $1,086 and $518,598 (for the three and nine months ended September 30, 2019 - $nil). Effective July 20, 2020, the Amended License Agreement eliminated the license fee payable on sale of Bhang licensed products and replaced the license fee with a net royalty on the sale of Bhang products manufactured and sold by the Company beginning on the effective date as well as a royalty on any non-Bhang cannabis chocolate products produced and sold by the Company. Royalties on product sales are included in cost of sales.

Product sales for the three and nine months ended September 30, 2020, includes revenue related to a joint arrangement with BC Craft Supply Co Ltd. The joint arrangement is accounted for as a joint operation and the amount recorded to gross sales represents the Company's share of the revenue.

Sale of cannabis during the three and nine months ended September 30, 2020, includes a sale of cannabis oil to Dycar, the partner in the Company's joint operation (Note 15 and 16), for gross sales of $nil and $446,478. Under the terms of the license and manufacturing agreement the partner is required to provide all cannabis inputs for manufacturing. These products may be procured from third parties or directly from the Company.

Tolling revenue represents revenue for processing service arrangements whereby the Company processed customer-supplied raw materials into finished goods.

23. SUPPLEMENTAL CASH FLOWS

Changes in non-cash working capital for the nine months ended September 30, were as follows:

	2020	2019
	$	$
Taxes receivable	**184,129**	19,550
Accounts receivable	**(2,614,125)**	(180,544)
Biological assets	**346,761**	(72,708)
Inventory	**(1,031,920)**	(3,250,029)
Prepaid expenses	**(414,786)**	2,605,105
Building, equipment and construction deposits	**-**	(756,325)
Accounts payable and accrued liabilities	**(756,692)**	2,678,317
Excise tax payable	**578,208**	25,499
Other liabilities	**(519,903)**	-
Deferred revenue	**2,890,798**	-
Interest on loan payable and convertible debentures	**164,762**	-
License fee payable	**518,598**	-
Amounts receivable from joint venture	**(120,541)**	-
	(774,711)	1,068,865

(Unaudited, Expressed in Canadian dollars, except per share amounts)

24. SEGMENTED INFORMATION

The Company operates in one segment being the licensed production, processing and sale of cannabis. All fixed assets, assets in process and intangible assets are located in Canada.

25. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, accounts receivable, promissory note, loan receivable from joint venture, accounts payable and accrued liabilities, other liabilities, loan payable, factoring payable, and convertible debentures. The fair value of cash, accounts receivable, promissory note, accounts payable and accrued liabilities, and factoring payable are equivalent to their carrying values given their short maturity period. The loan receivable from joint venture was due on demand and its carrying value approximates its fair value. The loan payable has a maturity of thirteen months and a variable interest rate and accordingly its carrying values approximates the fair value. Interest accretion on other liabilities is at the Company's effective interest rate and accordingly the carrying value is equivalent to the fair value. The Company's overall risk profile has not materially changed since the issuance of convertible debentures and accordingly the fair value of these financial instruments approximates their carrying value as at September 30, 2020.

(a) Foreign currency risk

As at September 30, 2020, the Company did not hold any cash denominated in a foreign currency (December 31, 2019 – US $nil).

(b) Liquidity risk

The Company's approach to managing liquidity is to maintain sufficient liquidity to meet its liabilities when they become due.

In addition to the commitments disclosed in Note 28, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at September 30, 2020	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 -5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	6,882,961	6,882,961	6,882,961	-	-
Excise tax payable	640,669	640,669	640,669	-	-
Factoring payable	1,844,674	1,844,674	1,844,674	-	-
Other liabilities	916,579	2,328,986	222,591	392,293	1,714,102
Loan payable	5,211,071	5,299,697	1,445,534	3,854,163	-
Lease liabilities	1,373,102	1,636,923	203,137	937,863	495,923
Promissory note	1,334,187	1,334,187	1,334,187	-	-
Provision for onerous contract	376,851	376,851	376,851	-	-
Convertible debentures	2,394,347	3,230,000	-	3,230,000	-
Total	**20,974,441**	**23,574,948**	**12,950,604**	**8,414,319**	**2,210,025**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at December 31, 2019	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 -5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	9,554,707	9,664,735	9,664,735	-	-
Excise tax payable	62,461	62,461	62,461	-	-
Loan payable	6,232,998	6,500,000	6,500,000	-	-
Factoring payable	143,630	143,630	143,630	-	-
Other liabilities	584,870	584,870	584,870	-	-
Lease liabilities	918,327	1,535,259	258,564	519,753	756,879
Convertible debentures	1,457,958	2,115,000	-	2,115,000	-
Total	**18,954,951**	**20,605,955**	**17,214,260**	**2,634,753**	**756,879**

