INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three months ended March 31, 2021 and 2020

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

MANAGEMENT'S RESPONSIBILITY

To the Shareholders of Indiva Limited:

Management is responsible for the preparation and presentation of the accompanying Condensed Consolidated Interim Financial Statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors.

The Audit Committee has the responsibility of meeting with management, and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors. The Company's independent auditor has not performed a review of these Condensed Consolidated Interim Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

31 May 2021

N. Marotta	*J. Yersh*
Carmine (Niel) Marotta	James Yersh

Indiva Limited

Condensed Consolidated Interim Statements of Financial Position

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

As at	Note	March 31, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		**7,095,863**	314,042
Taxes receivable		**505,454**	169,271
Accounts receivable	4	**5,451,663**	4,555,824
Inventory	5	**5,884,861**	6,495,541
Biological assets	6	**8,538**	69,829
Prepaid expenses and deposits	7	**464,148**	616,182
Total current assets		**19,410,527**	12,220,689
Other non-current assets			
Property, plant and equipment	8	**22,606,028**	22,680,008
Assets in process	9	**405,934**	13,206
Building, equipment and construction deposits	8	**220,355**	222,268
Intangible assets	10	**2,030,188**	2,082,170
Equity investment	21	**-**	1
Promissory note	21	**-**	1
Prepaid royalties	11	**1,948,950**	1,948,950
Total assets		**46,621,982**	39,167,293
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**6,653,191**	7,478,240
Excise payable		**561,705**	1,011,327
Factoring payable	12	**-**	3,575,466
Deferred revenue	13	**4,541,381**	2,334,214
Other liabilities	14	**196,034**	213,490
Loan payable	12	**-**	4,736,591
Lease liability	15	**660,520**	650,553
Promissory note	16	**-**	1,385,198
Provision for onerous contract	13	**728,713**	2,646,423
Total current liabilities		**13,341,544**	24,031,502
Other non-current liabilities			
Other liabilities	14	**739,014**	734,788
Deferred revenue	15	**-**	28,350
Lease liability	15	**669,486**	710,902
Loan payable	12	**8,993,526**	-
Convertible debentures	17	**2,404,237**	2,442,153
Total liabilities		**26,147,807**	27,947,695
Equity			
Share capital	18	**54,696,701**	42,415,786
Contributed surplus		**4,723,080**	4,723,080
Reserves		**5,339,536**	5,337,081
Accumulated other comprehensive loss		**(19,537)**	(19,537)
Accumulated deficit		**(44,265,605)**	(41,236,812)
Total equity		**20,474,175**	11,219,598
Total liabilities and equity		**46,621,982**	39,167,293

Commitments (Note 29)

N. Marotta *J. Yersh*

Carmine (Niel) Marotta 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 months ended March 31, 2021 and 2020
(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	March 31, 2021 $	March 31, 2020 $
Gross revenue	20	**6,870,218**	2,264,847
Excise taxes		**(649,135)**	(251,556)
Net revenue		**6,221,083**	2,013,291
Cost of goods sold	5	**(5,037,934)**	(1,726,018)
License fee		**-**	(238,412)
Inventory impairment	5	**(807,390)**	(327,073)
Gross margin before fair value adjustments		**375,759**	(278,212)
Fair value adjustment on sale of inventory		**(43,206)**	(25,025)
Unrealized fair value adjustment on biological assets	6	**(140,545)**	149,860
Gross margin		**192,008**	(153,377)
Operating expenses			
General and administrative		**1,125,496**	1,211,519
Marketing and sales		**872,450**	344,529
Research and development		**-**	1,851
Share-based compensation	18(c)	**111,163**	(3,836)
Depreciation of property, plant and equipment	8	**56,201**	27,355
Amortization of intangible assets	10	**51,982**	117
Total operating expenses		**2,217,292**	1,581,535
Loss from operations		**(2,025,284)**	(1,734,912)
Other income (expenses)			
Foreign exchange gain		**77,005**	97,862
Finance costs	23	**(445,268)**	(316,178)
Transaction costs	12,16,17	**(201,355)**	(143,535)
Interest income		**475**	-
Expected credit loss	4, 25(c)	**(12,439)**	(115,391)
Share of income on investment in joint venture		**-**	49,800
Loss on issuance of shares	17	**(20,130)**	-
Write-off of non-refundable deposits		**-**	(275,775)
Provision for onerous contract	13	**(401,797)**	-
Total loss and comprehensive loss attributable to shareholders		**(3,028,793)**	(2,438,129)
Loss per share, basic and diluted	19	**(0.03)**	(0.03)
Weighted average number of outstanding shares, basic and diluted	18(a)	**120,356,474**	83,588,269

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 months ended March 31, 2021 and 2020

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

	Note	Share capital						
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		#	$	$	$	$	$	$
Balance, January 1, 2021		109,555,952	42,415,786	4,723,080	5,337,081	(41,236,812)	(19,537)	11,219,598
Share-based compensation	**18(c)**	-	-	-	140,391	-	-	140,391
Issuance of shares	**12**	25,000,000	12,382,344	-	-	-	-	12,382,344
Share issuance costs	**18(a)**	-	(594,972)	-	-	-	-	(594,972)
Shares issued in lieu of interest	**17**	183,000	65,880	-	-	-	-	65,880
Warrants exercised	**18(b)**	95,000	51,095	-	(13,095)	-	-	38,000
Broker warrants exercised	**18(b)**	486,667	229,220	-	(83,220)	-	-	146,000
Conversion of convertible debentures	**18(a)**	675,000	147,348	-	(41,621)	-	-	105,727
Net loss for the period		-	-	-	-	(3,028,793)	-	(3,028,793)
Balance, March 31, 2021		**135,995,619**	**54,696,701**	**4,723,080**	**5,339,536**	**(44,265,605)**	**(19,537)**	**20,474,175**

