

INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three months ended March 31, 2022 and 2021

Indiva Limited**Condensed Consolidated Interim Statements of Financial Position**

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

As at	Note	March 31, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash		2,381,517	2,480,335
Taxes receivable		114,465	350,480
Accounts receivable	5	5,691,399	5,519,988
Inventory	6	5,428,720	6,442,301
Prepaid expenses and deposits	7	689,301	650,011
Prepaid royalties	12	76,852	71,246
Assets held for sale	8, 10	131,919	-
Total current assets		14,514,173	15,514,361
Other non-current assets			
Property, plant and equipment	8	21,759,285	22,396,477
Assets in process	9	93,519	59,863
Equipment deposits	8	927,608	726,711
Intangible assets	11	1,814,282	1,866,147
Prepaid royalties	12	1,868,570	1,877,704
Total assets		40,977,437	42,441,263
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,913,926	6,548,151
Taxes payable		1,907,240	1,028,691
Deferred revenue		-	4,025
Other liabilities	14	171,586	156,780
Lease liability	15	147,047	150,457
Convertible debentures	16	2,681,152	701,158
Total current liabilities		11,820,951	8,589,262
Other non-current liabilities			
Other liabilities	14	714,943	731,393
Lease liability	15	531,307	564,068
Loan payable	13	18,475,096	18,327,529
Convertible debentures	15	-	1,898,412
Total liabilities		31,542,297	30,110,664
Equity			
Share capital	17	57,229,825	57,229,825
Contributed surplus		5,777,124	5,737,124
Reserves		5,719,793	5,629,233
Accumulated other comprehensive loss		(19,537)	(19,537)
Accumulated deficit		(59,272,065)	(56,246,046)
Total equity		9,435,140	12,330,599
Total liabilities and equity		40,977,437	42,441,263

Going Concern (Note 3), Commitments (Note 26), and subsequent events (Note 29)

N. Marotta

Carmine (Niel) Marotta

J. Yersh

James Yersh

Indiva Limited**Consolidated Statements of Loss and Comprehensive Loss**

For the three months ended March 31, 2022 and 2021

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

	Note	2022 \$	2021 \$
Gross revenue	19	9,698,787	6,870,218
Excise taxes		(753,646)	(649,135)
Net Revenue		8,945,141	6,221,083
Cost of goods sold		(6,265,481)	(5,037,934)
Write-down of inventory	6	(849,254)	(807,390)
Gross margin before fair value adjustments		1,830,406	375,759
Fair value adjustment on sale of inventory		-	(43,206)
Unrealized loss on changes in fair value of biological assets		-	(140,545)
Gross margin		1,830,406	192,008
Operating expenses			
General and administrative		1,448,183	1,125,496
Marketing and sales		1,733,889	872,450
Research and development		110,697	-
Share-based compensation	17(c)	111,387	111,163
Expected credit loss		1,759	12,439
Depreciation of property, plant and equipment	8	47,086	56,201
Amortization of intangible assets	11	51,865	51,982
Total operating expenses		3,504,866	2,229,731
Loss from operations		(1,674,460)	(2,037,723)
Other income (expenses)			
Foreign exchange gain (loss)		(13,887)	77,005
Finance costs	21	(1,137,041)	(646,623)
Interest income		1,309	475
Loss on issuance of shares		-	(20,130)
Provision for onerous contract		-	(401,797)
Impairment loss on property, plant and equipment	10	(201,940)	-
Net loss and comprehensive loss attributable to shareholders		(3,026,019)	(3,028,793)
Loss per share, basic and diluted	18	(0.02)	(0.03)
Weighted average number of outstanding shares, basic and diluted	18	146,150,202	120,356,474

