INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and six months ended June 30, 2021, and 2020

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

As at	*Note*	June 30, 2021 $	December 31, 2020 $
ASSETS			
Current assets			
Cash		**3,384,471**	314,042
Taxes receivable		**256,294**	169,271
Accounts receivable	**5**	**6,459,694**	4,555,824
Inventory	**6**	**6,606,410**	6,495,541
Biological assets	**7**	**8,760**	69,829
Prepaid expenses and deposits	**8**	**352,564**	616,182
Other current assets	**14**	**479,275**	-
Total current assets		**17,547,468**	12,220,689
Other non-current assets			
Property, plant and equipment	**9**	**22,675,074**	22,680,008
Assets in process	**10**	**134,790**	13,206
Building, equipment and construction deposits	**9**	**158,701**	222,268
Intangible assets	**11**	**1,978,205**	2,082,170
Equity investment	**22**	**-**	1
Promissory note	**22**	**-**	1
Prepaid royalties	**12**	**1,948,950**	1,948,950
Total assets		**44,443,188**	39,167,293
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**6,467,757**	7,478,240
Taxes payable		**935,368**	1,011,327
Factoring payable	**13**	**-**	3,575,466
Deferred revenue	**14**	**2,027,840**	2,334,214
Other liabilities	**15**	**191,369**	213,490
Loan payable	**13**	**-**	4,736,591
Lease liability	**16**	**664,040**	650,553
Promissory note	**17**	**-**	1,385,198
Provision for onerous contract	**14**	**2,046,602**	2,646,423
Total current liabilities		**12,332,976**	24,031,502
Other non-current liabilities			
Other liabilities	**15**	**745,525**	734,788
Deferred revenue	**14**	**-**	28,350
Lease liability	**16**	**633,716**	710,902
Loan payable	**13**	**9,291,458**	-
Convertible debentures	**18**	**2,473,859**	2,442,153
Total liabilities		**25,477,534**	27,947,695
Equity			
Share capital	**19**	**54,429,747**	42,415,786
Contributed surplus		**4,919,811**	4,723,080
Reserves		**5,317,284**	5,337,081
Accumulated other comprehensive loss		**(19,537)**	(19,537)
Accumulated deficit		**(45,681,651)**	(41,236,812)
Total equity		**18,965,654**	11,219,598
Total liabilities and equity		**44,443,188**	39,167,293

Going Concern (Note 3), Commitments (Note 30), and Subsequent Events (Note 34)

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 and six months ended June 30, 2021, and 2020

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

	Note	**Three months ended June 30**		**Six months ended June 30**	
		2021	2020	**2021**	2020
		$	$	**$**	$
Gross revenue	**21**	**9,870,342**	2,826,487	**16,740,560**	5,091,334
Excise taxes		**(793,444)**	(266,783)	**(1,442,579)**	(518,339)
Net revenue		**9,076,898**	2,559,704	**15,297,981**	4,572,995
Cost of goods sold		**(5,994,374)**	(2,259,126)	**(11,032,308)**	(4,049,463)
License fee		**-**	(279,100)	**-**	(517,512)
Write down of inventory	**6**	**(289,035)**	-	**(1,096,425)**	(327,073)
Gross margin before fair value adjustments		**2,793,489**	21,478	**3,169,248**	(321,053)
Fair value adjustment on sale of inventory		**(14,555)**	(41,943)	**(57,761)**	(66,968)
Unrealized fair value adjustment on biological assets	**7**	**(2,814)**	113,282	**(143,359)**	263,142
Gross margin		**2,776,120**	92,817	**2,968,128**	(124,879)
Operating expenses					
General and administrative		**1,675,036**	1,091,580	**2,800,532**	2,303,098
Marketing and sales		**1,093,233**	229,932	**1,965,683**	510,142
Research and development		**40,965**	1,065	**40,965**	2,916
Share-based compensation	**19(c)**	**162,094**	115,455	**273,257**	111,619
Depreciation of property, plant and equipment	**9**	**71,443**	61,433	**127,644**	88,788
Amortization of intangible assets	**11**	**51,983**	118	**103,965**	235
Total operating expenses		**3,094,754**	1,499,583	**5,312,046**	3,016,798
Loss from operations		**(318,634)**	(1,406,766)	**(2,343,918)**	(3,141,677)
Other income (expenses)					
Foreign exchange gain		**4,861**	(57,058)	**81,866**	40,804
Finance costs	**24**	**(628,607)**	(497,977)	**(1,073,875)**	(814,155)
Transaction costs		**(24,760)**	(46,585)	**(226,115)**	(190,120)
Interest income		**1,357**	-	**1,832**	-
Expected credit loss		**(5,918)**	-	**(18,357)**	(115,391)
Share of income on investment in joint venture		**-**	89,039	**-**	138,839
Loss on issuance of shares		**-**	-	**(20,130)**	-
Loss on disposal of asset	**9**	**(10,340)**	(522,032)	**(10,340)**	(522,032)
Write-off of non-refundable deposits		**-**	(87,334)	**-**	(363,109)
Provision for onerous contract	**14**	**(700,959)**	-	**(1,102,756)**	-
Loss before income taxes		**(1,683,000)**	(2,528,713)	**(4,711,793)**	(4,966,841)
Deferred tax recovery	29	266,954	-	266,954	-
Net loss and comprehensive loss attributable to shareholders		**(1,416,046)**	(2,528,713)	**(4,444,839)**	(4,966,841)
Loss per share, basic and diluted	**20**	**(0.01)**	(0.03)	**(0.03)**	(0.06)
Weighted average number of outstanding shares, basic and diluted	**20**	**135,995,619**	86,914,311	**128,219,249**	85,466,414

