

INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and nine months ended September 30, 2022 and 2021

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

As at	Note	September 30, 2022	December 31, 2021 (Note 5)
		\$	\$
ASSETS			
Current assets			
Cash		3,629,053	2,480,335
Accounts receivable	6	4,085,170	5,870,468
Inventory	7	4,361,572	6,442,301
Prepaid expenses and deposits	8	613,756	650,011
Prepaid royalties	13	13,836	71,246
Assets held for sale	11	130,215	-
Total current assets		12,833,602	15,514,361
Other non-current assets			
Property, plant and equipment	9	22,200,190	22,396,477
Assets in process	10	438,372	59,863
Equipment deposits	9	91,785	726,711
Intangible assets	12	1,710,553	1,866,147
Prepaid royalties	13	1,930,680	1,877,704
Total assets		39,205,182	42,441,263
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		11,638,626	7,878,322
Deferred revenue		-	4,025
Other liabilities	15	164,326	156,780
Lease liability	16	160,060	150,457
Convertible debentures	17	2,858,690	701,158
Total current liabilities		14,821,702	8,890,742
Other non-current liabilities			
Other liabilities	15	718,650	731,393
Lease liability	16	442,994	564,068
Loan payable	14	18,784,180	18,327,529
Convertible debentures	17	-	1,898,412
Total liabilities		34,767,526	30,412,144
Equity			
Share capital	18	57,371,534	57,229,825
Contributed surplus		5,920,272	5,737,124
Reserves		5,854,343	5,629,233
Accumulated other comprehensive loss		(19,537)	(19,537)
Accumulated deficit		(64,688,956)	(56,547,526)
Total equity		4,437,656	12,029,119
Total liabilities and equity		39,205,182	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
Condensed Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2022 and 2021
(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021 (Note 5)	2022	2021 (Note 5)
		\$	\$	\$	\$
Gross revenue		8,791,900	8,302,996	27,381,961	25,043,556
Excise taxes		(701,032)	(634,204)	(2,285,995)	(2,211,911)
Net revenue		8,090,868	7,668,792	25,095,966	22,831,645
Cost of goods sold	7	(5,755,464)	(5,026,720)	(17,441,385)	(16,032,949)
Write-down of inventory	7	(354,244)	(445,505)	(1,727,197)	(1,541,930)
Gross margin before fair value adjustments		1,981,160	2,196,567	5,927,384	5,256,766
Fair value adjustment on sale of inventory		-	(14,380)	-	(72,141)
Unrealized loss on changes in fair value of biological assets		-	2,587	-	(140,772)
Gross margin		1,981,160	2,184,774	5,927,384	5,043,853
Operating expenses					
General and administrative		1,276,448	1,647,734	4,084,296	4,448,265
Marketing and sales		1,528,092	1,138,594	4,884,193	3,099,548
Research and development		332,608	18,108	668,434	59,073
Share-based compensation	18(c)	141,633	95,926	429,680	369,183
Expected credit loss (recovery)	23(c)	(704)	(11,786)	(1,240)	6,571
Depreciation of property, plant and equipment	9	52,069	67,397	150,948	195,041
Amortization of intangible assets	12	51,865	51,983	155,595	155,948
Total operating expenses		3,382,011	3,007,956	10,371,906	8,333,629
Loss from operations		(1,400,851)	(823,182)	(4,444,522)	(3,289,776)
Other income (expenses)					
Foreign exchange gain (loss)		(13,362)	(2,583)	(47,955)	79,283
Finance costs	21	(1,193,515)	(646,687)	(3,492,322)	(1,946,677)
Interest income		11,116	1,248	17,975	3,080
Gain (loss) on issuance of shares		30,367	-	30,367	(20,130)
Provision for onerous contract		-	-	-	(1,102,756)
Impairment and loss on disposal of property, plant and equipment	11	702	(3,921)	(204,973)	(14,261)
Loss on contract settlement		-	(4,992,827)	-	(4,992,827)
Loss before income taxes		(2,565,543)	(6,467,952)	(8,141,430)	(11,284,065)
Deferred tax recovery		-	-	-	266,954
Net loss and comprehensive loss attributable to shareholders		(2,565,543)	(6,467,952)	(8,141,430)	(11,017,110)
Loss per share, basic and diluted	19	(0.02)	(0.05)	(0.06)	(0.08)
Weighted average number of outstanding shares, basic and diluted	19	146,057,956	136,227,857	134,935,515	130,916,419

