INDIVA LIMITED

Annual Consolidated Financial Statements

(Expressed in Canadian dollars)

For the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Shareholders of
Indiva Limited

Opinion

We have audited the consolidated financial statements of Indiva Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $72.4 million and a negative working capital of $5M as at December 31, 2023 and a net loss of $4.9 million for the year then ended. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined that the matter described below to be the key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Description of key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of inventory</td></tr>
<tr><td>At December 31, 2023, the carrying amount of inventories amounted to $4.8 million, after recording inventory write-downs of $2.7 million during the year then ended. Inventory write-downs includes provisions for obsolete and excess inventory and provisions for aged inventory. As described in Note 6 of the consolidated financial statements, inventories at December 31, 2023 consist of cannabis extracts and edibles. Valuation of the inventories is at the lower of cost or net realizable value. Measurement of cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity and is net of provisions.

The judgment applied in the valuation of inventory made us conclude that valuation of inventories is a key audit matter of our audit. Significant judgement is required in assessing the appropriate level of the provision for slow moving and/or obsolete inventory. Such judgements include management's consideration of the impact of inventory spoilage, inventory damage, customer demand for products and products with slow turnover.</td><td>Our audit procedures to assess the valuation of inventories included, among other procedures:
• Performed a physical observation of the year end inventories on a sample basis and inspected the production/package date and expiry date for the products counted as well as assessing if the selected samples are damaged or spoiled;
• For a sample of inventory items, tested the underlying inputs in the calculation of the actual cost of inventories against third party support and internal records;
• Tested management's calculation and application of overhead rates to inventory;
• Evaluated the assumptions made by management regarding customer demand for products;
• On a sample basis agreed the expiration dates and production dates of inventory items in the provision for aged inventory model to production reports and to the results of physical inventory observation; and
• Assessed management's analysis of inventory items by age;</td></tr>
</table>

Other Information

Management is responsible for the other information. The other information is comprised of Management's Discussion and Analysis for the year ended December 31, 2023.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Blake Langill.

Ernst & Young LLP

Toronto, Canada
April 24, 2024

Chartered Professional Accountants
Licensed Public Accountants

Indiva Limited
Consolidated Statements of Financial Position
As at December 31, 2023 and 2022
(Expressed in Canadian dollars)

As at	Note	December 31, 2023 $	December 31, 2022 $
ASSETS			
Current assets			
Cash		2,225,742	2,785,710
Accounts receivable	5	4,895,127	4,133,982
Other receivable	17	692,760	-
Inventory	6	4,846,822	4,138,047
Prepaid expenses and deposits	7	398,311	494,166
Assets held for sale	10	-	130,215
Total current assets		13,058,762	11,682,120
Other non-current assets			
Property, plant and equipment	8	21,196,830	22,493,894
Assets in process	9	123,991	47,027
Equipment deposits	8	48,279	23,127
Intangible assets	11	1,451,228	1,658,688
Prepaid royalties	12	1,944,963	1,944,219
Total assets		37,824,053	37,849,075
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		15,238,745	12,654,341
Other liabilities	14	230,591	315,636
Lease liability	15	171,049	162,745
Convertible debentures	16	2,458,972	250,000
Total current liabilities		18,099,357	13,382,722
Other non-current liabilities			
Other liabilities	14	722,267	720,838
Lease liability	15	239,531	401,275
Loan payable	13	19,105,768	18,945,227
Convertible debentures	16	-	2,250,478
Total liabilities		38,166,923	35,700,540
Equity			
Share capital	18	59,918,158	57,391,055
Contributed surplus		7,154,444	6,011,665
Reserves		5,001,893	6,244,930
Accumulated other comprehensive loss		(19,537)	(19,537)
Accumulated deficit		(72,397,828)	(67,479,578)
Total equity		(342,870)	2,148,535
Total liabilities and equity		37,824,053	37,849,075

Going Concern (Note 3), Commitments (Note 27) and Subsequent Events (Note 30)