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Indiva Limited

Condensed Consolidated Interim Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

(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, 2021		109,555,952	42,415,786	4,723,080	5,337,081	(41,236,812)	(19,537)	11,219,598
Share based compensation	**19(c)**	-	-	97,222	217,648	-	-	314,870
Issuance of shares, net of tax	**13, 29**	25,000,000	12,115,390	-	-	-	-	12,115,390
Share issuance costs	**19(a)**	-	(594,972)	-	-	-	-	(594,972)
Shares issued in lieu of interest	**18**	183,000	65,880	-	-	-	-	65,880
Warrants exercised	**19(b)**	95,000	51,095	-	(13,095)	-	-	38,000
Broker warrants exercised	**19(b)**	486,667	229,220	-	(83,220)	-	-	146,000
Conversion of convertible debentures	**18**	675,000	147,348	-	(41,621)	-	-	105,727
Expired warrants	**19 (b)**	-	-	99,509	(99,509)	-	-	-
Net loss for the period		-	-	-	-	(4,444,839)	-	(4,444,839)
Balance, June 30, 2021		**135,995,619**	**54,429,747**	**4,919,811**	**5,317,284**	**(45,681,651)**	**(19,537)**	**18,965,654**

	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	**19(c)**	-	-	-	111,619	-	-	111,619
Equity portion of convertible debentures issued in 2020	**18**	-	-	-	722,288	-	-	722,288
Conversion of convertible debentures	**18**	6,625,000	1,358,980	-	(406,677)	-	-	952,303
Equity units issued with purchase warrants	**19(a)**	3,374,333	660,196	-	352,104	-	-	1,012,300
Share issuance costs		-	(5,000)	-	-	-	-	(5,000)
Net loss for the period		-	-	-	-	(4,966,841)	-	(4,966,841)
Balance, June 30, 2020		**93,587,602**	**39,501,441**	**398,267**	**8,019,135**	**(30,781,841)**	**(19,537)**	**17,118,280**

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 six months ended June 30, 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 year		**(4,444,839)**	(4,966,841)
Adjustments to reconcile net loss to cash used in operating activities:			
Deferred tax recovery	**29**	**(266,954)**	-
Unrealized fair value adjustment on biological assets	**7**	**143,359**	(263,142)
Realized fair value adjustment on sale of inventory		**57,761**	66,968
Write-off of inventory to net realizable value	**6**	**1,096,425**	327,073
Depreciation and amortization	**9, 11**	**231,609**	89,023
Loss on disposal of property, plant, and equipment	**9**	**10,340**	522,032
Amortization of transaction costs on loan payable	**13**	**90,024**	163,445
Accretion of discount on convertible debenture	**18**	**131,741**	127,388
Accretion of transaction costs on convertible debentures	**18**	**5,692**	5,357
Accretion of loan discount	**13**	**208,961**	-
Interest accretion on lease liability	**16**	**40,706**	46,645
Interest accretion on other liabilities	**16**	**102,851**	-
Interest and penalty on promissory note	**17**	**188,395**	-
Interest capitalized in purchase of assets in process	**10**	**-**	-
Accretion of transaction costs on promissory note	**17**	**40,845**	-
Share of income from investment in joint venture		**-**	(138,839)
Unrealized exchange (gain) loss		**-**	(64,000)
Share-based compensation	**19(c)**	**314,870**	111,619
Shares issued to settle account payable and interest on convertible debentures	**18**	**65,880**	-
Provision for onerous contract	**14**	**1,102,756**	-
Expected credit loss		**18,357**	115,391
Interest income		**(1,832)**	-
Changes in non-cash operating working capital	**23**	**(5,881,352)**	2,184,744
Total cash outflows used in operating activities		**(6,744,405)**	(1,673,137)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	**9**	**(291,538)**	(920,114)
Acquisition of assets in process	**10**	**(560,842)**	(777,249)
Proceeds on disposal of property, plant and equipment		**-**	238,095
Interest received		**1,832**	-
Total cash outflows used in investing activities		**(850,548)**	(1,459,268)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common shares, net of issuance costs	**12**	**11,787,372**	1,007,300
Proceeds from issuance of convertible debentures, net of transaction costs		**-**	2,537,800
Proceeds from exercise of warrants for common shares	**19(b)**	**184,000**	-
Payment of principal portion of lease liabilities	**16**	**(104,405)**	(88,792)
Advances on factoring payable	**13**	**3,659,415**	1,954,970
Repayments on factoring payable	**13**	**(7,234,881)**	(1,718,853)
Proceeds on loan payment, net of transaction costs	**13**	**8,881,183**	-
Repayment of loan payable	**13**	**(4,892,864)**	(782,115)
Repayment of promissory note	**17**	**(1,614,438)**	-
Total cash inflows from financing activities		**10,665,382**	2,910,310
Increase (decrease) in cash		**3,070,429**	(222,095)
Cash, beginning of period		**314,042**	631,106
Cash, end of period		**3,384,471**	409,011