	Note	Share capital						
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		#	$	$	$	$	$	$
Balance, January 1, 2020		83,588,269	37,487,265	398,267	7,239,801	(25,814,185)	(19,537)	19,291,611
Share-based compensation	18(c)	-	-	-	(3,836)	-	-	(3,836)
Equity portion of convertible debentures issued in 2020	17	-	-	-	722,288	-	-	722,288
Net loss for the period		-	-	-	-	(2,438,129)	-	(2,438,129)
Balance, March 31, 2020		**83,588,269**	**37,487,265**	**398,267**	**7,958,253**	**(28,252,314)**	**(19,537)**	**17,571,934**

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 months ended March 31, 2021 and 2020

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

	Note	**2021**	**2020**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss and comprehensive loss for the period		**(3,028,793)**	(2,438,129)
Adjustments to reconcile net loss to cash used in operating activities:			
Unrealized fair value adjustment on biological assets	6	**140,545**	(149,860)
Realized fair value adjustment on sale of inventory		**43,206**	25,025
Write-off of inventory to net realizable value	5	**807,390**	327,073
Depreciation and amortization	8, 10	**108,183**	27,472
Amortization of transaction costs on loan payable	12	**68,108**	83,131
Accretion of discount on convertible debenture	17	**64,966**	54,398
Accretion of transaction costs on convertible debentures	17	**2,845**	2,087
Accretion of loan discount	12	**57,290**	-
Interest accretion on lease liability	15	**20,762**	23,671
Interest accretion on other liabilities	15	**50,030**	-
Interest and penalty on promissory note	16	**188,395**	-
Interest capitalized in purchase of assets in process	9	**-**	(135,926)
Accretion of transaction costs on promissory note	16	**40,845**	-
Share of income from investment in joint venture		**-**	(49,800)
Unrealized exchange gain		**-**	(119,900)
Share-based compensation	18(c)	**140,391**	(3,836)
Shares issued to settle account payable and interest on convertible debentures	17	**65,880**	-
Provision for onerous contract	13	**401,797**	-
Expected credit loss		**-**	115,391
Interest income		**(475)**	-
Changes in non-cash operating working capital	21	**(2,364,605)**	975,735
Total cash outflows used in operating activities		**(3,193,240)**	(1,263,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	8	**(282,681)**	(630,932)
Acquisition of assets in process	9	**(460,309)**	(428,772)
Interest received		**475**	-
Total cash outflows used in investing activities		**(742,515)**	(1,059,704)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of issuance costs	12	**11,787,372**	2,537,800
Proceeds from exercise of warrants for common shares	18(b)	**184,000**	-
Payment of principal portion of lease liabilities	15	**(52,211)**	(38,664)
Advances on factoring payable		**3,659,415**	744,862
Repayments on factoring payable		**(7,234,881)**	(241,277)
Proceeds on loan payment, net of transaction costs	12	**8,881,183**	-
Repayment of loan payable	12	**(4,892,864)**	(254,951)
Repayment of promissory note	16	**(1,614,438)**	-
Total cash inflows from financing activities		**10,717,576**	2,747,770
Increase in cash		**6,781,821**	424,598
Cash, beginning of period		**314,042**	631,106
Cash, end of period		**7,095,863**	1,055,704

Supplemental cash flow information is provided in Note 22

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, 2020 (the "2020 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 2020 Annual Financial Statements.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 31, 2021.

(b) BASIS OF MEASUREMENT

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value and biological assets which are measured at fair value less cost to sell and are presented in Canadian dollars.

The preparation of these Interim Financial Statements in accordance with IFRS requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company's accounting policies.

(c) COVID-19 ESTIMATION UNCERTAINTY

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and measures being introduced at various levels of government to curtail the spread of the virus such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing, may have a material impact on the Company's operations. Furthermore, our employees and contractors could be affected by COVID-19 that could result in a reduction in our workforce due to illness or quarantine which could result in the disruption of our operations or hinder the Company's ability to secure financing. The production and sale of cannabis in Canada continues to be deemed an essential service. The Company has implemented procedures and protocols at its production facility and offices, including enhanced screening measures, enhanced cleaning and sanitation processes and frequency, encouraging social distancing measures and directing employees to work from home if possible. The Company believes that it can maintain safe operations with these pandemic related procedures and protocols in place.

The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time. However, any shutdowns requested or mandated by government authorities in response to the outbreak of COVID-19 that may affect the Company, its suppliers, distribution channels or customers may have a material impact to the Company's planned operations. It is possible that estimates in the Company's Interim Financial Statements will change 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.

(d) CRITICAL NEW ACCOUNTING ESTIMATES AND JUDGMENTS

<u>Estimates</u>

Market interest rate

In calculating the fair value of a loan payable at initial recognition the company uses a market interest rate to discount future cash flows. A key estimate in the fair value is the market rate of a similar debt instrument.

<u>Judgments</u>

Measurement of proceeds from debt and equity issuance

Management has allocated proceeds received from a combined debt and equity issuance in the period by measuring the debt at the contractual cash flow discounted at the market interest rate of a similar debt instrument while the residual balance is recorded to share capital.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

Amendments to IAS 37: ONEROUS CONTRACTS AND THE COST OF FULFILLING A CONTRACT

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The

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

Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2021, and December 31, 2020, consisted of the following:

	March 31, 2021	December 31, 2020
	$	$
Trade receivables	**5,451,663**	241,528
Trade receivables subject to factoring arrangement	**-**	4,313,280
Other receivables	**-**	1,016
Total accounts receivable	**5,451,663**	4,555,824

In the three months ended March 31, 2021, the Company repaid all balances due to the lender and collected all outstanding receivables under the factoring arrangement. At December 31, 2020, the carrying amounts of the accounts receivables included receivables which were subject to a factoring arrangement (Note 12). Under this arrangement, the Company transferred the relevant receivables to the lender in exchange for cash and is prevented from selling or pledging the receivables, however it retains late payment and credit risk. The Company therefore continued to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement was included in factoring payable on the condensed consolidated interim statements of financial position. The Company considered the held to collect business model appropriate for these receivables and accordingly measured them at amortized cost.