Indiva Limited
Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 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	5	146,150,202	57,229,825	5,737,124	5,629,233	(56,547,526)	(19,537)	12,029,119
Share-based compensation		-	-	183,148	225,110	-	-	408,258
Shares issued		1,012,209	141,709	-	-	-	-	141,709
Net loss for the period		-	-	-	-	(8,141,430)	-	(8,141,430)
Balance, September 30, 2022		147,162,411	57,371,534	5,920,272	5,854,343	(64,688,956)	(19,537)	4,437,656

	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	(41,330,865)	(19,537)	11,125,545
Share-based compensation		-	-	145,833	279,644	-	-	425,477
Issuance of shares, net of tax		25,000,000	12,115,390	-	-	-	-	12,115,390
Share issuance costs		-	(596,972)	-	-	-	-	(596,972)
Shares issued in lieu of interest		183,000	65,880	-	-	-	-	65,880
Warrants exercised		95,000	51,095	-	(13,095)	-	-	38,000
Issuance of restricted share units		325,093	113,782	-	-	-	-	113,782
Broker warrants exercised		486,667	229,220	-	(83,220)	-	-	146,000
Conversion of convertible debentures		700,000	153,007	-	(43,166)	-	-	109,841
Issuance of shares with incentive warrants		150,000	40,877	14,965	4,158	-	-	60,000
Exercise of stock options		200,000	100,600	-	(17,600)	-	-	83,000
Expired warrants		-	-	132,423	(132,423)	-	-	-
Net loss for the period		-	-	-	-	(11,017,110)	-	(11,017,110)
Balance, September 30, 2021		136,695,712	54,688,665	5,016,301	5,331,379	(52,347,975)	(19,537)	12,688,833

Indiva Limited
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended September 30, 2022 and 2021
(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	2022 \$	2021 (Note 5) \$
OPERATING ACTIVITIES			
Net loss for the period		(8,141,430)	(11,017,110)
Adjustments for:			
Deferred tax recovery		-	(266,954)
Unrealized gain on changes in fair value of biological assets		-	140,772
Realized fair value adjustments on inventory sold		-	72,141
Write-off of inventory to net realizable value	7	1,727,197	1,541,929
Depreciation and amortization	9, 12	502,539	350,992
Impairment and loss on disposal of property, plant and equipment	11	204,973	14,261
Interest, accretion of discounts and deferred transaction costs		645,892	1,107,421
Share-based compensation	18	408,258	425,477
Shares issued to settle account payable and interest on convertible debenture		141,709	179,662
Provision for onerous contract		-	1,102,756
Expected credit losses		(1,240)	6,571
Interest income		(17,975)	(3,080)
Changes in working capital items	20	6,702,105	(510,881)
Cash provided by (used in) operating activities		2,172,028	(6,856,043)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and construction deposits	9, 10	(882,737)	(1,391,337)
Proceeds on disposal of assets held for sale	11	2,832	-
Interest income		17,975	3,080
Cash used in investing activities		(861,930)	(1,388,257)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs		-	11,804,495
Proceeds from exercise of stock options		-	83,000
Proceeds from exercise of warrants		-	224,877
Payment of principal portion of lease liabilities	16	(161,380)	(681,374)
Proceeds from loan payable, net of transaction costs		-	9,177,656
Repayment of loan payable		-	(4,892,864)
Repayment of promissory note		-	(1,614,438)
Advances on secured bridge loan		-	3,659,415
Repayments on factoring payable		-	(7,234,881)
Cash provided by (used in) financing activities		(161,380)	10,525,886
Change in cash		1,148,718	2,281,586
Cash, beginning of the period		2,480,335	314,042
Cash, end of the period		3,629,053	2,595,628

Indiva Limited
Notes to Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2022 and 2021
(Unaudited, Expressed in Canadian dollars, except per share amounts)

1. CORPORATE INFORMATION

Indiva Limited (the "Company") is governed by the Laws of Ontario. 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 November 21, 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 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.

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(c) COVID-19 ESTIMATION UNCERTAINTY

As at September 30, 2022, the Company has determined that no significant revisions to estimates, judgements or assumptions were required related to the COVID-19 pandemic, however, the continued uncertainty associated with the COVID-19 pandemic may require changes in future periods. The Company will continue to closely monitor the impact of the COVID-19 pandemic, including any such changes to estimates, judgements or assumptions that could have a material impact on the Company's Interim Financial Statements.