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, 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 August 20, 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) SHARE-BASED COMPENSATION – RESTRICTED SHARE UNITS

Share based compensation expense relates to stock options as well as cash and equity settled restricted share units ("RSUs"). The grant date fair values of equity settled RSUs is recognized as an expense, with a corresponding increase in contributed surplus in equity, over the vesting period. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

For cash settled RSUs , the fair value of the RSUs is recognized as stock-based compensation expense, with a corresponding increase in accrued liabilities over the vesting period. The amount recognized as an expense is based on the estimate of the number of RSUs expected to vest. Cash settled RSUs are measured at their fair value at each reporting period on a mark-to-market basis. Upon vesting of the cash settled RSUs, the liability is reduced by the Cash payout.

Where the Company has a choice to settle RSUs with cash or equity the Company will consider past practice, intent and ability to determine if the obligation will be settled in cash or equity and will account for the obligation accordingly.

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 $1,416,046 and $4,444,839 for the three and six month periods ended June 30, 2021 (three and six months ended June 30, 2020 - $2,528,713 and $4,966,841), an accumulated deficit of $45,681,651 at June 30, 2021 (December 31, 2020 - $41,236,812), and negative cash flow from operations during the six months ended June 30, 2021, of $6,744,405 (2020 – negative cash flow from operations of $1,673,137). 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 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 consolidated interim statement of financial position. These adjustments could be material.

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

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

5. ACCOUNTS RECEIVABLE

Accounts receivable as at June 30, 2021, and December 31, 2020, consisted of the following:

	June 30, 2021	December 31, 2020
	$	$
Trade receivables	**6,459,694**	241,528
Trade receivables subject to factoring arrangement	**-**	4,313,280
Other receivables	**-**	1,016
Total accounts receivable	**6,459,694**	4,555,824

At December 31, 2020, the carrying amounts of the accounts receivables included receivables which were subject to a factoring arrangement (Note 13). 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 were 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. In 2021, the Company collected all outstanding receivables under the factoring arrangement and repaid all balances due to the lender under the factoring arrangement.

The Company has recognized an expected credit loss totalling $27,995 related to accounts receivable at June 30, 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)

6. INVENTORY

Inventory as at June 30, 2021, and December 31, 2020, consisted of the following:

	June 30, 2021			December 31, 2020
	Capitalized cost $	**Biological assets fair value adjustments $**	**Total $**	Total $
Dried cannabis				
Finished goods	**85,852**	**17,902**	**103,754**	90,433
Work-in-process	**501,640**	**101,011**	**602,651**	1,027,171
Cannabis extracts				
Finished goods	**2,137,896**	**-**	**2,137,896**	1,622,765
Work-in-process	**1,738,041**	**-**	**1,738,041**	2,233,804
Processing services				
Finished goods	**359,663**	**-**	**359,663**	101,480
Work-in-process	**6,269**	**-**	**6,269**	21,732
Harvested cannabis trim	**202,183**	**-**	**202,183**	175,846
Packaging, supplies and other inventory	**1,455,953**	**-**	**1,455,953**	1,222,310
Total inventory	**6,487,497**	**118,913**	**6,606,410**	6,495,541

Inventory expensed to cost of goods sold during the three and six months ended June 30, 2021, was $4,062,376 and $7,846,513 (three and six months ended June 30, 2020 - $2,250,468 and $3,976,263). Cost of goods sold for the three and six months ended June 30, 2021, also includes royalties, license fees, shipping, and other costs totaling $1,931,998 and $3,185,795 (three and six months ended June 30, 2020 - $281,781 and $520,927). In the three and six months ended June 30, 2021, the Company recorded inventory write-offs totalling $289,035 and $1,096,425 (three and six months ended June 30, 2020 - $nil and $327,073). The inventory write-offs for the three and six months ended June 30, 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.