The Company has recognized an expected credit loss totalling $22,076 related to accounts receivable at March 31, 2021 (December 31, 2020 - $27,798). Due to the short-term nature of trade receivables, the carrying value is considered to be the same as the fair value.

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

5. INVENTORY

Inventory as at March 31, 2021, and December 31, 2020, consisted of the following:

	March 31, 2021			December 31, 2020
	Capitalized cost	**Biological assets fair value adjustments**	**Total**	Total
	$	**$**	**$**	$
Dried cannabis				
Finished goods	**100,609**	**8,566**	**109,175**	90,433
Work-in-process	**649,201**	**141,626**	**790,827**	1,027,171
Cannabis extracts				
Finished goods	**2,158,286**	**-**	**2,158,286**	1,622,765
Work-in-process	**939,872**	**-**	**939,872**	2,233,804
Processing services				
Finished goods	**177,479**	**-**	**177,479**	101,480
Work-in-process	**16,774**	**-**	**16,774**	21,732
Harvested cannabis trim	**249,817**	**-**	**249,817**	175,846
Packaging, supplies and other inventory	**1,442,631**	**-**	**1,442,631**	1,222,310
Total inventory	**5,734,669**	**150,192**	**5,884,861**	6,495,541

Inventory expensed to cost of goods sold during the three months ended March 31, 2021 was $3,784,137 (three months ended March 31, 2020 - $1,725,648). Cost of goods sold also includes royalties and license fees totaling $1,244,797 paid on the sale of licensed products (three months ended March 31, 2020 - $238,412) and other costs totaling $9,000 (three months ended March 31, 2020 - $370). In the three months ended March 31, 2021, the Company recorded inventory write-offs totalling $807,390 (three months ended March 31, 2020 - $327,073). The inventory write-offs for the three months ended March 31, 2021, includes disposal of product that did not meet the Company's quality standards, disposal of aged inventory and write-down of dry flower harvested in the quarter at a cost that exceeded its realizable value.

6. BIOLOGICAL ASSETS

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

	March 31, 2021	December 31, 2020
	$	$
Carrying amount, beginning of period	**69,829**	453,867
Production costs capitalized	**185,638**	1,074,437
Net change in fair value due to biological transformation less cost to sell	**(140,545)**	238,716
Transferred to inventory upon harvest	**(106,384)**	(1,697,191)
Carrying amount, end of period	**8,538**	69,829

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

As at March 31, 2021, the fair value of biological assets included $8,538 in cannabis plants (December 31, 2020 - $69,829). Any changes in estimates would not have a material impact on the carrying value of the biological assets as at March 31, 2021.

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2021	December 31, 2020
	$	$
Rent, security and utility deposits	**8,355**	78,469
Government of Canada surety bond	**208,000**	208,000
Other prepayments	**247,793**	329,713
Total prepaid expenses and deposits	**464,148**	616,182

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

There were no write-off of deposits in the three months ended March 31, 2021. During the three months ended March 31, 2020, the Company wrote off deposits totalling $275,775 related to extraction equipment and facility upgrades.

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

8. 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, 2020	252,275	14,534,705	-	3,861,677	74,665	448,103	979,954	20,151,379
Additions	-	400,333	62,546	498,972	-	14,378	542,841	1,519,070
Disposals	-	-	(1,100)	(1,016,602)	-	(16,515)	-	(1,034,217)
Transferred from assets in process	-	3,565,569	-	968,243	-	16,250	-	4,550,062
Balance, December 31, 2020	252,275	18,500,608	61,446	4,312,290	74,665	462,216	1,522,795	25,186,295
Additions	-	8,901	-	242,557	-	5,310	-	256,768
Disposals	-	-	-	-	-	-	-	-
Transferred from assets in process	-	-	-	67,581	-	-	-	67,581
Balance, March 31, 2021	**252,275**	**18,509,509**	**61,446**	**4,622,428**	**74,665**	**467,526**	**1,522,795**	**25,510,644**
Accumulated depreciation								
Balance, January 1, 2020	-	577,191	-	562,169	19,616	169,560	49,769	1,378,305
Depreciation for the period	-	394,481	1,386	525,025	9,804	95,108	252,167	1,277,971
Disposals	-	-	(202)	(146,782)	-	(3,005)	-	(149,989)
Transfer Between Building Imp & Facility Equipment	-	(12,154)	-	12,154	-	-	-	-
Balance, December 31, 2020	-	971,672	1,184	940,412	29,420	261,663	301,936	2,506,287
Depreciation for the period	-	120,747	-	124,498	2,451	20,477	130,156	398,329
Disposals	-	-	-	-	-	-	-	-
Balance, March 31, 2021	**-**	**1,092,419**	**1,184**	**1,064,910**	**31,871**	**282,140**	**432,092**	**2,904,616**
Carrying amounts as at:								
December 31, 2020	252,275	17,528,936	60,262	3,371,878	45,245	200,553	1,220,859	22,680,008
March 31, 2021	**252,275**	**17,417,090**	**60,262**	**3,557,518**	**42,794**	**185,386**	**1,090,703**	**22,606,028**

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

As at March 31, 2021, $42,439 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2020 - $70,265). In the three months ended March 31, 2021, building, equipment and construction deposits totaling $220,355 have been applied towards the cost of additions to property, plant and equipment (December 31, 2020 - $1,177,614) and the Company has made further deposits totaling $222,268 towards future purchases.

Total depreciation expense for the three months ended March 31, 2021 was $398,329 (three months ended March 31, 2020 - $240,667), of which $342,128 (three months ended March 31, 2020 - $213,312) has been capitalized in the production of biological assets and inventory.