Indiva Limited
Consolidated Statements of Changes in Equity

For the three months ended March 31, 2022 and 2021

(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, 2022		146,150,202	57,229,825	5,737,124	5,629,233	(56,246,046)	(19,537)	12,330,599
Restricted share units issued	17(c)(i)	-	-	40,000	-	-	-	40,000
Share-based compensation	17(c)	-	-	-	90,560	-	-	90,560
Net loss for the period		-	-	-	-	(3,026,019)	-	(3,026,019)
Balance, March 31, 2022		146,150,202	57,229,825	5,777,124	5,719,793	(59,272,065)	(19,537)	9,435,140

	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		-	-	-	140,391	-	-	140,391
Issuance of shares		25,000,000	12,382,344	-	-	-	-	12,382,344
Share issuance costs		-	(594,972)	-	-	-	-	(594,972)
Shares issued in lieu of interest		183,000	65,880	-	-	-	-	65,880
Warrants exercised		95,000	51,095	-	(13,095)	-	-	38,000
Broker warrants exercised		486,667	229,220	-	(83,220)	-	-	146,000
Conversion of convertible debentures		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

Indiva Limited**Condensed Consolidated Interim Statements of Cash Flows**

For the three months ended March 31, 2022 and 2021

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

	Note	2022	2021
OPERATING ACTIVITIES			
Net loss for the period		(3,026,019)	(3,028,793)
Adjustments for:			
Unrealized gain on changes in fair value of biological assets		-	140,545
Realized fair value adjustments on inventory sold		-	43,206
Write-off of inventory to net realizable value	6	849,254	807,390
Depreciation and amortization	8, 11	98,951	108,183
Impairment loss on property, plant and equipment	10	201,940	-
Interest on promissory note		-	188,395
Accretion of discounts and deferred transaction costs		376,785	304,846
Share-based compensation	17	130,560	140,391
Shares issued to settle interest on convertible debentures and bonuses payable		-	65,880
Provision for onerous contract		-	401,797
Expected credit losses		1,759	-
Interest income		(1,309)	(475)
Changes in working capital items	19	1,600,686	(2,364,605)
Cash provided by (used in) operating activities		232,607	(3,193,240)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	8	(26,165)	(282,681)
Purchase of assets in process	9	(51,895)	(460,309)
Building, equipment and construction deposits	8	(200,897)	-
Interest income		1,309	475
Cash used in investing activities		(277,648)	(742,515)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs		-	,787,372
Proceeds from exercise of warrants		-	184,000
Payment of principal portion of lease liabilities	15	(53,777)	(52,211)
Proceeds from loan payable, net of transaction costs		-	8,881,183
Repayment of loan payable		-	(4,892,864)
Repayment of promissory note		-	(1,614,438)
Advances on factoring payable		-	3,659,415
Repayments on factoring payable		-	(7,234,881)
Cash provided by (used in) financing activities		(53,777)	10,717,576
Change in cash		(98,818)	6,781,821
Cash, beginning of the period		2,480,335	314,042
Cash, end of the period		2,381,517	7,095,863

Indiva Limited

Notes to Condensed Consolidated Interim Statements

For the three months ended March 31, 2022 and 2021

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

1. CORPORATE INFORMATION

Indiva Limited (the “Company”) is incorporated under the Laws of British Columbia. 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.

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, 2021 (the “2021 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 2021 Annual Financial Statements.

These Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 18, 2022.

(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. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2021.

Indiva Limited**Notes to Condensed Consolidated Interim Statements**

For the three months ended March 31, 2022 and 2021

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

(c) COVID-19 ESTIMATION UNCERTAINTY

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. Recent outbreaks of COVID-19 variants across the globe continue to prolong the pandemic. 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, the Company's employees and contractors could be affected by COVID-19, which could result in a reduction in its workforce due to illness or quarantine, which could result in the disruption of the Company's operations or hinder its ability to secure financing. 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 on the Company's planned operations.