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

7. BIOLOGICAL ASSETS

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

	June 30, 2021	December 31, 2020
	$	$
Carrying amount, beginning of period	**69,829**	453,867
Production costs capitalized	**357,344**	1,074,437
Net change in fair value due to biological transformation less cost to sell	**(143,359)**	238,716
Transferred to inventory upon harvest	**(275,054)**	(1,697,191)
Carrying amount, end of period	**8,760**	69,829

As at June 30, 2021, the fair value of biological assets included $8,760 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 June 30, 2021.

8. PREPAID EXPENSES AND DEPOSITS

	June 30, 2021	December 31, 2020
	$	$
Rent, security and utility deposits	**9,072**	78,469
Government of Canada surety bond	**208,000**	208,000
Other prepayments	**135,492**	329,713
Total prepaid expenses and deposits	**352,564**	616,182

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

During the three and six months ended June 30, 2020, the Company wrote off deposits totalling $87,334 and $363,109 related to extraction equipment and facility upgrades. There was no write-off of deposits in the three and six months ended June 30, 2021.

(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, 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	-	72,015	-	258,846	-	23,919	-	354,780
Disposals	-	-	(2,432)	(23,760)	(3,358)	(29,252)	-	(58,802)
Transferred from assets in process	-	320,880	-	118,378	-	-	-	439,258
Balance, June 30, 2021	**252,275**	**18,893,503**	**59,014**	**4,665,754**	**71,307**	**456,883**	**1,522,795**	**25,921,531**
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 improvements and 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	-	244,986	1,537	258,289	4,841	38,102	240,877	788,631
Disposals	-	-	(2,432)	(14,872)	(2,142)	(29,015)	-	(48,461)
Balance, June 30, 2021	**-**	**1,216,658**	**289**	**1,183,829**	**32,119**	**270,750**	**542,813**	**3,246,457**
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
June 30, 2021	**252,275**	**17,676,845**	**58,725**	**3,481,926**	**39,188**	**186,133**	**979,982**	**22,675,074**

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

As at June 30, 2021, $69,940 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2020 - $70,265). In the three and six months ended June 30, 2021, building, equipment and construction deposits totaling $140,087 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 $76,519 towards future purchases (December 31, 2020 - $nil).

Total depreciation expense for the three and six months ended June 30, 2021, was $390,302 and $788,631 (three and six months ended June 30, 2020 - $300,700 and $541,367), of which $318,859 and $660,987 (three and six months ended June 30, 2020 - $239,267 and $452,579) has been capitalized in the production of biological assets and inventory.

In the three and six months ended June 30, 2021, the Company disposed of equipment no longer in use with an aggregate book value of $10,340. No proceeds were received on disposal.

10. ASSETS IN PROCESS

	Building & building improvements	**Leasehold 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	-	239,962	-	560,842
Transferred to PPE	(320,880)	-	(118,378)	-	(439,258)
Balance, June 30, 2021	**-**	**-**	**134,790**	**-**	**134,790**

Interest of $nil was capitalized to building improvements during the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - $43,453 and $179,379).

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

11. 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, June 30, 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	234	103,731	103,965
Balance, June 30, 2021	**1,048**	**199,811**	**200,859**
Carrying amounts as at:			
December 31, 2020	8,561	2,073,609	2,082,170
June 30, 2021	**8,327**	**1,969,878**	**1,978,205**

12. 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 June 30, 2021, the Company had not yet begun producing DeepCell branded products.

13. 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 (the "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 accrued monthly 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 June 30, 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	349,048
Payment of interest on Sundial Loan	(182,663)
Accretion interest on loan discount	208,961
Amortization of transaction costs	34,929
Loan payable, June 30, 2021	**9,291,458**

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

14. 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. In February 2021, Dycar advanced an additional $2,500,000 related to the second phase of the Dycar Agreement. Dycar has committed to advancing an additional $2,000,000, at the beginning of the third phase of the Dycar Agreement. The $5,500,000 in advances received as of June 30, 2021, are 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 and six months ended June 30, 2021, the Company recorded gross sales of $439,308 and $760,491 (three and six months ended June 30, 2020 - $106,894 and $106,894) and cost of sales of $414,147 and $738,965 (three and six months ended June 30, 2020 - $89,805 and $89,805) in the condensed consolidated interim statements of loss and comprehensive loss representing the Company's share of revenue and expenses in the periods.