9. ASSETS IN PROCESS

	Building & building improvements	**Facility equipment**	**Office equipment & furniture**	**Total**
	$	**$**	**$**	**$**
Balance, January 1, 2020	2,933,811	744,343	16,250	3,694,404
Additions	463,044	314,602	-	777,646
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, December 31, 2020	-	13,206	-	13,206
Additions	320,880	139,429	-	460,309
Transferred to PPE	-	(67,581)	-	(67,581)
Balance, March 31, 2021	**320,880**	**85,054**	**-**	**405,934**

Interest of $nil was capitalized to building improvements during the three months ended March 31, 2021 (three months ended March 31, 2020 - $135,926).

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

10. INTANGIBLE ASSETS

	Genetics	License	Total
	$	$	$
Cost			
Balance, January 1, 2020	9,375	-	9,375
Additions	-	2,169,689	2,169,689
Balance, December 31, 2020	9,375	2,169,689	2,179,064
Balance, March 31, 2021	**9,375**	**2,169,689**	**2,179,064**
Accumulated amortization			
Balance, January 1, 2020	345	-	345
Amortization for the year	469	96,080	96,549
Balance, December 31, 2020	814	96,080	96,894
Amortization for the period	117	51,865	51,982
Balance, March 31, 2021	**931**	**147,945**	**148,876**
Carrying amounts as at:			
December 31, 2020	8,561	2,073,609	2,082,170
March 31, 2021	**8,444**	**2,021,744**	**2,030,188**

11. 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 with a right to renew at the Company's option for additional five year terms. The prepaid royalties will be expensed on a per unit basis as the Company produces and sells DeepCell licensed products. As at March 31, 2021, the Company had not yet begun producing DeepCell branded products.

12. LOAN PAYABLE AND FACTORING PAYABLE

On February 23, 2021, the Company closed a $22,000,000 investment from Sundial Growers Inc. ("Sundial"). The investment was completed in the form of a brokered private placement of 25,000,000 common shares of the Company at a price of $0.44 per common share, for gross proceeds of $11,000,000 ("Sundial Subscription"), and a non-revolving term loan facility in the principal amount of $11,000,000 ("Sundial Loan" together with Sundial Subscription the "Sundial Investment"). The proceeds from the Sundial Loan were advanced net of a 4% discount on issuance. The Company incurred $915,762 in fees and commissions related to the Sundial Investment, $540,789 of which related to the share issuance and $374,973 related to the loan payable. Of the transaction costs related to the loan payable, $296,473 are directly attributable to the new liability and have been included in the value of the new liability. The transaction costs related to the loan are amortized over the remaining term of the loan. Transaction costs totaling $78,500 were recorded as an expense on the condensed consolidated interim statements of loss and comprehensive loss. Interest is charged on the loan at a rate of 9% per annum. 50% of monthly accrued interest is payable on the last day of each month. The remaining 50% of monthly accrued interest is payable, at the option of the Company, either in cash on the last day of each month or payable in arrears on the maturity date. The loan matures on February 23, 2024.

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

The terms of the Sundial Loan are substantially changed from the previously outstanding loan payable and factoring payable facilities. Accordingly, the Company has accounted for the repayment of the preceding loan payable and factoring payable facilities as an extinguishment of those financial liabilities and has recognized the Sundial Loan as a new financial liability measured at its fair value net of transaction costs.

The fair value of the loan on issuance was $9,177,656, with an effective interest rate of 17.42%. $12,382,344 representing the difference between the total gross proceeds received from the Sundial Investment of $21,560,000 and the fair value of the loan is allocated to share capital. The Company incurred $594,972 in fees directly related to the issuance of shares.

The Company has pledged as security on the Sundial Loan a general security agreement signed by the Company and its' subsidiaries, share pledge agreements in all the shares of Indiva Amalco Ltd., Indiva Inc., and Vieva Canada Ltd., a first ranking collateral charge in the principal amount over the real property owned by the Company and an assignment of insurance proceeds on the property pledged as security.

Pursuant to the Sundial Investment, the Company settled the previously outstanding loan payable and factoring payable facilities. Settlement included repayment of principal and accrued interest on the loan payable in the amount of $4,731,147, repayment of the factoring payable of $3,707,891, early payment penalty of $25,993, and legal fees totaling $3,500. The unamortized transaction costs related to the preceding loan payable totaling $45,276 were recorded in transaction costs on the condensed consolidated interim statements of loss and comprehensive loss.

As at March 31, 2021, the loan payable consists of the following:	$
Advance received from Bridging	**6,232,998**
Interest charged	828,687
Repayment of loan principal	(1,864,331)
Repayment of interest on loan payable	(672,709)
Transaction costs on extension	(70,810)
Amortization of transaction costs	282,756
Loan payable, December 31, 2020	4,736,591
Interest charged on loan payable	101,178
Repayment of loan principal	(161,717)
Amortization of transaction costs	9,819
Transaction costs expensed on extinguishment	45,276
Final payment on settlement of loan payable	(4,731,147)
Balance of preceding loan payable, February 23, 2021	-
Sundial Loan at fair value	9,177,656
Transaction costs capitalized on loan issuance	(296,473)
Interest charged on Sundial Loan	100,356
Payment of interest on Sundial Loan	(58,316)
Accretion interest on loan discount	57,290
Amortization of transaction costs	13,013
Loan payable, March 31, 2021	**8,993,526**

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

13. DEFERRED REVENUE AND JOINT OPERATION

On February 18, 2020, the Company entered into a license and manufacturing agreement (the "Dycar Agreement") with Dycar Pharmaceuticals Ltd. ("Dycar") 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 statements of financial position and recognized over the agreement term from the Company's share of proceeds from the sale of products sold.

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 months ended March 31, 2021, the Company recorded gross sales of $321,183 (three months ended March 31, 2020 - $nil) and cost of sales of $324,818 (three months ended March 31, 2020 - $nil) in the condensed consolidated interim statements of loss and comprehensive loss representing the Company's share of revenue and expenses in the periods.