3. GOING CONCERN

These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company has incurred losses in the current and prior periods, with a loss and comprehensive loss attributable to shareholders of \$3,026,019 for the three months ended March 31, 2022 (three months ended March 31, 2021 – \$3,028,793) and an accumulated deficit of \$59,272,065 as at March 31, 2022 (December 31, 2021 - \$56,246,046). 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 expects it will need to raise additional financing in the form of debt and/or equity in order to fund continuing operations, loan payable and convertible debenture repayments, and capital expenditures. 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, 12 months from the end of the reporting period. If the going concern assumption was not appropriate for these Interim Financial Statements, then adjustments would likely be necessary in the carrying amounts of assets and liabilities, expenses, the accumulated deficit and the classification used in the condensed consolidated interim statement of financial position. These adjustments could be material.

Indiva Limited**Notes to Condensed Consolidated Interim Statements**

For the three months ended March 31, 2022 and 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The accounting policies followed in these condensed consolidated interim financial statements are the same as those applied in the Company's audited consolidated financial statements for the year ended December 31, 2021, except as noted below.

Amendments to IFRS 9: Financial Instruments

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The adoption of this amendment did not have an impact on the Interim Financial Statements as there were no new or modified financial liabilities during the three months ended March 31, 2022.

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 can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The adoption of this amendment did not have an impact on the Interim Financial Statements as there were no onerous contracts at January 1, 2022, or during the three months ended March 31, 2022.

Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, IASB issued amendments to IAS 8 to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty." The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is assessing the impact of adopting these amendments on its consolidated financial statements.

Indiva Limited**Notes to Condensed Consolidated Interim Statements**

For the three months ended March 31, 2022 and 2021

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

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, IASB issued amendments to IAS 12 to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its interim condensed consolidated financial statements.

5. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2022, and December 31, 2021, consisted of trade receivables.

The Company has recognized an expected credit loss totalling \$1,759 related to accounts receivable at March 31, 2022 (March 31, 2021 - \$12,439). Due to the short-term nature of trade receivables, the carrying value is considered to be the same as the fair value.

6. INVENTORY

Inventory as at March 31, 2022, and December 31, 2021, consisted of the following:

	March 31, 2022	December 31, 2021
	\$	\$
<i>Dried cannabis</i>		
Finished goods	401,934	358,730
Work-in-process	828,131	1,418,753
<i>Cannabis extracts</i>		
Finished goods	1,567,233	1,230,120
Work-in-process	1,023,628	1,811,246
<i>Processing services</i>		
Finished goods	-	14,605
Work-in-process	-	310
Harvested cannabis trim	22,636	19,899
Packaging, supplies and other inventory	1,585,158	1,588,638
Total inventory	5,428,720	6,442,301

Inventory expensed to cost of goods sold during the three months ended March 31, 2022, was \$3,999,137 (three months ended March 31, 2021 - \$3,784,137). Cost of goods sold for the three months ended March 31, 2022, also includes royalties, license fees, shipping, and other costs totalling \$2,266,344 (three months ended March 31, 2021 - \$1,253,797). In the three months ended March 31, 2022, the Company recorded inventory write-offs totalling \$725,515 (three months ended March 31, 2021 - \$807,390). The inventory write-offs for the three months ended March 31, 2022, includes provisions for aged inventory and write-down of dry flower purchased in prior periods at a cost that exceeded its realizable value totaling \$725,515, and \$123,739 related to packaging for contract manufacturing that ended during the period.

Indiva Limited**Notes to Condensed Consolidated Interim Statements**

For the three months ended March 31, 2022 and 2021

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

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2022	December 31, 2021
	\$	\$
Rent, security and utility deposits	9,052	9,053
Government of Canada surety bond	303,000	303,000
Other prepayments	377,249	337,958
Total prepaid expenses and deposits	689,301	650,011