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 \$2,565,543 and \$8,141,430 for the three and nine months ended September 30, 2022 respectively (three and nine months ended September 30, 2021 – \$6,467,952 and \$11,017,110) and an accumulated deficit of \$64,753,208 as at September 30 2022 (December 31, 2021 - \$56,547,526). 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 to 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
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of Indiva's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the applicable new standards effective as of January 1, 2022, as noted in the audited annual consolidated financial statements of Indiva.

Indiva has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

5. CORRECTION OF PRIOR PERIOD FINANCIAL STATEMENTS

As disclosed in the Company's unaudited condensed consolidated interim financial statements for the three months ended June 30, 2022, the Company identified an error in the calculation of excise taxes related to additional duties charged by certain provinces and determined an adjustment is required to excise taxes payable on sales for the period of January 1, 2020 to March 31, 2022. As a result, prior period amounts on the consolidated statements of loss and comprehensive loss with respect to excise taxes, cost of sales, and marketing and sales were adjusted to reflect the correct excise tax payable on sales in those periods.

	For the three months ended September 30, 2021, as originally reported \$	Correction \$	For the three months ended September 30, 2021 (corrected) \$
Excise taxes	585,077	49,127	634,204
Cost of goods sold	5,036,106	(9,387)	5,026,719
Marketing and sales	1,140,809	(2,215)	1,138,594
Net loss and comprehensive loss attributable to shareholders	6,430,426	37,526	6,467,952

	For the nine months ended September 30, 2021, as originally reported \$	Correction \$	For the nine months ended September 30, 2021 (corrected) \$
Excise taxes	2,027,656	184,255	2,211,911
Cost of goods sold	16,068,414	(35,465)	16,032,949
Marketing and sales	3,106,492	(6,944)	3,099,548
Net loss and comprehensive loss attributable to shareholders	10,875,011	141,845	11,017,110

Indiva Limited
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For the three and nine months ended September 30, 2022 and 2021
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Accounts payable and accrued liabilities, which include excise taxes payable, and accumulated deficit on the condensed consolidated interim statements of financial position have been corrected as follows:

	As at December 31, 2021, as originally reported \$	Correction \$	As at December 31, 2021 (corrected) \$
Accounts payable and accrued liabilities	7,576,842	301,480	7,878,322
Accumulated deficit	(56,246,046)	(301,480)	(56,547,526)

	As at December 31, 2020, as originally reported \$	Correction \$	As at December 31, 2020 (corrected) \$
Accounts payable and accrued liabilities	8,489,567	94,053	8,583,620
Accumulated deficit	(41,236,812)	(94,053)	(41,330,865)

Management assessed the materiality of the correction described above on prior period consolidated financial statements and concluded that these corrections were not material to any prior annual or interim periods. Accordingly, amounts related to the three and nine months ended September 30, 2021, and as at December 31, 2021, which are presented in these Interim Financial Statements have been re-presented but without restatement of the prior period financial statements.

In addition to the above correction, certain comparative amounts within the condensed interim consolidated statement of financial position have been reclassified as a result of a change in presentation during the year for accounts payable and accrued liabilities. These changes did not affect total assets nor total liabilities.

In addition to the above correction, comparative amounts within the condensed interim consolidated statement of financial position have been re-classified as a result of a change in presentation, specifically that income taxes receivable have been included with accounts receivable and income taxes payable have been included within accounts payable and accrued liabilities. This did not affect any subtotals on the condensed interim consolidated statement of financial position.

6. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2022 consisted of trade receivables totaling \$3,971,474 (December 31, 2021 - \$5,519,988) and taxes receivable totaling \$92,258 (December 31, 2021 - \$350,480).

Accounts receivable are presented net of expected credit losses totaling \$14,534 as at September 30, 2022 (December 31, 2021 - \$15,773).