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

Indiva Limited
Consolidated Statements of Loss and Comprehensive Loss
For the years December 31, 2023 and 2022
(Expressed in Canadian dollars, except per share amounts)

	Note	Year ended December 31, 2023 $	2022 $
Gross revenue		41,925,799	37,676,095
Excise taxes		(4,355,064)	(3,273,348)
Net revenue		37,570,735	34,402,747
Cost of goods sold	6	(24,396,285)	(24,018,692)
Write-down of inventory	6	(2,653,848)	(2,231,431)
Gross margin		10,520,602	8,152,624
Operating expenses			
General and administrative		5,837,796	5,707,114
Marketing and sales		5,352,679	6,527,695
Research and development		877,010	1,016,420
Share-based compensation	18(b)	175,584	585,911
Expected credit loss	24(c)	9,592	3,019
Depreciation of property, plant and equipment	8	185,865	203,024
Amortization of intangible assets	11	207,460	207,460
Total operating expenses		12,645,986	14,250,643
Loss from operations		(2,125,384)	(6,098,019)
Other income (expenses)			
Foreign exchange loss		(55,059)	(62,493)
Finance costs	22	(5,006,211)	(4,717,979)
Interest income		92,982	36,127
Gain on issuance of shares		3,282	30,367
Impairment loss on assets held for sale	10	(145,486)	(205,046)
Loss on disposal of assets held for sale		(73,113)	-
Gain (loss) on modification of debt	13	296,356	(33,312)
Gain on sale of license rights	17	2,094,383	-
Loss before income taxes		(4,918,250)	(11,050,355)
Deferred tax recovery	26	-	118,303
Net loss and comprehensive loss attributable to shareholders		(4,918,250)	(10,932,052)
Loss per share, basic and diluted	20	(0.03)	(0.08)
Weighted average number of outstanding shares, basic and diluted	20	168,923,164	134,906,609

Indiva Limited
Consolidated Statements of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Canadian dollars)

	Note	Share capital						
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		#	$	$	$	$	$	$
Balance, January 1, 2023		147,297,037	57,391,055	6,011,665	6,244,930	(67,479,578)	(19,537)	2,148,535
Shares issued in lieu of interest	18	131,246	12,469		-	-	-	12,469
Issuance of restricted share units	18	1,770,280	375,631	(375,631)	-	-	-	-
Shares issued net of issuance costs	18	37,230,000	2,139,003	-	-	-	-	2,139,003
Warrants expired		-	-	1,403,571	(1,403,571)	-	-	-
Share-based compensation	18(b)	-	-	114,839	160,534	-	-	275,373
Net loss for the year		-	-	-	-	(4,918,250)	-	(4,918,250)
Balance, December 31, 2023		186,428,563	59,918,158	7,154,444	5,001,893	(72,397,828)	(19,537)	(342,870)

	Note	Share capital						
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		#	$	$	$	$	$	$
Balance, January 1, 2022		146,150,202	57,229,825	5,737,124	5,629,233	(56,547,526)	(19,537)	12,029,119
Equity portion of convertible debentures modification, net of tax		-	-	-	325,190	-	-	325,190
Shares issued in lieu of interest	18	33,821	5,750	-	-	-	-	5,750
Shares issued in lieu of accounts payable	18	978,388	166,326	-	-	-	-	166,326
Gain on shares issued		-	(30,367)	-	-	-	-	(30,367)
Issuance of restricted share units	18	134,626	19,521	-	-	-	-	19,521
Warrants expired	18	-	-	12,875	(12,875)	-	-	-
Share-based compensation	18(b)	-	-	261,666	303,382	-	-	565,048
Net loss for the year		-	-	-	-	(10,932,052)	-	(10,932,052)
Balance, December 31, 2022		147,297,037	57,391,055	6,011,665	6,244,930	(67,479,578)	(19,537)	2,148,535

Indiva Limited

Consolidated Statement of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Canadian dollars)