The balance of deferred revenue is comprised of the following:

	$
Advance on Phase 1 received from Dycar	**3,000,000**
Revenue recognized on sale of products	(637,436)
Deferred revenue, December 31, 2020	2,362,564
Advance on Phase 2 received from Dycar	2,500,000
Revenue recognized on sale of products	(321,183)
Deferred revenue, March 31, 2021	**4,541,381**

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. On February 1, 2021, the Company amended the Dycar Agreement. Pursuant to the amendment the parties agreed to merge Phase 1 and Phase 2 of the Dycar Agreement and Dycar applied the $2,500,000 advance payment payable to the Company in Phase 2 against the guaranteed cash payments payable to Dycar as of the amendment date. The merged phase commenced on the amendment date and is complete on January 31, 2022, at which time Phase 3 will commence.

Under terms of the amendment, the Company has committed all phases of the agreement with extensions to the guaranteed sales dates. Under the amended terms Phases 1 and 2 complete on January 31, 2022, Phase 3 will complete on September 30, 2022, and the chocolate equipment phase will complete on January 31, 2023.

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

During the year ended December 31, 2020, the Company recognized a $2,646,423 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 volume and product mix of those sales, and the cost to produce products in accordance with the agreement. The actual amount of the liability to the Company 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 in the condensed consolidated interim statements of loss In the three months ended March 31, 2021, the Company recorded an increase of $401,797 to the onerous contract provision to reflect the impact of the amendment and remaining phases of the agreement. The provision will be reviewed in each period to reflect the current best estimate.

As at March 31, 2021, the onerous contract provision consists of the following:

	$
Balance, December 31, 2020	**2,646,423**
Payments towards guaranteed cash payment in excess of proceeds from sales	(2,319,507)
Increase in provision from change in estimates and amendment	401,797
Balance, March 31, 2021	**728,713**

Guaranteed cash payments and advance amounts are as follows:

	Guaranteed cash payments to Dycar	Advance payment to Indiva	Guaranteed sales date
	$	$	
Phase 1	7,086,750	3,000,000	January 31, 2022
Phase 2	5,670,496	2,500,000	January 31, 2022
Phase 3	4,410,995	2,000,000	September 30, 2022
Chocolate equipment (Note 15)	1,437,297	N/A	January 31, 2023

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

14. OTHER LIABILITIES

		March 31, 2021			December 31, 2020		
		Current	**Long-term**	**Total**	Current	Long-term	Total
		$	**$**	**$**	$	$	$
Equipment advances	**(a)**	**33,016**	**-**	**33,016**	51,275	-	51,275
Minimum royalties	**(b)**	**163,018**	**739,014**	**902,032**	162,215	734,788	897,003
Balance		**196,034**	**739,014**	**935,048**	213,490	734,788	948,278

(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, $33,016 of which remains unspent and is included in other liabilities as at March 31, 2021 (December 31, 2020 - $51,275).

(b) The present value of minimum royalty payments required under terms of the Bhang license agreement at initial recognition was $813,789. During the three months ended March 31, 2021, interest accretion of $50,030 (three months ended March 31, 2020 - $nil) was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss. Minimum royalty payments began in January 2021.

15. LEASE LIABILITY

	Office space	**Office equipment**	**Facility equipment**	**Total**
	$	**$**	**$**	**$**
Balance, January 1, 2020	908,280	10,047	-	918,327
Additions	-	-	542,841	542,841
Lease payments	(186,907)	(2,374)	(857)	(190,138)
Interest expense	89,790	635	-	90,425
Balance, December 31, 2020	811,163	8,308	541,984	1,361,455
Additions	-	-	-	-
Lease payments	(50,330)	(594)	(1,287)	(52,211)
Interest expense	20,611	146	5	20,762
Balance, March 31, 2021	**781,444**	**7,860**	**540,702**	**1,330,006**
Current, December 31, 2020	119,191	1,864	529,498	650,653
Non-current, December 31, 2020	691,972	6,444	12,486	710,902
Current, March 31, 2021	**128,698**	**1,898**	**529,924**	**660,520**
Non-current, March 31, 2021	**652,746**	**5,962**	**10,778**	**669,486**

During the year ended December 31, 2020, the Company received advances from Dycar totalling $553,115 for the Company to procure production equipment. 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

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

$28,350 is an administrative fee payable to the Company that is included in deferred revenue on the condensed consolidated interim statements 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 the Company. 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 statements of financial position. The manufacturing services related to the equipment purchase commence after phase 3 of the Dycar agreement (Note 13).

During the three months ended March 31, 2021, the Company recognized $31,524 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2020 - $3,427).

At March 31, 2021, the Company's undiscounted amount of future minimum lease payments are as follows:

	< 1 Year	2 to 3 Years	4 – 5 Years	5+ Years	**Total**
	$	$	$	$	**$**
Office and warehouse space	203,040	426,896	303,967	68,750	**1,002,653**
Facility equipment	529,912	9,436	-	-	**539,348**
Office equipment	2,374	4,748	1,781	-	**8,903**
Minimum lease payments	735,326	441,080	305,748	68,750	**1,550,904**
Financing charges	(74,806)	(107,642)	(36,976)	(1,474)	**(220,898)**
Total lease liabilities	**660,520**	**333,438**	**268,772**	**67,276**	**1,330,006**

16. 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 increased to 18% per annum when the balance was not paid by the maturity date. A penalty fee of $150,000 was applied on January 15, 2021, as the balance on that date was not paid in full and is recorded in finance costs on the condensed consolidated interim statements of loss and comprehensive loss. During the three months ended March 31, 2021, interest expense on the promissory note totaling $38,395 was included in finance costs on the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2020 - $nil). On February 23, 2021, the Company repaid the promissory note for $1,614,438, representing accrued interest, the $150,000 penalty fee applied on January 15, 2021, and principal on the date of repayment.