Indiva Limited
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7. INVENTORY

Inventory as at September 30, 2022, and December 31, 2021, consisted of the following:

	September 30, 2022	December 31, 2021
	\$	\$
Dried cannabis		
Finished goods	174,702	358,730
Work-in-process	249,499	1,418,753
Cannabis extracts		
Finished goods	1,261,256	1,230,120
Work-in-process	1,000,721	1,811,246
Processing services		
Finished goods	-	14,605
Work-in-process	-	310
Harvested cannabis trim	-	19,899
Packaging, supplies and other inventory	1,675,394	1,588,638
Total inventory	4,361,572	6,442,301

Inventory expensed to cost of goods sold during the three and nine months ended September 30, 2022, was \$4,000,093 and \$11,538,567 (three and nine months ended September 30, 2021 - \$3,243,083 and \$10,585,964). Cost of goods sold for the three and nine months ended September 30, 2022, also includes royalties, license fees, shipping, and other costs totalling \$1,755,529 and \$5,902,976 respectively (three and nine months ended September 30, 2021 - \$1,793,023 and \$5,482,450). In the three and nine months ended September 30, 2022, the Company recorded inventory write-offs totalling \$354,243 and \$1,727,197 (three and nine months ended September 30, 2021 - \$445,505 and \$1,541,930). The inventory write-offs for the three and nine months ended September 30, 2022, includes disposal of product that did not meet the Company's quality standards, disposals and provisions for aged inventory and write-down of dry flower harvested in the period at a cost that exceeded its realizable value.

8. PREPAID EXPENSES AND DEPOSITS

	September 30, 2022	December 31, 2021
	\$	\$
Rent, security and utility deposits	9,052	9,052
Government of Canada surety bond	303,000	303,000
Other prepayments	301,704	337,959
Total prepaid expenses and deposits	613,756	650,011

Other prepayments are primarily composed of prepayments for raw materials, promotional materials, and packaging inventory.

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9. 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	-	31,399	-	912,589	-	3,019	-	947,007
Transfers to assets held for sale	-	(16,689)	-	(415,758)	-	-	-	(432,447)
Transferred from assets in process	-	-	-	149,264	-	-	-	149,264
Balance, September 30, 2022	252,275	18,792,412	66,066	5,989,493	71,307	525,145	1,006,963	26,703,661
Accumulated depreciation								
Balance, January 1, 2021	-	971,671	1,184	940,413	29,420	261,663	301,936	2,506,287
Depreciation for the period	-	495,116	3,817	539,127	9,357	79,856	375,508	1,502,781
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	1,464,667	36,635	312,504	360,199	3,643,361
Transfers to assets held for sale	-	(1,161)	-	(135,904)	-	-	-	(137,065)
Depreciation for the period	-	376,011	4,532	420,485	6,687	70,001	119,460	997,176
Balance, September 30, 2022	-	1,839,317	9,420	1,749,247	43,322	382,506	479,659	4,503,471
Carrying amounts as at:								
December 31, 2021	252,275	17,313,234	61,178	3,878,731	34,672	209,623	646,764	22,396,477
September 30, 2022	252,275	16,953,094	56,646	4,240,246	27,985	142,639	527,304	22,200,190

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

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

As at September 30, 2022, \$241,177 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2021 - \$50,123). In the three and nine months ended September 30, 2022, equipment deposits totalling \$761,911 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 \$91,785 towards future purchases (December 31, 2021 - \$726,711).

Total depreciation expense for the three and nine months ended September 30, 2022 was \$330,081 and \$997,176 (three and nine months ended September 30, 2021 - \$375,468 and \$1,164,099), of which \$278,258 and 846,474 has been capitalized in the production of inventory (three and nine months ended September 30, 2021 - \$308,071 and \$969,058).

10. 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	-	570,411	-	570,411
Disposals	-	-	(3,375)	(3,375)
Transfers to held for sale	-	(39,263)	-	(39,263)
Transferred to property, plant and equipment	-	(149,264)	-	(149,264)
Balance, September 30, 2022	6,676	431,696	-	438,372

11. ASSETS HELD FOR SALE

During 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 were recorded to reduce the carrying amount of the assets to management's estimate of their fair value less costs to sell during the nine months ended September 30, 2022. In the nine months ended September 30, 2022, three assets held for sale with a carrying value of \$2,490 were sold for proceeds of \$2,832.

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12. 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 September 30, 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	-	155,595	155,595
Balance, September 30, 2022	-	459,136	459,136
Carrying amounts as at:			
December 31, 2021	-	1,866,147	1,866,147
September 30, 2022	-	1,710,553	1,710,553

13. PREPAID ROYALTIES

On June 11, 2018, the Company prepaid \$1,948,950 (USD\$1,500,000) to DeepCell Industries ("DeepCell") for future royalty fees for sales of DeepCell branded products, which are edible cannabis derivatives. This agreement has a term of five years with a right to renew at the Company's option for three additional five-year terms. The prepaid royalties have been expensed on a per unit basis as the Company produces and sells DeepCell licensed products.