	Note	2023 $	2022 $
OPERATING ACTIVITIES			
Net loss for the year		(4,918,250)	(10,932,052)
Adjustments for:			
Gain on sale of license rights	17	(2,094,383)	-
Gain (loss) on modification of debt	13	(296,356)	33,312
Write-off of inventory to net realizable value	6	2,653,848	2,231,431
Foreign exchange loss		55,059	-
Depreciation and amortization	8, 11	393,325	410,484
Impairment loss on assets held for sale	10	145,486	205,046
Loss on disposal of assets held for sale	10	73,113	-
Non-cash financing costs	22	742,586	1,219,890
Share-based compensation	18(b)	175,584	585,911
Expected credit loss		9,592	3,019
Interest income		(92,982)	(36,127)
Deferred tax recovery		-	(118,303)
Changes in working capital items	21	2,968,317	7,947,011
Cash provided by (used in) operating activities		(185,061)	1,549,622
INVESTING ACTIVITIES			
Purchase of property, plant, equipment and deposits	8, 9	(538,971)	(1,068,048)
Proceeds from disposal of assets held for sale	10	66,086	2,832
Interest income		92,982	36,127
Cash used in investing activities		(379,903)	(1,029,089)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs	18	472,473	-
Payment of principal portion of lease liabilities	15	(217,476)	(215,158)
Repayment of convertible debenture	16	(250,000)	-
Cash provided by (used in) financing activities		4,997	(215,158)
Change in cash		(559,967)	305,375
Cash, beginning of the year		2,785,710	2,480,335
Cash, end of the year		2,225,743	2,785,710

1. CORPORATE INFORMATION

Indiva Limited (the “Company” or “Indiva”) 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”.

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 edible and extract products. 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

The annual consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”) in effect as at January 1, 2023.

The Financial Statements were approved and authorized for issue by the Board of Directors on April 25, 2024.

(b) BASIS OF MEASUREMENT

The Financial Statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

The preparation of consolidated 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 4.

3. GOING CONCERN

The 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 $4,918,250 for the year ended December 31, 2023 (2022 – $10,932,052), an accumulated deficit of $72,397,828 as at December 31, 2023 (2022 - $67,479,578), a negative working capital of $5,040,595 (2022, - $1,700,602) and negative cash flow from operations during the year ended December 31, 2023 of $185,061 (2022 – positive cash flow from operations of $1,549,622). 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 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, 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 the 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 consolidated statements of financial position. These adjustments could be material.

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

The accounting policies set out below have been applied on a consistent basis to all years presented in the Financial Statements.

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

(a) BASIS OF CONSOLIDATION

The Financial Statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Control is established when the Company has the power to govern the financial and operating policy decisions of the entity so as to obtain benefits from the entity's activities, and generally exists when more than 50% of the voting power of the entity is held by the Company. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All material intercompany transactions and balances are eliminated in full upon consolidation.

The subsidiaries of the Company and their principal activities as at December 31, 2023 were as follows:

Name of subsidiary	Place of incorporation	Ownership interest as at		Principal activity
		December 31, 2023	December 31, 2022	
Indiva Amalco Ltd.	Ontario	100%	100%	Holding company
Indiva Inc.	Ontario	100%	100%	Licensed Producer under Cannabis Act
2639177 Ontario Inc.	Ontario	100%	100%	Holding company
Vieva Canada Ltd.	Ontario	100%	100%	Holds real estate for production facility

(b) PRESENTATION CURRENCY AND FOREIGN CURRENCY TRANSLATION

These Financial Statements are presented in Canadian dollars. The functional currency for each subsidiary consolidated with the Company is determined as the currency of the primary economic environment in which it operates (the "functional currency"). The functional currency of the Company and all of its subsidiaries is the Canadian dollar.

In preparing the financial statements of the individual entities, transactions in foreign currencies (i.e. currencies other than the functional currency) are recognized at the rates of exchange prevailing at the dates of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date, while non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are not retranslated. Such exchange differences arising from retranslation are recognized in net loss.

(c) REVENUE

The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

i) identify the contract with a customer;

ii) identify the performance obligations in the contract;

iii) determine the transaction price;

iv) allocate the transaction price to the performance obligations in the contract; and

v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the direct sale of cannabis products to customers for a fixed price is recognized when the Company transfers the control of the good(s) to the customer upon delivery and acceptance by the customer, and collectability is reasonably assured.