(c) Credit risk

The Company's cash is exposed to credit risk, which is the risk that the counterparties to a financial instrument fail to meet its contractual obligations to the Company. The amount of credit risk related to cash is considered insignificant as the Company's funds are held with a Schedule I bank.

The credit risk related to the promissory note is carried at a gross value of $1 with an expected credit loss of $nil as of September 30, 2020. The expected credit loss for this asset is measured at an amount equal to the 12 month expected credit losses as management has deemed the credit risk related to this instrument has not increased significantly since initial recognition. Management has considered weighted average probabilities including no credit loss situations up to full loan forfeiture taking into account industry and macroeconomic factors. No changes have been made in how this estimate is determined in the current reporting period.

The credit risk for both the loan receivable from joint venture and promissory note are monitored quarterly, and any change is reflected as an adjustment through expected credit loss.

The Company has assessed that it has limited customer credit risk due to the fact that accounts receivable are primarily from the sale of cannabis to government agencies and large retail outlets and have payment terms of 30 – 60 days. Accordingly, no expected credit loss is recorded on accounts receivable as at September 30, 2020 (December 31, 2019 - $nil).

During the three and nine months ended September 30, 2020, the Company earned a total gross revenue of $3,007,229 and $6,900,664 from three major customers (three and nine months ended September 30, 2019 – $162,800 and $651,248 from one customer). These customers each had revenues of over 10% of the Company's total revenue for the three and nine months ended September 30, 2020. Total amounts receivable owing from these customers at September 30, 2020, was $2,159,735 (December 31, 2019 - $284,906).

(Unaudited, Expressed in Canadian dollars, except per share amounts)

As at September 30, 2020, the Company's aging of receivables was approximately as follows:

	September 30, 2020	December 31, 2019
	$	$
Current	3,042,419	443,943
61 – 120 days	15,649	-
Greater than 121 days	1,987	1,987
Total	**3,060,055**	445,930

(d) Interest rate risk

The Company has exposure to interest rate risk related to the outstanding balance of the loan payable. The fluctuation of the interest rate may result in a material increase to the associated interest. A 100 basis point increase or decrease in benchmark interest rates would result in a $13,000 or $41,100 increase or decrease in interest expense for the three or nine months ended September 30, 2020. The interest rate on the factoring payable, promissory note, and convertible debenture is fixed and accordingly is not subject to interest rate risk.

26. FAIR VALUE MEASUREMENTS

As at September 30, 2020, the Company's cash balance of $420,128 (December 31, 2019 - $631,106) is the only financial instrument recorded at fair value. Cash is classified as a Level 1 financial instrument.

The Company did not record any liabilities at fair value as at September 30, 2020.

The Company did not transfer any assets or liabilities between levels on the fair value hierarchy and has not offset any of its financial assets against its financial liabilities.

Fair-value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash a Level 1. There was no movement between levels during the period. The hierarchy is summarized as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

	September 30, 2020			**December 31, 2019**		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Cash	**420,128**	**-**	**-**	631,106	-	-
Total	**420,128**	**-**	**-**	631,106	**-**	**-**

(Unaudited, Expressed in Canadian dollars, except per share amounts)

27. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of $28,638,557 (December 31, 2019 – $27,126,197), as shown below:

	September 30, 2020 $	December 31, 2019 $
Total Debt		
Factoring payable	1,844,674	143,630
Loan payable	5,211,071	6,232,998
Promissory note	1,334,187	-
Convertible debentures	2,394,347	1,457,958
Total Debt	**10,784,279**	**7,834,586**
Total Equity	**17,854,278**	**19,291,611**

The Company's accounts receivable are subject to claims as described in Note 14.