During the three months ended March 31, 2021, amortization of legal costs totalling $40,845 is included in transaction costs on the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2020 - $nil).

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

17. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

	Debt $	Equity $	Total $
Balance, January 1, 2020	1,457,958	648,453	2,106,411
Accretion interest on debenture discount	261,802	-	261,802
Accretion of transaction costs	10,929	-	10,929
Conversion to common shares	(1,079,548)	(460,513)	(1,540,061)
Proceeds on issuance, net of transaction costs	1,791,012	722,288	2,513,300
Accretion interest on debenture discount	261,802	-	261,802
Balance, December 31, 2020	2,442,153	910,228	3,352,381
Accretion interest on debenture discount	64,966	-	64,966
Accretion of transaction costs	2,845	-	2,845
Conversion to common shares	(105,727)	(41,621)	(147,348)
Balance, March 31, 2021	**2,404,237**	**868,607**	**3,272,844**

During the three months ended March 31, 2021 , debentures issued in December 2019 with an aggregate principal totaling $60,000 were converted by the holders into 300,000 common shares of the Company. Upon conversion a carrying value of $46,817 from convertible debentures and $18,444 from equity reserves was reclassified to share capital for the three months ended March 31, 2021.

During the three months ended March 31, 2021, debentures issued in January 2020 with an aggregate principal totaling $75,000 were converted by the holders into 375,000 common shares of the Company. On conversion a carrying value of $58,910 from convertible debentures and $23,177 from equity reserves was reclassified to share capital for the three months ended March 31, 2021.

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

A reconciliation of interest and accretion expense on the convertible debentures in the three months ended March 31, 2021, and 2020, is as follows:

	2021	2020
	$	$
Accretion interest on debenture discount	**64,966**	54,398
Accretion of transaction costs	**2,845**	2,087
Interest expense in the period	**75,498**	83,172
	143,309	139,657
Total interest and accretion	**143,309**	139,657
Interest expenses capitalized in assets in process (Note 9)	**-**	(135,926)
Accretion and interest on convertible debentures expensed	**143,309**	3,731

Interest expense payable, December 31, 2020	**153,868**	7,594
Interest expense in the period	**75,498**	83,172
Interest expense paid in shares	**(45,750)**	-
Interest expense paid in cash	**(108,118)**	-
Interest expense included in accounts payable and accrued liabilities	**75,498**	90,766

On January 26, 2021, the Company issued shares pursuant to a shares for debt agreement to satisfy an aggregate of $45,750 of the Company's outstanding debts for accrued but unpaid interest on convertible debentures. An aggregate of 183,000 shares were issued which includes 152,000 shares issued to related parties. The Company's common shares had a fair value of $0.36 per share and accordingly a $20,130 loss on issuance of shares was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

18. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at March 31, 2021, a total 135,995,619 (December 31, 2020 – 109,555,952) common shares were issued and outstanding. No special shares have been issued or are outstanding.

Pursuant to the Sundial Investment the Company issued 25,000,000 common shares (Note 12).

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

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

	Warrants outstanding	Weighted average exercise price
	#	$
Outstanding, January 1, 2020	25,264,971	1.08
Issued	17,827,329	0.40
Expired	(24,851,860)	(1.08)
Outstanding, December 31, 2020	18,240,440	0.41
Exercised	(581,667)	(0.32)
Outstanding, March 31, 2021	**17,658,773**	**0.41**

During the three months ended March 31, 2021, warrant holders exercised 581,667 warrants at an exercise price that ranged from $0.30 - $0.40 per share. 581,667 common shares of the Company were issued pursuant to the exercise of the warrants for proceeds of $184,000.

All warrants outstanding as at March 31, 2021 are exercisable.

The following warrants remain outstanding as at March 31, 2021:

Warrant description	# of warrants	Expiry date	Exercise price
	#		$
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
Warrants issued on June 25, 2020 equity offering	3,294,333	6/25/2023	0.40
Warrants issued on August 10, 2020 equity offering	13,875,663	8/10/2023	0.40
Warrants issued to brokers on August 10, 2020 equity offering	75,666	8/10/2023	0.30
Total warrants and weighted average exercise price	**17,658,773**		**0.41**

As at March 31, 2021, the warrants outstanding have a weighted average remaining life of 2.29 years.

There were no warrants issued in the three months ended March 31, 2021.

(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 March 31, 2021, based on the Company's total common shares outstanding, a total of 13,599,562 (December 31, 2020 - 10,955,595) stock options may be issued and outstanding. Based on this, the Company could grant up to 5,991,229 (December 31, 2020 – 3,102,262) additional stock options beyond what was issued and outstanding as at March 31 ,2021. 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).

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

Stock option activity for the equity compensation plan was as follows:

	Number of options #	Weighted average exercise price $
Outstanding, January 1, 2020	4,751,000	0.77
Granted	4,442,333	0.38
Expired	(440,004)	0.78
Forfeited	(1,216,662)	0.71
Outstanding, December 31, 2020	7,536,667	0.56
Granted	650,000	0.46
Forfeited	(578,334)	(0.53)
Outstanding, March 31, 2021	**7,608,333**	**0.55**

During the three months ended March 31, 2021, the Company recognized share-based compensation expense of $140,391 (three months ended March 31, 2020 – $3,836) related to stock options included in operating expenses. Share-based compensation totaling $29,228 related to options issued to production employees and is included in the cost of inventory and $111,163 is recorded to share-based compensation in the condensed consolidated interim statements of loss and comprehensive loss.

On February 26, 2021, the Company granted 150,000 options to a director of the Company. 50,000 of the options vest immediately on the grant date, and 50,000 vest on each anniversary date of the issuance over the following two years. The options expire February 26, 2026 and are exercisable into common shares at an exercise price of $0.59 per share.