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

Indiva Limited
Notes to Condensed Consolidated Interim Statements

For the three months ended March 31, 2022 and 2021

(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	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
Balance, January 1, 2021	252,275	18,336,289	61,446	4,476,609	74,665	462,217	1,522,795	25,186,296
Additions	-	83,033	44,552	397,981	-	89,161	8,933	623,660
Disposals	-	-	(2,432)	(23,760)	(3,358)	(29,252)	-	(58,802)
Lease buy-out	-	-	-	207,520	-	-	(524,765)	(317,245)
Transferred from assets in process	-	37,500	(37,500)	-	-	-	-	-
Transfer between categories	-	320,880	-	285,048	-	-	-	605,928
Balance, December 31, 2021	252,275	18,777,702	66,066	5,343,398	71,307	522,126	1,006,963	26,039,838
Additions	-	10,167	-	3,302	-	3,265	-	16,734
Transfers to assets held for sale	-	-	-	(465,888)	-	-	-	(465,888)
Transferred from assets in process	-	-	-	18,239	-	-	-	18,239
Balance, March 31, 2022	252,275	18,787,869	66,066	4,899,051	71,307	525,391	1,006,963	25,608,922
Accumulated depreciation								
Balance, January 1, 2021	-	971,671	1,184	940,412	29,421	261,663	301,936	2,506,287
Depreciation for the period	-	495,116	3,817	539,127	9,357	79,856	375,507	1,502,780
Transfer between building improvements and facility equipment	-	(2,319)	2,319	-	-	-	-	-
Lease buy-out	-	-	-	-	-	-	(317,245)	(317,245)
Disposals	-	-	(2,432)	(14,873)	(2,142)	(29,015)	-	(48,462)
Balance, December 31, 2021	-	1,464,468	4,888	1,464,666	36,636	312,504	360,198	3,643,360
Transfers to assets held for sale	-	-	-	(132,029)	-	-	-	(132,029)
Depreciation for the period	-	125,348	1,511	145,880	2,230	23,517	39,820	338,306
Balance, March 31, 2022	-	1,589,816	6,399	1,478,517	38,866	336,021	400,018	3,849,637
Carrying amounts as at:								
December 31, 2021	252,275	17,313,236	61,178	3,878,731	34,672	209,623	646,764	22,396,477
March 31, 2022	252,275	17,198,053	59,667	3,420,534	32,441	189,370	606,945	21,759,285

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

As at March 31, 2022, \$60,509 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2021 - \$50,123). In the three months ended March 31, 2022, equipment deposits totalling \$nil have been applied towards the cost of additions to property, plant and equipment (December 31, 2021 - \$220,355) and the Company has made further deposits totalling \$200,896 towards future purchases (December 31, 2021 - \$222,268).

Total depreciation expense for the three months ended March 31, 2022, was \$338,307 (three months ended March 31, 2021 - \$398,329), of which \$291,221 has been capitalized in the production of inventory (three months ended March 31, 2021 - \$342,128).

9. ASSETS IN PROCESS

	Building and building improvements	Facility equipment	Office equipment and furniture	Total
	\$	\$	\$	\$
Balance, January 1, 2021	-	13,205	-	13,205
Additions	327,556	325,576	3,375	656,507
Write-off	-	(3,921)	-	(3,921)
Transferred to property, plant and equipment	(320,880)	(285,048)	-	(605,928)
Balance, December 31, 2021	6,676	49,812	3,375	59,863
Additions	-	51,895	-	51,895
Transferred to property, plant and equipment	-	(18,239)	-	(18,239)
Balance, March 31, 2022	6,676	83,468	3,375	93,519

10. ASSETS HELD FOR SALE

In the three months ended March 31, 2022, the Company committed to a plan to sell certain facility equipment related to cannabis cultivation as a result of the Company's transition away from growing cannabis. Accordingly, these items of property, plant and equipment are presented as assets held for sale on the condensed consolidated interim statements of financial position. Impairment losses totaling \$201,940 have been recorded to reduce the carrying amount of the assets to management's estimate of their net recoverable value.