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14. 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	456,651
Interest charged on Sundial Loan	2,216,001
Payment of interest on Sundial Loan	(2,216,001)
Loan payable, September 30, 2022	18,784,180

As at September 30, 2022, the Company was in compliance with all applicable covenants.

15. OTHER LIABILITIES

	September 30, 2022			December 31, 2021		
	Current	Long-term	Total	Current	Long-term	Total
	\$	\$	\$	\$	\$	\$
Minimum royalties	164,326	718,650	882,976	156,780	731,393	888,173
Balance	164,326	718,650	882,976	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 and nine months ended September 30, 2022, interest accretion of \$45,581 and \$136,553 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2021 - \$27,177 and 130,028).

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16. 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	(153,376)	(1,781)	(6,223)	(161,379)
Interest expense	49,238	294	376	49,908
Balance, September 30, 2022	583,117	4,957	14,979	603,054
Current, December 31, 2021	140,640	2,000	7,817	150,457
Non-current, December 31, 2021	546,616	4,444	13,009	564,068
Current, September 30, 2022	147,192	2,124	10,744	160,060
Non-current, September 30, 2022	435,925	2,833	4,236	442,994

During the three and nine months ended September 30, 2022, the Company recognized \$53,997 and \$88,875 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2021 - \$27,451 and \$101,568).

At September 30, 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	(204,437)	(361,034)	(135,754)	(701,225)
Facility equipment	(8,297)	(7,846)	-	(16,413)
Office equipment	(2,374)	(2,968)	-	(5,342)
Minimum lease payments	(215,109)	(371,848)	(135,754)	(722,711)
Financing charges	54,300	57,844	7,511	119,655
Total lease liabilities	(160,808)	(314,004)	(128,243)	(603,054)

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17. 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	250,581	-	250,581
Accretion of transaction costs	8,538	-	8,538
Balance, September 30, 2022	2,858,690	865,517	3,724,207

A reconciliation of interest and accretion expense on the convertible debentures in the nine months ended September 30, 2022 and 2021, is as follows:

	2022	2021
	\$	\$
Accretion interest on debenture discount	250,581	202,539
Interest expense in the period	224,250	228,393
Total interest and accretion on convertible debentures expensed	474,831	430,932
Interest expense payable, opening balance	-	153,868
Interest expense in the period	224,250	228,393
Interest expense paid in shares	(5,750)	(45,750)
Interest expense paid in cash	(143,750)	(261,097)
Interest expense included in accounts payable and accrued liabilities	74,750	75,414

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18. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at September 30, 2022, a total 147,162,411 (December 31, 2021 – 146,150,202) common shares were issued and outstanding. No special shares have been issued or are outstanding.

On July 19, 2022, the Company issued 978,388 common shares at a fair value on issuance of \$0.17 per share to settle outstanding accounts payable.

(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, December 31, 2021	12,842,271	0.42
Expired	(29,942)	0.54
Outstanding, September 30, 2022	12,812,329	0.42

All warrants outstanding as at September 30, 2022 are exercisable.

The following warrants remain outstanding as at September 30, 2022:

Warrant description	# of warrants #	Expiry date	Exercise price \$
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	12,812,329		0.42

As at September 30, 2022, the warrants outstanding have a weighted average remaining life of 1.93 years.

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(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 and was further amended on June 23, 2022.

During the three and nine months ended September 30, 2022, the Company recognized share-based compensation expense of \$168,279 and \$539,703 (three and nine months ended September 30, 2021 - \$110,607 and \$425,477) related to stock options and RSUs included in operating expenses in the condensed consolidated statements of loss and comprehensive loss. Share-based compensation for the three and nine months ended September 30, 2022, totalling \$26,646 and \$110,023 (three and nine months ended September 30, 2021 - \$14,681 and \$56,294) 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 September 30, 2022, based on the Company's total common shares outstanding, a total of 14,716,241 (December 31, 2021 – 14,615,020) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 1,992,689 (December 31, 2021 – 4,671,686) additional stock options or RSUs beyond what was issued and outstanding as at September 30, 2022. TSXV approval is required to reserve the related common shares for issuance. A maximum of 4,800,000 RSUs may be issued under the plan.