On January 25, 2021, the Company granted 200,000 options to a consultant of the Company. 100,000 of the options vest immediately on the grant date, and 100,000 vest on February 25, 2021. The options expire January 25, 2024 and are exercisable into common shares at an exercise price of $0.45 per share.

On January 12, 2021, the Company granted 300,000 options to consultants and advisors of the Company. 150,000 of the options vest immediately on the grant date, and 50,000 vest three months, six months, and nine months from the grant date. The options expire January 12, 2024 and are exercisable into common shares at an exercise price of $0.40 per share.

The grant date fair value is calculated using the Black-Scholes pricing model and the inputs below. Expected volatility is based on the average volatility of the Company. The exercise price used in the pricing model is that of the respective option granted. The outstanding options as at March 31, 2021, have a weighted average remaining contractual life of 3.14 years (December 31, 2020 – 3.40 years).

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

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

	Three months ended March 31, 2021	**Year ended December 31, 2020**
Share price	**\$0.38 - \$0.59**	\$0.25 - \$0.34
Expected dividend yield	**\$nil**	\$nil
Volatility	**88.27% - 93.49%**	78.87% - 99.38%
Expected life (years)	**2.5 to 4**	3 to 4
Forfeiture rate	**33%**	29%
Risk-free rate	**0.17% - 0.30%**	0.27 – 1.07%

The following table presents information related to stock options at March 31, 2021:

Weighted average exercise price	**Number of options**	**Vested**	**Weighted average remaining life (years)**
\$0.30	707,500	87,500	2.95
\$0.40	3,334,833	958,296	4.20
\$0.45	200,000	100,000	2.82
\$0.59	150,000	50,000	4.91
\$0.75	2,311,000	2,311,000	1.84
\$0.80	670,000	373,337	2.76
\$0.87	235,000	235,000	1.90
\$0.56	**7,608,333**	**4,115,133**	**3.14**

The following table presents information related to stock options at December 31, 2020:

Weighted average exercise price	**Number of options**	**Vested**	**Weighted average remaining life (years)**
\$0.30	717,500	87,500	5.35
\$0.40	3,419,833	-	4.19
\$0.75	2,311,000	2,311,000	2.09
\$0.80	853,334	556,671	2.97
\$0.87	235,000	190,001	2.15
\$0.56	**7,536,667**	**3,145,172**	**3.40**

19. 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 for the three months ended March 31, 2021, and 2020, is anti-dilutive and accordingly, diluted loss per share is the same as basic loss per share:

	2021	2020
Stock options	**7,608,333**	6,930,833
Warrants	**17,690,909**	10,030,151
Convertible debentures	**13,600,000**	21,775,000

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

20. GROSS REVENUE

Gross revenue for the three months ended March 31, 2021, and 2020, is disaggregated as follows:

	2021	2020
	$	$
Product sales	**6,856,487**	2,011,087
Tolling revenue	**13,731**	253,760
Total	**6,870,218**	2,264,847

Product sales for the three months ended March 31, 2021, 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.

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

21. PROMISSORY NOTE RECEIVABLE

On January 23, 2019, the Company entered into an agreement with RetailGo Inc. ("RetailGo"), to obtain a 9.9% interest in RetailGo valued at $1 and a promissory note for $1,030,000. The 9.9% ownership in RetailGo and the promissory note were provided in consideration for the $730,000 of expenses incurred by the Company on behalf of RetailGo and the transfer of $300,000 to a third party relating to a partnership with a retail licence holder. The partnership with the retail licence holder was ultimately unsuccessful. These expenses related to anticipated retail locations in Ontario.

As at the date of the transaction an asset value of $1 has been recognized for the promissory note from RetailGo, due to uncertainty of RetailGo's ability to repay the promissory note at the date of the transaction. The Company's former COO, General Counsel and Director, who departed in January 2019, is a founder of RetailGo. RetailGo provided the Company with 9,900,000 common shares and a non-interest bearing promissory note for $1,030,000.

On February 26, 2021, the Company settled all outstanding matters with respect to Retailgo Inc., which included the return of shares of Retailgo Inc., and forgiving the promissory note receivable, which the Company had written down to a value of $1 in in the year ended December 31, 2019.

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

22. SUPPLEMENTAL CASH FLOWS

The following items comprise the non-cash operating working capital items to be reflected through the Company's operating cash flow activity for the three months ended March 31, 2021, and 2020:

	2021	2020
	$	$
Taxes receivable	**(336,183)**	264,701
Accounts receivable	**(895,839)**	(1,411,968)
Biological assets	**28,301**	283,589
Inventory	**(5,343)**	(1,253,126)
Prepaid expenses and deposits	**152,034**	(334,526)
Accounts payable and accrued liabilities	**(872,720)**	(106,956)
Excise tax payable	**(449,622)**	145,486
Other liabilities	**(63,260)**	3,003,392
Onerous contract	**(2,319,507)**	-
Deferred revenue	**2,178,817**	-
Interest on loan payable and convertible debentures	**218,717**	155,213
License fee payable	**-**	238,412
Amounts receivable from joint venture	**-**	(8,482)
	(2,364,605)	975,735

23. FINANCE COSTS

Finance costs consist of the following for the three months ended March 31, 2021, and 2020:

	2021	2020
	$	$
Interest on factored invoices (Note 12)	148,061	5,801
Interest on loan payable (Note 12)	201,534	218,161
Interest on convertible debentures (Note 17)	75,498	83,172
Accretion of discount on loan payable (Note 12)	57,290	-
Accretion on convertible debentures (Note 17)	64,966	54,398
Interest and penalty on promissory note (Note 16)	188,395	-
Interest on lease liabilities (Note 15)	20,762	23,671
Interest on other liabilities (Note 14)	50,030	-
Other interest and bank charges (recovery)	(361,268)	66,901
Interest capitalized in assets in process (Note 17)	-	(135,926)
	445,268	316,178

(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 property, plant and equipment, 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, equity investment, promissory note, accounts payable and accrued liabilities, other liabilities, loan payable, factoring payable, lease liabilities, excise tax payable, and convertible debentures. The fair value of accounts receivable, promissory note, accounts payable and accrued liabilities, lease liabilities, and factoring payable are equivalent to their carrying values given their short maturity period. The loan payable has a maturity of ten 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 effective interest rate has not materially changed between the issuance of convertible debentures and March 31, 2021, and accordingly the fair value of these financial instruments approximates their carrying value as at March 31, 2021.