As of June 30, 2021, the Company has estimated that $2,074,233 of the advances received from Dycar will not be earned as revenue before the end of the Dycar Agreement and accordingly this portion of the advance was applied against the guaranteed cash payments due to Dycar under the terms of the agreement.

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	(760,491)
Unearned advances to be applied against the guaranteed minimum payments	(2,074,233)
Deferred revenue, June 30, 2021	**2,027,840**

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.

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

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.

During the year ended December 31, 2020, the Company recognized a $2,646,423 provision for onerous contract related to 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 and six months ended June 30, 2021, the Company recorded an increase of $700,959 and $1,102,756 to the onerous contract provision to reflect the impact of the amendment on remaining phases of the agreement, and updates to estimated proceeds from the sale Dycar products during the term of the Dycar Agreement. The provision will be reviewed in each period to reflect the current best estimate.

As at June 30, 2021, the onerous contract provision consists of the following:

	$
Balance, December 31, 2020	**2,646,423**
Increase in provision from change in estimates and amendment	1,102,756
Unearned advances	2,074,233
Payments towards guaranteed cash payment in excess of proceeds from sales	(3,776,810)
Balance, June 30, 2021	**2,046,602**

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

Under the terms of the Dycar Agreement, Dycar provides funding for cannabis inputs used in Dycar products which the Company repays to Dycar over the agreement term from the sale of the Dycar products. As at June 30, 2021, the Company has paid Dycar $479,275 for repayment of the cannabis inputs in advance of Dycar products using those cannabis inputs being sold. This amount is recorded to other current assets in the condensed consolidated statements of financial position and are applied against the liability due to Dycar when the sale of Dycar products occurs.

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

15. OTHER LIABILITIES

		June 30, 2021			December 31, 2020		
		Current	**Long-term**	**Total**	Current	Long-term	Total
		$	**$**	**$**	$	$	$
Equipment advances	**(a)**	**27,041**	**-**	**27,041**	51,275	-	51,275
Minimum royalties	**(b)**	**164,328**	**745,525**	**909,853**	162,215	734,788	897,003
Balance		**191,369**	**745,525**	**936,894**	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, $27,041 of which remains unspent and is included in other liabilities as at June 30, 2021 (December 31, 2020 - $51,275).

(b) The present value of minimum royalty payments required under the terms of the Bhang license agreement at initial recognition was $813,789. During the three and six months ended June 30, 2021, interest accretion of $52,821 and $102,851 (three and six months ended June 30, 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.

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

16. 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	(100,638)	(1,187)	(2,580)	(104,405)
Interest expense	40,435	271	-	40,706
Balance, June 30, 2021	**750,960**	**7,392**	**539,404**	**1,297,756**
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, June 30, 2021	**132,187**	**1,931**	**529,922**	**664,040**
Non-current, June 30, 2021	**618,773**	**5,461**	**9,482**	**633,716**

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 $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 14).

During the three and six months ended June 30, 2021, the Company recognized $42,593 and $74,117 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2020 - $24,233 and $27,660).

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

At June 30, 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	203,845	410,253	303,875	34,375	**952,348**
Facility equipment	529,912	8,150	-	-	**538,062**
Office equipment	2,374	4,748	1,187	-	**8,309**
Minimum lease payments	736,131	423,151	305,062	34,375	**1,498,719**
Financing charges	(71,381)	(96,578)	(32,707)	(297)	**(200,963)**
Total lease liabilities	**664,750**	**326,573**	**272,355**	**34,078**	**1,297,756**

17. 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 and six months ended June 30, 2021, interest expense on the promissory note totaling $nil and $38,395 was included in finance costs on the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 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 and six months ended June 30, 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 and six months ended June 30, 2020 - $nil).

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

18. 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	131,741	-	131,741
Accretion of transaction costs	5,692	-	5,692
Conversion to common shares	(105,727)	(41,621)	(147,348)
Balance, June 30, 2021	**2,473,859**	**868,607**	**3,342,466**

During the six months ended June 30, 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 June 30, 2021.

During the six months ended June 30, 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 June 30, 2021.