The Company's primary objectives in managing its capital are to maintain sufficient levels of capital to ramp up production and sales at the London, Ontario facility, as well as to cover general operating expenditures and sustain future development of the business. The Company achieves its objectives by allocating capital in accordance with management's strategies and periodically raising capital through debt or equity.

28. COMMITMENTS

The Company has contractual obligations for contractors, consultants, IT services, facility services and equipment and construction costs with terms remaining of up to three years.

At period end, the Company had future commitments for these expenditures is as follows:

	< 1 Year $	1 to 5 Years $	> 5 Years $	**Total** **$**
Minimum lease payments and variable charges	258,170	1,506,893	79,406	**1,844,469**
Other commitments	325,945	62,654	-	**388,599**
Total	**584,115**	**1,569,547**	**79,406**	**2,233,068**

Subsequent to September 30, 2020, the Company entered into commitments totalling $581,112. These commitments are primarily comprised of production and marketing supplies.

The Company entered into a license agreement effective March 4, 2020. Under terms of the agreement, the Company will incur minimum expenditures of $200,000 per quarter for marketing related to the licensed products.

Under the terms of the Amended License Agreement with Bhang, Indiva has committed to expend an amount equal to at least five percent of net sales of the Bhang licensed products for advertising and promotion of the Bhang licensed products.

(Unaudited, Expressed in Canadian dollars, except per share amounts)

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable.

29. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

Key management personnel compensation for the three and nine months ended September 30, 2020, and 2019:

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Short-term key management personnel compensation	**231,667**	173,750	**741,667**	396,300
Share-based payments	**52,775**	90,535	**156,865**	179,997
Termination payments	**-**	-	**-**	480,000
Directors' fees	**5,625**	5,625	**16,875**	11,250

30. RELATED PARTY TRANSACTIONS

The Company had a related party relationship with the Bhang JV under the joint venture agreement which was amended July 20, 2020. After such date the joint venture became a wholly owned subsidiary of the Company. During the three and nine months ended September 30, 2020, the Company invoiced the Bhang JV $12,116 and $248,668 (three and nine months ended September 30, 2019 - $nil) for the recovery of expenses related to marketing, pre-production costs, management, and administration prior to the effective date of the Amended License Agreement (Note 12). The Bhang JV charged license fees to the Company totalling $1,086 and $518,598 related to licensed products manufactured and sold by the Company during the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 - $nil) representing the license fee payable on sales prior to the effective date of the Amended License Agreement.

On June 25, 2020, the Company closed the first tranche of an equity offering of up to $5,100,000. An affiliated corporation of a director of the Company participated in the first tranche. In connection with the first tranche, the Company issued 836,000 units to the affiliated corporation, for total consideration of $250,800. On August 10, 2020, the Company closed the second tranche of this equity offering and issued 364,000 units to the same affiliated corporation for total consideration of $109,200, and 150,000 units to a immediate family member of a director and officer of the corporation for consideration of $45,000.

In the three months ended September 30, 2020, the Company settled interest payments totaling $115,400 in exchange for Common Shares in the Company. The fair value of the shares on issuance was $0.30 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 461,832 Common Shares was issued to the creditors, which includes an aggregate of 46,811 Common Shares issued to related parties to settle interest owing.

31. INCOME TAXES

There have been no material changes to income tax matters during the three months ended September 30, 2020. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three months ended September 30, 2020, there were no material changes to statutory tax rates.

32. COMPARATIVE FIGURES

Certain comparative amounts in these Interim Financial Statements have been re-classified as a result of a change in presentation of certain expenses on a functional basis during the current year. The Company notes no material changes have been made to any of these figures other than classifications within operating expenses.

33. SUBSEQUENT EVENTS

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

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