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

11. INTANGIBLE ASSETS

	Genetics	Bhang License	Total
Cost	\$	\$	\$
Balance, January 1, 2021	9,375	2,169,688	2,179,063
Disposals	(9,375)	-	(9,375)
Balance, December 31, 2021, and March 31, 2022	-	2,169,688	2,169,688
Accumulated amortization			
Balance, January 1, 2021	814	96,079	96,893
Amortization for the year	469	207,462	207,931
Disposals	(1,283)	-	(1,283)
Balance, December 31, 2021	-	303,541	303,541
Amortization for the period		51,865	51,865
Balance, March 31, 2022	-	355,406	355,406
Carrying amounts as at:			
December 31, 2021	-	1,866,147	1,866,147
March 31, 2022	-	1,814,282	1,814,282

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 have been expensed on a per unit basis as the Company produces and sells DeepCell licensed products.

During the three months ended March 31, 2022, the Company recorded royalty expenses totalling \$3,528 related to the sale of DeepCell products (three months ended March 31, 2021 - \$nil).

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

13. LOAN PAYABLE

The following is a continuity of the loan payable:

	\$
Sundial Loan at fair value on issuance, February 23, 2021	9,177,656
Additional proceeds on amendment	8,500,000
Loss on loan modification	510,110
Transaction costs	(688,398)
Interest charged on Sundial Loan	1,323,388
Payment of interest on Sundial Loan	(1,071,482)
Accretion of discount and deferred transaction costs	576,255
Loan payable, December 31, 2021	18,327,529
Accretion of discount and deferred transaction costs	147,567
Interest charged on Sundial Loan	730,550
Payment of interest on Sundial Loan	(730,550)
Loan payable, March 31, 2022	18,475,096

14. OTHER LIABILITIES

	March 31, 2022			December 31, 2021		
	Current	Long-term	Total	Current	Long-term	Total
	\$	\$	\$	\$	\$	\$
Minimum royalties	171,586	714,943	886,529	156,780	731,393	888,173
Balance	171,586	714,943	886,529	156,780	731,393	888,173

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, 2022, interest accretion of \$45,605 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2021 - \$50,030).

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

15. LEASE LIABILITY

	Office space	Office equipment	Facility equipment	Total
	\$	\$	\$	\$
Balance, January 1, 2021	811,163	8,308	541,984	1,361,455
Additions	-	-	8,933	8,933
Lease payments	(201,544)	(2,374)	(5,410)	(209,328)
Lease buy-out	-	-	(524,765)	(524,765)
Interest expense	77,636	510	84	78,230
Balance, December 31, 2021	687,255	6,444	20,826	714,525
Lease payments	(51,109)	(594)	(2,076)	(53,779)
Interest expense	17,316	107	185	17,608
Balance, March 31, 2022	653,462	5,957	18,935	678,354
Current, December 31, 2021	140,640	2,000	7,817	150,457
Non-current, December 31, 2021	546,618	4,444	13,006	564,068
Current, March 31, 2022	131,749	2,058	13,240	147,047
Non-current, March 31, 2022	521,712	3,899	5,696	531,307

During the three months ended March 31, 2022, the Company recognized \$22,243 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, 2021 - \$31,524).

At March 31, 2022, the Company's undiscounted amount of future minimum lease payments are as follows:

	< 1 Year	2 to 3 Years	4 – 5 Years	Total
	\$	\$	\$	\$
Office and warehouse space	(197,240)	(377,466)	(226,170)	(800,876)
Facility equipment	(8,297)	(9,539)	-	(17,836)
Office equipment	(2,374)	(4,155)	-	(6,529)
Minimum lease payments	(207,911)	(391,160)	(226,170)	(825,241)
Financing charges	60,864	71,497	14,526	146,887
Total lease liabilities	(147,047)	(319,663)	(211,644)	(678,354)

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

16. CONVERTIBLE DEBENTURES

Convertible debentures consist of the following:

	Debt	Equity	Total
	\$	\$	\$
Balance, January 1, 2021	2,442,153	910,228	3,352,381
Accretion interest on debenture discount	277,054	-	277,054
Accretion of transaction costs	11,384	-	11,384
Conversion to common shares	(131,021)	(44,711)	(175,732)
Balance, December 31, 2021	2,599,570	865,517	3,465,087
Accretion interest on debenture discount	78,737	-	78,737
Accretion of transaction costs	2,845	-	2,845
Balance, March 31, 2022	2,681,152	865,517	3,546,669

A reconciliation of interest and accretion expense on the convertible debentures in the three months ended March 31, 2022, and 2021, is as follows:

	2022	2021
	\$	\$
Accretion interest on debenture discount	78,737	64,966
Interest expense in the period	74,750	75,498
Total interest and accretion on convertible debentures expensed	153,487	140,464
Interest expense payable, opening balance	-	153,868
Interest expense in the period	74,750	75,498
Interest expense paid in shares	-	(45,750)
Interest expense paid in cash	-	(108,118)
Interest expense included in accounts payable and accrued liabilities	74,750	75,498

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

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

17. SHARE CAPITAL**(a) CAPITAL STOCK**

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

As at March 31, 2022, a total 146,150,202 (December 31, 2021 – 146,150,202) common shares were issued and outstanding. No special shares have been issued or are outstanding.

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

	Warrants outstanding	Weighted average exercise price
	#	\$
Outstanding, December 31, 2020	18,240,440	0.41
Issued	4,433,333	0.45
Expired	(383,169)	(0.95)
Exercised	(9,448,333)	(0.39)
Outstanding, March 31, 2022, and December 31, 2021	12,842,271	0.42

All warrants outstanding as at March 31, 2022 are exercisable.

The following warrants remain outstanding as at March 31, 2022:

Warrant description	# of warrants	Expiry date	Exercise price
	#		\$
Predecessor finders' warrants	29,942	4/27/2022	0.54
Warrants issued on June 25, 2020 equity offering	1,608,333	6/25/2023	0.40
Warrants issued on August 10, 2020 equity offering	6,694,997	8/10/2023	0.40
Warrants issued to brokers on August 10, 2020 equity offering	75,666	8/10/2023	0.30
Incentive warrants	4,433,333	9/30/2026	0.45
Total warrants and weighted average exercise price	12,842,271		0.42

As at March 31, 2022, the warrants outstanding have a weighted average remaining life of 2.43 years. Subsequent to March 31, 2022, the predecessor finders' warrants expired unexercised.

Volatility was estimated using the average historical volatility of the Company.

(c) SHARE-BASED COMPENSATION

The equity compensation plans that the Company has in place relate to grants issued to officers, directors, employees and consultants, and were approved by the Board of Directors in 2017. The plan was amended June 24, 2021, as an Omnibus Incentive Plan ("Omnibus Plan"), which also allows for the issuance of RSUs.

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

During the three months ended March 31, 2022, the Company recognized share-based compensation expense of \$130,560 (three months ended March 31, 2021 - \$140,391) related to stock options and RSUs included in operating expenses in the consolidated statements of loss and comprehensive loss. Share-based compensation for the three months ended March 31, 2022, totalling \$19,173 (three months ended March 31, 2021 - \$29,228) related to options issued to production employees is included in the cost of inventory.

The maximum number of common shares reserved for issuance under all share-based compensation arrangements of the Company may not exceed 10% of the Company's outstanding common shares. As at March 31, 2022, based on the Company's total common shares outstanding, a total of 14,615,020 (December 31, 2021 – 14,615,020) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 2,581,190 (December 31, 2021 – 4,671,686) additional stock options or RSUs beyond what was issued and outstanding as at March 31, 2022. 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 February 1, 2022, the Company granted 2,260,497 RSUs, officers, and employees of the Company. The units vest one year from the grant date and had a fair value of \$0.30 per unit on the date of the grant.