(l) RESTRICTED SHARE UNITS

On February 1, 2022, the Company granted 2,260,497 RSUs to officers and employees of the Company. The units vest one year from the grant date. 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. There were 799,998 RSUs issued to directors of the Company that are accounted for as equity settled.

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. The fair value of the shares on the grant date totalled \$55,555 or \$0.25 per RSU and the expense is recognized in share-based compensation over the vesting period. These RSUs are accounted for as equity settled. In the three and nine months ending September 30, 2022, the Company has recorded share-based compensation expense related to all equity settled RSUs totalling \$73,889 and \$183,148.

In the three and nine months ending September 30, 2022, the Company has recorded share-based compensation expense related to the cash settled RSUs totalling \$40,164 and \$131,445. The Company has recorded a liability related to the outstanding cash settled RSUs at September 30, 2022 totalling \$131,445 in accounts payable and accrued liabilities in the condensed consolidated statements of financial position.

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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	(555,555)	(680,557)	(1,236,112)
Outstanding, December 31, 2021	-	-	-
Granted	1,022,220	1,460,499	2,482,719
Outstanding, September 30, 2022	1,022,220	1,460,499	2,482,719

(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
Granted	1,680,000	0.43
Forfeited	(1,312,501)	0.43
Outstanding, September 30, 2022	10,310,833	0.43

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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 September 30, 2022:

Weighted average exercise price	Number of options	Exercisable	Weighted average remaining life (years)
\$0.21	1,645,000	-	4.68
\$0.27	1,965,000	100,000	4.03
\$0.30	512,500	247,501	2.88
\$0.40	3,557,333	2,286,596	3.10
\$0.45	200,000	200,000	1.32
\$0.59	150,000	100,000	3.41
\$0.75	1,561,000	1,561,000	0.52
\$0.80	580,000	580,000	1.23
\$0.87	140,000	140,000	0.40
\$0.48	10,310,833	5,215,097	2.40

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Share price	\$0.14	\$0.435
Expected dividend yield	\$nil	\$nil
Volatility	144.98%	163.43%
Expected life (years)	3 to 4	5
Forfeiture rate	37%	33%
Risk-free rate	3.25%	0.64%

19. LOSS PER SHARE

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

	September 30, 2022	September 30, 2021
Stock options	10,310,833	7,893,333
RSUs	2,482,719	555,555
Warrants	12,812,329	17,200,604
Convertible debentures	13,450,000	13,575,000

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20. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for the nine months ended September 30, 2022 and 2021 are comprised of the following:

	2022	2021
	\$	\$
Taxes receivable	258,222	(435,666)
Accounts receivable	1,528,315	517,743
Biological assets	-	69,829
Inventory	1,199,760	(2,997,208)
Prepaid expenses and deposits	36,254	(185,962)
Prepaid royalties	4,434	-
Accounts payable and accrued liabilities	3,685,552	(1,341,057)
Other liabilities	(81,157)	(186,277)
Onerous contract	-	(5,823,412)
Deferred revenue	(4,025)	(140,113)
Interest on loan payable and convertible debentures	74,750	353,083
Settlement liability	-	9,658,159
	6,702,105	(510,881)

21. FINANCE COSTS

Finance costs consist of the following for the three and nine months ended September 30, 2022 and 2021:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest on factored invoices	-	-	-	148,061
Interest on loan payable (Note 14)	784,437	254,268	2,253,654	704,495
Interest on convertible debentures (Note 17)	74,750	75,414	224,250	228,393
Accretion of discount on loan payable (Note 14)	96,133	153,338	260,903	362,299
Accretion on convertible debentures (Note 17)	88,410	70,799	250,581	202,540
Amortization of deferred financing costs	68,097	27,755	204,289	253,870
Interest and penalty on promissory note	-	-	-	188,395
Interest on lease liabilities (Note 16)	15,705	19,137	49,908	59,845
Interest on other liabilities (Note 15)	45,429	27,177	136,553	130,026
Other interest and bank charges (recovery)	20,554	18,799	112,184	(331,247)
	1,193,515	646,687	3,492,322	1,946,677

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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 September 30, 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 September 30, 2022.