Revenue from sale of license rights is recognized at the point in time when control of the asset is transferred to the customer.

Revenue includes excise taxes, which the Company pays, but excludes duties and taxes collected on behalf of third parties. Revenue also includes the net consideration to which the Company expects to be entitled. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of pricing discounts, allowances for customer returns and certain promotional activities and similar items. Generally, payment of the transaction price is due within credit terms that are consistent with industry practices, with no element of financing.

(d) FINANCIAL INSTRUMENTS

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification

Except for those accounts receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVOCI"); and (iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income ("OCI").

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if and only if there is a currently enforceable legal right to offset the recognized amounts and an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously

The Company has made the following classifications:

Financial Instrument	Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Other liabilities	Amortized cost
Convertible debentures	Amortized cost
Loan payable	Amortized cost

Financial assets at fair value through comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

Measurement

All financial instruments are required to be measured at fair value on initial recognition, adjusted for, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other financial assets including equity investments are measured at their fair values, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For accounts receivables only, the Company applies the simplified approach as permitted by IFRS 9 Financial Instruments. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date.

Evidence of impairment may include indications that the counterparty debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit history, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Compound Instruments

The components of compound instruments issued by the Company (specifically the convertible debentures) are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash of another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined as the residual amount after deducting the fair value of the liability component from the total proceeds. This is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the term of the convertible debentures using the effective interest method.

(e) PROPERTY, PLANT AND EQUIPMENT ("PPE")

Upon initial acquisition, PPE is valued at cost, being the purchase price, capitalized borrowing costs, and directly attributable costs required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management. In subsequent periods, PPE is stated at cost less accumulated depreciation and any impairment in value.

Assets acquired but not yet put into its intended use are categorized as assets in process and are moved to PPE once they are ready for use.

PPE is depreciated using the straight-line method over the estimated useful lives of the assets. Where significant components of assets have differing useful lives, depreciation is calculated on each separate component.

Estimates of remaining useful lives and residual values are reviewed annually, with any modifications accounted for prospectively.

Depreciation is calculated on a straight-line basis over the following useful lives:

Building and building improvements	5 to 40 years
Facility equipment	3 to 20 years
Office equipment and furniture	2 to 3 years
Vehicle	8 years
Right-of-use assets	1 to 7 years
Leasehold improvements	Remaining lease term

Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets that take a substantial period of time to make ready for their intended use are added to the cost of the assets, until such time as the assets are substantially complete and ready for their intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred in a period. All other borrowing costs are expensed in the period in which they are incurred.

Major maintenance and repairs

Major maintenance and repair expenditures include the cost of asset replacement parts and overhaul costs. When an asset or part of an asset is replaced or overhauled and it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured, that expenditure is capitalized and the carrying amount of the item replaced is derecognized. All maintenance and repair costs, except major overhaul and replacement costs, are expensed as incurred in net loss.

Gains and losses

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount and are recognized in other income (expenses).

(f) LEASES

The Company recognizes a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

i. fixed payments, including in-substance fixed payments;
ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
iii. amounts expected to be payable under a residual value guarantee; and
iv. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the interest rate implicit in the lease. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company presents ROU assets within property, plant and equipment and lease liabilities separately in the consolidated statements of financial position.

The Company has elected not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease.

(g) INTANGIBLES

Finite life intangible assets include a license to manufacture Bhang chocolates. Finite life intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization is calculated on a straight-line basis over the following useful lives:

License	9 years, 5 months

(h) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses non-financial assets for impairment when facts and circumstances suggest an indicator of impairment exists. If an indication of impairment exists, the recoverable amount of the asset is calculated in order to determine if an impairment loss is required. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. In assessing value in use, the estimated future cash flows associated with the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized in net loss.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been determined had impairment not been recognized for the asset or CGU in prior periods.