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

A reconciliation of interest and accretion expense on the convertible debentures in the six months ended June 30, 2021, and 2020, is as follows:

	2021	2020
	$	$
Accretion interest on debenture discount	**131,741**	127,388
Accretion of transaction costs	**5,692**	5,357
Interest expense in the period	**152,979**	188,503
	290,412	321,248
Total interest and accretion	**290,412**	321,248
Interest expenses capitalized in assets in process (Note 9)	**-**	(179,379)
Accretion and interest on convertible debentures expensed	**290,412**	141,869

Interest expense payable, December 31, 2020 and 2019	**153,868**	11,794
Interest expense in the period	**152,979**	188,503
Interest expense paid in shares	**(45,750)**	-
Interest expense paid in cash	**(261,097)**	(84,839)
Interest expense included in accounts payable and accrued liabilities	**-**	115,458

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.

19. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at June 30, 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 13).

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

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

	Warrants outstanding	Weighted average exercise price
	#	$
Outstanding, December 31, 2019	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
Expired	(284,560)	(0.86)
Exercised	(581,667)	(0.32)
Outstanding, June 30, 2021	**17,374,213**	**0.40**

During the six months ended June 30, 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.

During the six months ended June 30, 2021, 284,560 warrants with a value in reserves of $99,509 expired. The value of expired warrants is recorded to contributed surplus on the expiration date.

All warrants outstanding as at June 30, 2021 are exercisable.

The following warrants remain outstanding as at June 30, 2021:

Warrant description	# of warrants	Expiry date	Exercise price
	#		$
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	**17,374,213**		**0.40**

As at June 30, 2021, the warrants outstanding have a weighted average remaining life of 2.08 years.

There were no warrants issued in the six months ended June 30, 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. The plan was amended June 29, 2021, as a Omnibus Incentive Plan ("Omnibus Plan") which also allows for the issuance of RSUs.

During the three and six months ended June 30, 2021, the Company recognized share-based compensation expense of $174,479 and $314,870 (three and six months ended June 30, 2020 – $115,455 and $111,619) related to stock options included in operating expenses. Share-based compensation for the three and six months ended June 30, 2021, totaling $12,385 and $41,613 related to options issued to production employees and is included in the cost of inventory and $162,094 and $273,257 is recorded to share-based compensation in the condensed consolidated interim statements of loss and comprehensive loss.

The maximum number of commons shares reserved for issuance under all stock based compensation arrangements of the Company may not exceed 10% of the Company's outstanding common shares. As at June 30, 2021, based on the Company's total common shares outstanding, a total of 13,599,562 (December 31, 2020 - 10,955,595) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 3,555,117 (December 31, 2020 – 3,102,262) additional stock options or RSUs beyond what was issued and outstanding as at June 30 ,2021. TSXV approval is required to reserve the related common shares for issuance. A maximum of 2,500,000 RSUs may be issued under the plan.

(I) RESTRICTED SHARE UNITS

On June 29, 2021, the Company granted 1,236,112 RSUs to officers and directors of the Company. Each RSU grant vests in accordance with the vesting schedule set for in the individual participant award agreement. The fair value of the shares on the grant date totalled $432,639 or $0.35 per RSU. 680,557 RSUs with a fair value of $238,195 were issued to officers of the Company and will vest immediately upon receipt of the final approval of the Omnibus Plan from the TSXV Exchange, which was received on July 12, 2021. These RSUs were issued to settle accrued bonuses from December 31, 2020 and are accounted for as cash settled. The obligation related to outstanding cash settled RSUs at June 30, 2021, is $238,195 and is recorded in accounts payable and accrued liabilities in the condensed consolidated statements of financial position. 555,555 RSUs with a fair value of $194,444 vest December 29, 2021 and are accounted for as equity settled.

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

The following table summarizes the movement in outstanding RSUs:

	Total
Outstanding, December 31, 2019 and 2020	-
Granted	1,236,112
Outstanding, June 30, 2021	**1,236,112**

(II) **STOCK OPTIONS**

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 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	2,040,000	0.42
Forfeited	(768,334)	(0.53)
Outstanding, June 30, 2021	**8,808,333**	**0.53**

On June 7, 2021, the Company approved the grant of 1,190,000 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 7, 2026. One-third of all options vest on each anniversary date of the grant over the three years following the grant date.

On June 7, 2021, the Company granted 200,000 options to a consultant of the Company. The options vest immediately on the grant date, expire December 1, 2021, and are exercisable into common shares at an exercise price of $0.415 per share.

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.

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

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 June 30, 2021, have a weighted average remaining contractual life of 3.11 years (December 31, 2020 – 3.40 years).