(a) Foreign currency risk

As at September 30, 2022, the Company did not hold any cash denominated in a foreign currency (December 31, 2021 - \$nil).

(b) Liquidity risk

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

In addition to the commitments disclosed in Note 26, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at September 30, 2022	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	11,638,625	11,638,625	11,638,625	-	-
Other liabilities	882,977	2,264,021	196,088	422,078	1,645,855
Loan payable	18,784,180	19,751,905	-	18,784,180	-
Lease liabilities	603,055	603,055	160,808	314,003	128,243
Convertible debentures	2,858,690	2,858,690	2,858,690	-	-
Total	34,767,527	37,116,296	14,854,211	19,520,261	1,774,098

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(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 (recovery) on accounts receivable for the three and nine months ended September 30, 2022, totalling (\$704) and (\$1,240) (three and nine months ended September 30, 2021 – (\$11,786 and \$6,571)).

During the three and nine months ended September 30, 2022, the Company had gross sales of \$7,653,105 and \$22,944,454 to three major customers (three and nine months ended September 30, 2021 - \$7,114,039 and \$21,898,218). These customers each accounted for over 10% of the Company's total revenue for the three and nine months ended September 30, 2022. Total amounts receivable from these customers at September 30, 2022 was \$2,805,399 (December 31, 2021 - \$3,438,797).

As at September 30, 2022, the Company's aging of receivables was approximately as follows:

	September 30, 2022 \$	Expected credit loss rate %	December 31, 2021 \$	Expected credit loss rate %
1 – 60 days	3,921,957	0.5	5,216,325	0.1
61 – 120 days	70,956	3.0	303,663	3.0
Greater than 121 days	-	-	-	-
Total	3,992,913	0.5	5,519,988	0.3

(d) Interest rate risk

The interest rates on the loan payable and convertible debentures are fixed, and accordingly, are not subject to interest rate risk.

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24. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of \$26,128,679 (December 31, 2021 – \$32,956,218), as shown below:

	September 30, 2022	December 31, 2021
	\$	\$
Total debt		
Loan payable	18,784,180	18,327,529
Convertible debentures	2,858,690	2,599,570
Total debt	21,642,870	20,927,099
<hr/>		
Total equity	4,437,656	12,029,119

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 and nine months ended September 30, 2022. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three and nine months ended September 30, 2022, there were no material changes to statutory tax rates.

26. COMMITMENTS

In addition to the lease liability commitments disclosed in Note 16, the Company has contractual obligations for contractors, consultants, IT services, facility services and equipment, construction costs, and minimum payments under license agreements with terms remaining of up to three years. The annual minimum payments payable under these obligations are as follows:

	\$
Next 12 months	681,875
2 – 3 years	1,009
Thereafter	-
<hr/>	
Total	682,884

Subsequent to September 30, 2022, the Company entered into commitments totalling \$674,251. These commitments are primarily composed of production supplies, cannabis inputs, marketing supplies and consultant services. These commitments are payable over the next 12 months.

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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 and nine months ended September 30, 2022 and 2021 was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Short-term key management personnel compensation	294,583	239,861	797,083	703,270
Share-based payments	140,856	84,243	418,605	272,115
Directors' fees	15,625	13,125	46,875	39,375
	<u>451,065</u>	<u>337,229</u>	<u>1,262,563</u>	<u>1,014,760</u>

28. RELATED-PARTY TRANSACTIONS

In the three and nine months ended September 30, 2022, the Company paid \$39,250 in interest payments to related party debentures holders. Also, the Company settled interest payments totaling \$5,750 in exchange for common shares in the Company. The fair value of the shares on issuance was \$0.17 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 33,821 common shares was issued to the creditors, which includes an aggregate of 24,998 common shares issued to related parties to settle interest owing.

In the three and nine months ended September 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 were issued to the creditors, which includes an aggregate of 152,000 Common Shares issued to related parties to settle interest owing.

29. SUBSEQUENT EVENT

On October 4, 2022, the Company issued 134,626 Common Shares pursuant the redemption of issued RSUs.

On November 21, 2022 the Company announced that it is seeking approval from the TSX Venture Exchange and each of the holders of the outstanding convertible debentures (note 17) to amend their terms. Under the proposed amendment the Company would extend the maturity date of the convertible debentures to December 31, 2024 and decrease the conversion price to \$0.15 per common share. No other terms are proposed to be amended.