(i) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

(j) INCOME TAXES

Income tax expense consists of current and deferred income taxes and includes all taxes based on taxable profits. Current and deferred income taxes are included in net loss except to the extent that they relate to items recognized directly in equity or other comprehensive loss.

Deferred income taxes are determined using the liability method where there are differences between the carrying amounts and tax bases of assets and liabilities, and unused tax losses and credits. Deferred tax assets and liabilities are measured by applying tax rates that are expected to apply when the amounts are realized or settled respectively, based on enacted or substantively enacted tax rates and laws at the end of the current financial reporting year. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be realized and is later reduced if the Company determines it is no longer probable to be realized.

(k) SHARE CAPITAL

The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds of issuance.

Options or warrants issued at the same time as the issuance of common shares are recorded at fair value based on the relative fair value method. Proceeds are allocated between the common shares and the options or warrants based on the relative fair value of each equity instrument.

(l) LOSS PER SHARE

Loss per share is computed by dividing the net loss and comprehensive loss attributable to shareholders of the Company by the weighted average number of common shares outstanding for the year.

Diluted net loss per share is computed by dividing the net loss and comprehensive loss attributable to shareholders of the Company by the weighted average number of common shares outstanding for the year including all additional common shares that would have been outstanding if potentially dilutive equity instruments were converted to common shares. The diluted loss per share is equal to the basic loss per share because the effect of options, convertible debentures and warrants are antidilutive.

(m) SHARE-BASED COMPENSATION

The Company has a share-based compensation plan (the "Plan") described in Note 18(b). Share-based compensation expense relates to stock options as well as cash and equity settled restricted share units ("RSUs").

Cash and equity settled RSUs

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

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

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

Stock options

Compensation costs for options are measured at the grant date based on the fair value of the award and are recognized over the vesting period in net loss, based on the best available estimate of the number of share options expected to vest, with a corresponding increase to reserves. Upon exercise, common shares are issued from treasury and the amount reflected in the reserves is credited to share capital.

Any adjustment to cumulative share-based compensation resulting from a revision is recognized in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

The Black-Scholes option pricing model incorporates highly subjective assumptions, including volatility and expected time until exercise, which affect the calculated values. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in net loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Options issued to non-employees are measured based on the fair value of the services received at the date of receiving those services. If the fair value of the goods or services cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

(n) INVENTORY

The Company defines inventory as all purchased finished goods for resale, finished goods and work-in-process from processing services, consumable supplies and accessories. Cannabis Inventory includes cannabis extracts and edible cannabis products.

Products for resale, consumable supplies and accessories are initially recognized at cost and subsequently valued at the lower of cost and net realizable value ("NRV"). Measurement of cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity and is next of provisions for obsolete and excess inventory. The Company reviews these types of inventory for obsolescence, redundancy and slow turnover to ensure that they are written down and reflected at NRV.

The Company uses judgment in determining the NRV of inventory. When assessing NRV, the Company considers the impact of price fluctuation, inventory spoilage, inventory damage and customer demand for products.

(o) NEW STANDARDS ADOPTED IN THE CURRENT YEAR

The Company has adopted these amendments effective January 1, 2023. The adoption of these amendments did not have an impact on the Financial Statements.

Amendments to IAS 1, Presentation of Financial Statements

These narrow-scope amendments to IAS 1 require entities to disclose their material accounting policy information, instead of significant accounting policies.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – Introducing a definition of 'accounting estimates'.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendment to IAS 12, Income Taxes, Deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and temporary deductible differences.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new and amended accounting standards are effective for annual periods beginning on or after January 1, 2024. The Company has not early adopted the new or amended standards in preparing the Financial Statements. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 1, Presentation of Financial Statements (effective on or after January 1, 2024)

These narrow-scope amendments to IAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IAS 7 and IFRS 7, Supplier Finance (effective on or after January 1, 2024)

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendment to IFRS 16, Leases on sale and leaseback (effective on or after January 1, 2024)

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to IAS 21, Lack of Exchangeability (effective on or after January 1, 2025)

The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Financial Statements requires management to make estimates and assumptions about the future that affect the amounts recorded in the Financial Statements. These estimates and assumptions are based on the Company's experience and management's expectations about future events that are believed to be reasonable under the circumstances and they are continually being evaluated based on new facts and experience. Actual results may differ from these estimates and assumptions. The effect of a change in accounting estimate is recognized prospectively in the period of change and future periods if the change impacts both periods.