(a) Foreign currency risk

As at March 31, 2021, the Company did not hold any cash denominated in a foreign currency (December 31, 2020 - $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 29, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at March 31, 2021	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 -5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	6,653,191	6,653,191	6,653,191	-	-
Excise tax payable	561,705	561,705	561,705	-	-
Other liabilities	902,032	2,297,036	213,016	191,362	1,892,658
Loan payable	8,993,526	11,042,041	-	11,042,041	-
Lease liabilities	1,330,006	1,550,904	735,326	441,080	374,498
Provision for onerous contract	728,713	728,713	728,713	-	-
Convertible debentures	2,404,237	3,020,000	-	3,020,000	-
Total	**21,573,410**	**25,853,590**	**8,891,951**	**14,694,483**	**2,267,156**

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

As at December 31, 2020	**Carrying amount**	**Contractual cash flows**	**Year 1**	**Year 2 - 3**	**Year 4 -5 and thereafter**
	$	**$**	**$**	**$**	**$**
Accounts payable and accrued liabilities	7,478,240	7,478,240	7,478,240	-	-
Excise tax payable	1,011,327	1,011,327	1,011,327	-	-
Factoring payable	3,575,466	3,575,466	3,575,466	-	-
Other liabilities	948,278	2,315,296	231,275	387,450	1,696,571
Loan payable	4,736,591	4,736,591	4,736,591	-	-
Lease liabilities	1,361,455	1,603,101	733,213	424,114	445,774
Promissory note	1,385,198	1,385,198	1,385,198	-	-
Provision for onerous contract	2,646,423	2,646,423	2,646,423	-	-
Convertible debentures	2,442,153	3,155,000	-	3,155,000	-
Total	**25,585,131**	**27,906,642**	**21,797,733**	**3,966,564**	**2,142,345**

(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 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. The Company has recorded an expected credit loss on accounts receivable as at March 31, 2021 totaling $22,076 (December 31, 2020 - $27,798).

During the three months ended March 31, 2021, the Company had sales of $6,286,754 to three major customers (three months ended March 31, 2020 - $1,758,931). These customers each had revenues of over 10% of the Company's total revenue for the three months ended March 31, 2021. Total amounts receivable from these customers at March 31, 2021, was $4,540,866 (December 31, 2020 - $3,857,781).

As at March 31, 2021, the Company's aging of receivables was approximately as follows:

	March 31, 2021	**Expected credit loss rate**	December 31, 2020	Expected credit loss rate
	$	**%**	$	%
Current	5,169,670	0.1	4,399,739	0.1
61 – 120 Days	244,843	0.1	156,085	12.7
Greater than 121 Days	37,150	36.0	-	-
Total	**5,451,663**	**0.4**	4,555,824	0.5

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

(d) Interest rate risk

The interest rate on the loan payable and convertible debenture is fixed and accordingly the Company does not have any liabilities subject to interest rate risk.

26. FAIR VALUE MEASUREMENTS

As at March 31, 2021, the Company's cash balance of $7,095,863 (December 31, 2020 - $314,042) 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 at March 31, 2021.

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

	March 31, 2021			**December 31, 2020**		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Cash	**7,095,863**	**-**	**-**	314,042	-	-
Total	**7,095,863**	**-**	**-**	314,042	**-**	**-**

27. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of $31,871,938 (December 31, 2020 – $23,359,006), as shown below:

	March 31, 2021	**December 31, 2020**
	$	**$**
Total Debt		
Factoring payable	-	3,575,466
Loan payable	8,993,526	4,736,591
Promissory note	-	1,385,198
Convertible debentures	2,404,237	2,442,153
Total Debt	**11,397,763**	**12,139,408**
Total Equity	**20,474,175**	**11,219,598**

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

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. INCOME TAXES

There have been no material changes to income tax matters during the three months ended March 31, 2021. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three months ended March 31, 2021, there were no material changes to statutory tax rates.

29. 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	657,941	861,626	79,406	**1,598,973**
Other commitments	522,085	44,892	-	**566,977**
Total	**1,180,026**	**906,518**	**79,406**	**2,165,950**

Subsequent to March 31, 2021, the Company entered into commitments totalling $1,332,679. These commitments are primarily comprised of facility equipment, production supplies, 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.

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.

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

30. 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 months ended March 31, 2021, and 2020, was as follows:

	2021	2020
	$	$
Short-term key management personnel compensation	**231,596**	302,721
Share-based payments	**41,867**	55,365
Directors' fees	**6,042**	5,625
	279,505	363,711

31. RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2020, the Company invoiced the Bhang JV $136,563 for the recovery of expenses related to marketing, pre-production costs, management, and administration prior to the effective date of the Amended License Agreement. The Bhang JV charged license fees to the Company totalling $238,412 related to licensed products manufactured and sold by the Company during the three months ended March 31, 2020, representing the license fee payable on sales prior to the effective date of the Amended License Agreement. 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 and accordingly there were no related party transactions recorded in the three months ended March 31, 2021.

In the three months ended March 31, 2021, the Company settled interest payments totaling $19,000 in exchange for Common Shares in the Company. The fair value of the shares on issuance was $0.25 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 86,000 Common Shares was issued to the creditors, which includes an aggregate of 76,000 Common Shares issued to related parties to settle interest owing.

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 period. The Company notes no material changes have been made to any of these figures other than classifications within operating expenses and there is no change to total assets, total liabilities and equity, or total comprehensive loss attributable to shareholders.