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

	Six months ended June 30, 2021	**Year ended December 31, 2020**
Share price	**$0.38 - $0.59**	$0.25 - $0.34
Expected dividend yield	**$nil**	$nil
Volatility	**84.27% - 93.49%**	78.87% - 99.38%
Expected life (years)	**0.5 to 4**	3 to 4
Forfeiture rate	**33%**	29%
Risk-free rate	**0.17% - 0.33%**	0.27 – 1.07%

The following table presents information related to stock options at June 30, 2021:

Weighted average exercise price	**Number of options**	**Vested**	**Weighted average remaining life (years)**
$0.30	657,500	87,500	4.22
$0.40	4,484,833	1,198,302	3.95
$0.415	200,000	200,000	0.42
$0.45	200,000	200,000	2.57
$0.59	150,000	50,000	4.66
$0.75	2,211,000	2,211,000	1.61
$0.80	670,000	523,334	2.51
$0.87	235,000	235,000	1.65
$0.53	**8,808,333**	**4,705,136**	**3.11**

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**

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

20. 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:

	June 30, 2021	June 30, 2020
Stock options	**8,808,333**	7,550,833
RSUs	**1,236,112**	-
Warrants	**17,387,023**	13,450,313
Convertible debentures	**13,600,000**	15,150,000

21. GROSS REVENUE

Gross revenue for the three and six months ended June 30, 2021, and 2020, is disaggregated as follows:

	Three months ended		**Six months ended**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Product sales	**9,870,342**	2,251,099	**16,726,829**	4,262,186
Sale of cannabis to other licensed producers	**-**	446,478	**-**	446,478
Tolling revenue	**-**	128,910	**13,731**	382,670
Total	**9,870,342**	2,826,487	**16,740,560**	5,091,344

Product sales for the three and six months ended June 30, 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.

22. 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.

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

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.

23. 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 six months ended June 30, 2021, and 2020:

	2021	2020
	$	$
Taxes receivable	**34,851**	358,167
Accounts receivable	**(1,971,293)**	(662,591)
Biological assets	**49,451**	322,743
Inventory	**(735,808)**	(1,761,491)
Prepaid expenses and deposits	**190,810**	(259,319)
Other current assets	**(479,275)**	-
Accounts payable and accrued liabilities	**(1,010,157)**	609,680
Excise tax payable	**(75,959)**	231,978
Other liabilities	**(114,235)**	2,825,788
Onerous contract	**(3,776,810)**	-
Deferred revenue	**1,739,509**	-
Interest on loan payable and convertible debentures	**267,564**	110,657
License fee payable	**-**	517,512
Amounts receivable from joint venture	**-**	(108,380)
	(5,881,353)	2,184,744

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

24. FINANCE COSTS

Finance costs consist of the following for the three and six months ended June 30, 2021, and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Interest on factored invoices (Note 13)	**-**	37,298	**148,061**	43,099
Interest on loan payable (Note 13)	**248,693**	177,880	**450,227**	396,041
Interest on convertible debentures (Note 18)	**77,481**	105,331	**152,979**	188,503
Accretion of discount on loan payable (Note 13)	**151,671**	-	**208,961**	-
Accretion on convertible debentures (Note 18)	**66,775**	72,990	**131,741**	127,388
Interest and penalty on promissory note (Note 17)	**-**	-	**188,395**	-
Interest on lease liabilities (Note 16)	**19,944**	22,974	**40,706**	46,645
Interest on other liabilities (Note 15)	**52,821**	-	**102,851**	-
Other interest and bank charges (recovery)	**11,222**	124,957	**(350,046)**	191,858
Interest capitalized in assets in process (Note 18)	-	(43,453)	**-**	(179,379)
	628,607	497,977	**1,073,875**	814,155

25. 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.

26. 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, and convertible debentures. The fair value of accounts receivable, accounts payable and accrued liabilities, and lease liabilities are equivalent to their carrying values given their short maturity period. 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 loan payable was recorded using the Company's effective interest rate and accordingly its' carrying values approximates the fair value on the issuance date. There has been no material change to the Company's overall effective interest rate as at June 30, 2021, and accordingly the fair value of the Company's long-term financial liabilities, comprised of convertible debentures, lease liabilities and loan payable approximates their carrying value as at June 30, 2021.

(a) Foreign currency risk

As at June 30, 2021, the Company did not hold any cash denominated in a foreign currency (December 31, 2020 - $nil).

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

(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 30, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at June 30, 2021	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 -5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	6,467,757	6,467,757	6,467,757	-	-
Excise tax payable	935,368	935,368	935,368	-	-
Other liabilities	936,894	2,174,020	184,500	193,725	1,795,795
Loan payable	9,291,458	11,166,388	-	11,166,388	-
Lease liabilities	1,297,756	1,498,720	736,131	423,151	339,438
Provision for onerous contract	2,046,602	2,046,602	2,046,602	-	-
Convertible debentures	2,473,859	3,020,000	-	3,020,000	-
Total	**23,449,694**	**27,308,855**	**10,370,358**	**14,803,264**	**2,135,233**

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 and accounts receivable 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.