Judgments

Going concern risk assessment

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments (Note 3).

Impairment of assets

Assets are tested for impairment at the end of each reporting period if, in management's judgment, there is an indicator of impairment. If there are indicators, management performs an impairment test on the major assets in this category. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them.

Estimates

Effective interest rate

In calculating the discounted contractual cash flow on the host debt component of the convertible debenture (Note 16), an estimate of the market interest rate of a similar debt instrument with no conversion features is used. In calculating the fair value of a loan payable (Note 13), a market interest rate is used to discount future cash flows. The market rate is estimated from the market interest rate on similar debt instruments.

Inventory net realizable value

The Company uses judgment in determining the NRV of inventory. When assessing NRV, the Company considers the impact of price fluctuation, inventory spoilage, inventory damage, and customer demand for products.

Fair value of options and warrants

The fair value of options and warrants is calculated using the Black-Scholes pricing model. In calculating the share-based compensation expense and the fair value of warrants, key estimates, such as the value of the common share, the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk-free interest rate are used. Expected volatility is based on the historical volatility of the Company's shares.

5. ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2023 consisted of trade receivables totaling $4,851,734 (December 31, 2022 - $4,035,819) and taxes receivable totaling $71,777 (December 31, 2022 - $98,163).

Accounts receivable are presented net of expected credit losses totaling $28,384 as at December 31, 2023 (December 31, 2022 - $18,792).

(Expressed in Canadian dollars)

6. INVENTORY

Inventory consisted of the following as at:

	December 31, 2023 $	December 31, 2022 $
Cannabis extracts and edibles		
Finished goods	1,875,736	996,891
Work-in-process	1,285,312	1,157,506
Packaging and supplies	1,685,774	1,754,421
Other inventory	-	229,229
Total inventory	4,846,822	4,138,047

Inventory expensed to cost of goods sold during the year ended December 31, 2023, was $19,776,843 (year ended December 31, 2022 - $16,368,378). Cost of goods sold during the year ended December 31, 2023, also includes royalties, license fees, shipping, and other costs totalling $4,619,442 (year ended December 31, 2022 - $7,650,314). In the year ended December 31, 2023, the Company recorded inventory write-down totalling $2,653,848 (year ended December 31, 2022 - $2,231,431). The inventory write-offs for the year ended December 31, 2023, includes disposal of products that did not meet the Company's quality standards, disposal of finished good and work-in-process lozenges which could not be sold due to Health Canada's order to halt production and sale of these products, as well as disposals and provisions for aged inventory and write-downs.

7. PREPAID EXPENSES AND DEPOSITS

	December 31, 2023 $	December 31, 2022 $
Rent, security and utility deposits	5,287	9,052
Government of Canada surety bond	303,000	303,000
Other prepayments	90,024	182,114
Total prepaid expenses and deposits	398,311	494,166

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

(Expressed in Canadian dollars)