The fair value of the shares on the grant date totalled \$678,149 or \$0.30 per RSU, and the expense is recognized in share-based compensation over the vesting period. There were 1,460,499 RSUs issued to officers and employees of the Company that are accounted for as cash settled. In the three months ending March 31, 2022, the Company has recorded share-based compensation expense related to the cash settled RSUs totalling \$21,907, net of a fair value adjustment in the amount of \$51,117. The Company has recorded an obligation related to the outstanding cash settled RSUs at March 31, 2022, totalling \$21,907 in accounts payable and accrued liabilities in the condensed consolidated statements of financial position. There were 799,998 RSUs issued to directors of the Company that are accounted for as equity settled. In the three months ending March 31, 2022, the Company has recorded share-based compensation expense related to the equity settled RSUs totalling \$40,000.

The following table summarizes the movement in outstanding RSUs:

	Equity settled	Cash settled	Total
Outstanding, December 31, 2020	-	-	-
Granted	555,555	680,557	1,236,112
Redeemed (including cash payments)	(555,555)	(680,557)	(1,236,112)
Outstanding, December 31, 2021	-	-	-
Granted	799,998	1,460,499	2,260,497
Outstanding, March 31, 2022	799,998	1,460,499	2,260,497

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

(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, December 31, 2020	7,536,667	0.56
Granted	4,170,000	0.34
Exercised	(200,000)	0.42
Forfeited	(1,563,333)	0.47
Outstanding, December 31, 2021	9,943,334	0.49
Forfeited	(170,001)	0.49
Outstanding, March 31, 2022	9,773,333	0.48

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 following table presents information related to stock options at March 31, 2022:

Weighted average exercise price	Number of options	Vested	Weighted average remaining life (years)
\$0.27	2,110,000	50,000	4.25
\$0.30	572,500	249,168	3.42
\$0.40	3,809,833	1,924,916	3.72
\$0.45	200,000	200,000	1.82
\$0.59	150,000	100,000	3.91
\$0.75	2,161,000	2,161,000	0.87
\$0.80	630,000	529,999	0.90
\$0.87	140,000	140,000	1.76
\$0.48	9,773,333	5,355,083	2.77

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

18. 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:

	March 31, 2022	March 31, 2021
Stock options	9,773,333	7,608,333
RSUs	2,260,497	-
Warrants	12,842,271	17,690,909
Convertible debentures	13,450,000	13,600,000

19. GROSS REVENUE

Gross revenue for the three months ended March 31, 2022, and 2021, is disaggregated as follows:

	2022	2021
	\$	\$
Product sales	9,698,787	6,856,487
Tolling revenue	-	13,731
Total	9,698,787	6,870,218

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

20. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for the three months ended March 31, 2022, and 2021 are comprised of the following:

	2022	2021
	\$	\$
Taxes receivable	236,015	(336,183)
Accounts receivable	(173,170)	(895,839)
Biological assets	-	28,301
Inventory	455,549	(5,343)
Prepaid expenses and deposits	(39,291)	152,034
Prepaid royalties	3,528	-
Accounts payable and accrued liabilities	449,953	(872,720)
Taxes payable	878,549	(449,622)
Other liabilities	(131,672)	(63,260)
Provision for onerous contract	-	(2,319,507)
Deferred revenue	(4,025)	2,178,817
Interest on loan payable and convertible debentures	(74,750)	218,717
	1,600,686	(2,364,605)

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

21. FINANCE COSTS

Finance costs consist of the following for the three months ended March 31, 2022, and 2021:

	2022	2021
	\$	\$
Interest on factored invoices	-	148,061
Interest on loan payable (Note 13)	730,550	201,534
Interest on convertible debentures (Note 16)	74,750	75,498
Accretion of discount on loan payable (Note 13)	82,317	57,290
Accretion on convertible debentures (Note 16)	78,737	64,966
Amortization of deferred financing costs	68,096	201,355
Interest and penalty on promissory note	-	188,395
Interest on lease liabilities (Note 15)	17,607	20,762
Interest on other liabilities (Note 14)	45,605	50,030
Other interest and bank charges (recovery)	39,379	(361,268)
	1,137,041	646,623

22. 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.

23. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, other liabilities, loan payable, and convertible debentures. The fair value of accounts receivable, accounts payable and accrued liabilities, and 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 March 31, 2022, and accordingly the fair value of the Company's long-term financial liabilities, comprising convertible debentures, and loan payable approximates their carrying value as at March 31, 2022.

(a) Foreign currency risk

As at March 31, 2022, the Company did not hold any cash denominated in a foreign currency (December 31, 2021 - \$nil).

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2022 and 2021

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

As at March 31, 2022	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	6,913,926	6,913,926	6,913,926	-	-
Taxes payable	1,907,240	1,907,240	1,907,240	-	-
Other liabilities	886,529	2,036,771	191,363	411,908	1,433,500
Loan payable	18,475,096	19,751,905	-	19,751,905	-
Lease liabilities	678,354	825,241	207,911	391,160	226,170
Convertible debentures	2,681,152	3,294,907	3,294,907	-	-
Total	31,542,297	34,729,990	12,515,347	20,554,973	1,659,670

(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, 2022 totalling \$17,533 (December 31, 2021 - \$15,773).

During the three months ended March 31, 2022, the Company had gross sales of \$8,584,782 to three major customers (three months ended March 31, 2021 - \$6,286,754). These customers each accounted for over 10% of the Company's total revenue for the three months ended March 31, 2022. Total amounts receivable from these customers at March 31, 2022, was \$4,979,511 (December 31, 2021 - \$3,438,797).

As at March 31, 2022, the Company's aging of receivables was approximately as follows:

	March 31, 2022	Expected credit loss rate	December 31, 2021	Expected credit loss rate
	\$	%	\$	%
1 - 60 days	5,690,675	0.3	5,216,325	0.1
61 - 120 Days	724	0.0	303,663	3.0
Greater than 121 Days	-	-	-	-
Total	5,691,399	0.3	5,519,988	0.3

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

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(d) Interest rate risk

The interest rate on the loan payable and convertible debenture is fixed, and accordingly, is not subject to interest rate risk.

24. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of \$30,591,388 (December 31, 2021 – \$33,257,698), as shown below:

	March 31, 2022	December 31, 2021
	\$	\$
Total debt		
Loan payable	18,475,096	18,327,529
Convertible debentures	2,681,152	2,599,570
Total debt	21,156,248	20,927,099
<hr/>		
Total equity	9,435,140	12,330,599

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

25. INCOME TAXES

There have been no material changes to income tax matters during the three months ended March 31, 2022. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three months ended March 31, 2022, there were no material changes to statutory tax rates.

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

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26. COMMITMENTS

In addition to the lease liability commitments disclosed in Note 15, 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. The annual minimum payments payable under these obligations are as follows:

	\$
Next 12 months	947,322
2 – 3 years	2,729
4 – 5 years	-
Thereafter	-
Total	950,051

Subsequent to March 31, 2022, the Company entered into commitments totalling \$973,898. These commitments are primarily composed of production supplies, cannabis inputs, marketing supplies, and consultant services.

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 spend 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.

27. 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, 2022 and 2021, was as follows:

	2022	2021
	\$	\$
Short-term key management personnel compensation	251,250	231,596
Share-based payments	106,697	41,867
Directors' fees	15,625	6,042
	373,572	279,505

Indiva Limited**Notes to the Condensed Consolidated Interim Financial Statements**

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28. RELATED-PARTY TRANSACTIONS

In the three months ended March 31, 2021, the Company settled interest payments totalling \$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.

There were no related party transactions in the three months ended March 31, 2022.

29. SUBSEQUENT EVENT

On May 18, 2022, the Company granted 222,222 RSUs to consultants of the Company. The RSUs vest one year from the grant date and each RSU entitles the holder to one common share upon vesting.