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

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 June 30, 2021 totaling $27,995 (December 31, 2020 - $27,798).

During the three and six months ended June 30, 2021, the Company had sales of $14,784,179 to three major customers (three and six months ended June 30, 2020 - $2,160,909 and $3,893,437). These customers each had revenues of over 10% of the Company's total revenue for the three and six months ended June 30, 2021. Total amounts receivable from these customers at June 30, 2021, was $5,566,580 (December 31, 2020 - $3,857,781).

As at June 30, 2021, the Company's aging of receivables was approximately as follows:

	June 30, 2021	**Expected credit loss rate**	December 31, 2020	Expected credit loss rate
	$	%	$	%
Current	6,355,000	0.1	4,399,739	0.1
61 – 120 Days	78,343	10.0	156,085	12.7
Greater than 121 Days	26,351	37.0	-	-
Total	**6,459,694**	0.4	4,555,824	0.5

(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.

27. FAIR VALUE MEASUREMENTS

As at June 30, 2021, the Company's cash and cash settled RSUs recorded at fair value. Cash and the liability for cash settled RSUs are classified as a Level 1 financial instruments.

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.

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

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

	June 30, 2021			**December 31, 2020**		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	$	**$**	**$**	$	$	$
Cash	**3,384,471**	**-**	**-**	314,042	-	-
Cash settled RSUs	**238,195**			-	-	-
Total	**3,622,666**	**-**	**-**	314,042	**-**	**-**

28. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of $30,730,971 (December 31, 2020 – $23,359,006), as shown below:

	June 30, 2021	**December 31, 2020**
	$	**$**
Total Debt		
Factoring payable	-	3,575,466
Loan payable	9,291,458	4,736,591
Promissory note	-	1,385,198
Convertible debentures	2,473,859	2,442,153
Total Debt	**11,765,317**	**12,139,408**
Total Equity	**18,965,654**	**11,219,598**

The Company's primary objectives in managing its capital are to maintain sufficient levels of working capital for 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.

Under the terms of the Sundial Loan the Company must maintain a cash balance, at all times, of not less than $2,000,000.

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

29. INCOME TAXES

There have been no material changes to income tax matters during the three and six months ended June 30, 2021. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three and six months ended June 30, 2021, there were no material changes to statutory tax rates.

During the six months ended June 30, 2021, the Company recognized a deferred tax liability through equity related to the Sundial financing. As a result, the Company recognized previously unrecognized deferred tax assets to offset the deferred tax liability.

30. COMMITMENTS

The Company has contractual obligations for contractors, consultants, IT services, facility services, equipment, and inventory purchases 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	527,406	821,511	52,938	**1,401,855**
Other commitments	625,799	1,994	-	**627,793**
Total	**1,153,205**	**823,505**	**52,938**	**2,029,648**

Subsequent to June 30, 2021, the Company entered into commitments totalling $2,157,839. 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.

31. 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

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

Key management personnel compensation for the three and six months ended June 30, 2021, and 2020, was as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Short-term key management personnel compensation	**231,596**	255,000	**463,409**	510,000
Share-based payments	**108,560**	60,399	**187,872**	104,090
Directors' fees	**20,208**	5,625	**26,250**	11,250
	360,364	321,024	**677,531**	625,340

32. RELATED-PARTY TRANSACTIONS

During the three and six months ended June 30, 2020, the Company invoiced the Bhang JV $99,989 and $236,552 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 $321,453 and $559,865 related to licensed products manufactured and sold by the Company during the three and six months ended June 30, 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 and six months ended June 30, 2021.

In the three and six months ended June 30, 2021, the Company settled interest payments totaling $nil and $45,750 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 183,000 Common Shares was issued to the creditors, which includes an aggregate of 152,000 Common Shares issued to related parties to settle interest owing.

33. 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 and there is no change to total assets, total liabilities and equity, or total comprehensive loss attributable to shareholders.

34. SUBSEQUENT EVENTS

Subsequent to June 30, 2021, debenture holders converted $5,000 of principal on the convertible debentures into 25,000 common shares of the Company. Accrued interest payable on the date of conversion to debenture holders is $40.

Subsequent to June 30, 2021, option holders exercised 200,000 options at an exercise price of $0.415 per share. 200,000 common shares of the Company were issued pursuant to the exercise of the options for proceeds of $83,000.