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, 2022	252,275	18,777,702	66,066	5,343,398	71,307	522,127	1,006,963	26,039,838
Additions	-	40,612	-	1,105,314	-	3,793	-	1,149,719
Transfers to assets held for sale	-	(16,689)	-	(415,758)	-	-	-	(432,447)
Transferred from assets in process	-	6,676	-	585,434	-	-	-	592,110
Balance, December 31, 2022	252,275	18,808,301	66,066	6,618,388	71,307	525,919	1,006,963	27,349,219
Additions	-	7,954	15,252	280,262	-	4,092	14,320	321,880
Disposals	-	-	-	(14,336)	-	(47,676)	-	(62,012)
Transfers to assets held for sale	-	-	-	(706,459)	-	-	-	(706,459)
Transferred from assets in process	-	-	-	137,922	-	-	-	137,922
Balance, December 31, 2023	252,275	18,816,255	81,318	6,315,777	71,307	482,335	1,021,283	27,040,550
Accumulated depreciation								
Balance, January 1, 2022	-	1,464,468	4,888	1,464,667	36,635	312,504	360,198	3,643,361
Depreciation for the year	-	501,953	6,044	582,174	8,915	90,416	159,528	1,349,030
Transfers to assets held for sale	-	(1,161)	-	(135,904)	-	-	-	(137,065)
Balance, December 31, 2022	-	1,965,259	10,932	1,910,936	45,551	402,920	519,726	4,855,325
Depreciation for the year	-	504,444	6,784	634,637	8,913	72,201	161,667	1,388,646
Transfers to assets held for sale	-	-	-	(345,564)	-	-	-	(345,564)
Disposals	-	-	-	(11,615)	-	(43,071)	-	(54,686)
Balance, December 31, 2023	-	2,469,703	17,716	2,188,394	54,464	432,050	681,393	5,843,720
Carrying amounts as at:								
December 31, 2022	252,275	16,843,041	55,134	4,707,452	25,757	122,999	487,237	22,493,894
December 31, 2023	252,275	16,346,552	63,602	4,127,383	16,843	50,285	339,890	21,196,830

(Expressed in Canadian dollars)

As at December 31, 2023, $20,306 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2022 - $269,946). During the year ended December 31, 2023, equipment deposits totalling $251,660 have been applied towards the cost of additions to property, plant and equipment (December 31, 2022 - $1,313,259) and the Company has made further deposits totalling $48,279 towards future purchases (December 31, 2022 - $23,127).

Right-of-use assets includes office space and equipment.

Total depreciation expense for year ended December 31, 2023 was $1,388,645 (year ended December 31, 2022 - $1,349,030), of which $1,202,780 has been capitalized in the production of inventory (years ended December 31, 2022 - $1,148,514).

Right-of-use assets include office space and equipment.

9. ASSETS IN PROCESS

	Building and building improvements	Facility equipment	Office equipment and furniture	Total
	$	$	$	$
Balance, January 1, 2022	6,676	49,812	3,375	59,863
Additions	-	621,913	-	621,913
Disposals	-	-	(3,375)	(3,375)
Transfers to held for sale	-	(39,263)	-	(39,263)
Transferred to property, plant and equipment	(6,676)	(585,434)	-	(592,110)
Balance, December 31, 2022	-	47,027	-	47,027
Additions	4,383	210,503	-	214,886
Transferred to property, plant and equipment	-	(137,922)	-	(137,922)
Balance, December 31, 2023	4,383	119,608	-	123,991

10. ASSETS HELD FOR SALE

On June 16, 2023, the Company completed the sale of assets held for sale related to cannabis cultivation as a result of the Company's transition away from growing cannabis. During the year ended December 31, 2023, impairment losses totaling $145,486 have been recorded to reduce the carrying amount of the assets to management's estimate of their fair value less costs to sell (year ended December 31, 2022 - $205,046) and $73,113 was recognized as losses on disposal of assets held for sale (year ended December 2022- nil). The proceeds from the sale of assets held for sale amounted to $66,086. The Company settled trade payables totaling $212,000 in exchange for an asset held for sale.

(Expressed in Canadian dollars)

11. INTANGIBLE ASSETS

	Bhang License $
Balance, January 1, 2022	2,169,688
Balance, December 31, 2022	2,169,688
Balance, December 31, 2023	2,169,688
Accumulated amortization	
Balance, January 1, 2022	303,541
Amortization for the year	207,460
Balance, December 31, 2022	511,000
Amortization for the year	207,460
Balance, December 31, 2023	718,460
Carrying amounts as at:	
December 31, 2022	1,658,688
December 31, 2023	1,451,228

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 that are based on a percentage of 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 are expensed as the Company produces and sells DeepCell licensed products.

13. LOAN PAYABLE

	$
Loan payable, January 1, 2022	18,327,529
Accretion of discount and deferred transaction costs	617,698
Interest charged on SNDL Loan	2,962,786
Payment of interest on SNDL Loan	(2,962,786)
Loan payable, December 31, 2022	18,945,227
Accretion of discount and deferred transaction costs	534,092
Gain on loan modification	(296,356)
Transaction costs	(77,195)
Interest charged on SNDL Loan	2,962,786
Payment of interest on SNDL Loan	(2,962,786)
Loan payable, December 31, 2023	19,105,768

On August 28, 2023, Indiva amended the terms of its existing non-revolving term loan facility (the "SNDL Loan") with SNDL Inc. ("SNDL", formerly Sundial Growers Inc.), and has also entered into a supply agreement with SNDL (the "Supply Agreement") whereby SNDL will supply the Company with certain distillate and isolate products on an exclusive basis.

(Expressed in Canadian dollars)

The Supply Agreement provides for minimum monthly purchase commitments by the Company. The prices of all products supplied under the Supply Agreement are subject to periodic adjustments depending on prevailing market pricing. The Supply Agreement has an initial term of thirty (30) months, which automatically renews for successive twelve (12) month periods, unless earlier terminated. Provided that the aggregate minimum purchase commitment under the Supply Agreement has been met, the Supply Agreement will automatically terminate upon the re-payment of the SNDL Loan, unless the Company elects otherwise.

The SNDL Loan amendment extends the maturity date to February 24, 2026 and extends the existing security interest in favour of SNDL under the SNDL Loan to the Minimum Purchase Commitment. The interest rate and other terms of the SNDL Loan remain the same except for the addition of an event of default, whereby a default under the Supply Agreement would constitute an event of default under the SNDL Loan.

The Company incurred transactions costs totaling $77,195 related to the amendment, which are netted against the carrying amount of the liability and amortized over the SNDL Loan term using the effective interest rate method.

The Company has recalculated the carrying amount of the liability based on the modified terms, discounted by the effective rate of 17.42%. Management concluded that, based on the terms of the amended loan agreements, the loan amendment is a modification under IFRS 9. The Company has recorded a gain on modification totaling $296,356 on the consolidated statements of loss and comprehensive loss.

As at December 31, 2023, the Company is in compliance with all applicable covenants of the SNDL Loan.

On April 1, 2024, the Company entered into an amendment to the second amended and restated promissory note between the Company and SNDL (the “Amending Agreement”). Pursuant to the Amending Agreement, the Company repaid $2,000,000 of the principal outstanding of the SNDL Loan and the requirement that the Company ensure a $2,000,000 minimum unrestricted cash balance at all times was removed. As well, if certain current liabilities totaling $4,913,021 are not paid by May 31, 2024, and that timeline is not further extended by SNDL, then, at the lender’s discretion, certain rights of the lender in the context of a breach may be accelerated pursuant to the terms of the SNDL Loan. The interest rate, maturity date and other terms of the SNDL Loan remain the same. The Company also announced on April 2, 2024, that it had engaged a financial advisor to assist the Company in the evaluation of potential strategic alternatives intended to maximize shareholder value, including but not limited to, financing alternatives, a merger, amalgamation, plan of arrangement, consolidation, reorganization or other similar transactions.

14. OTHER LIABILITIES

	December 31, 2023			December 31, 2022		
	Current	Long-term	Total	Current	Long-term	Total
	$	$	$	$	$	$
Minimum royalties	139,679	722,267	861,947	160,222	720,838	881,060
Others	90,912	-	90,912	155,414	-	155,414
Balance	230,591	722,267	952,859	315,636	720,838	1,036,474

(Expressed in Canadian dollars)

The present value of minimum royalty payments required under terms of the Bhang license agreement at initial recognition was $813,789. During the year ended December 31, 2023, interest accretion of $179,336 was recorded to finance costs in the consolidated statements of loss and comprehensive loss (year ended December 31, 2022 - $181,887).

15. LEASE LIABILITY

	Office space $	Office equipment $	Facility equipment $	Total $
Balance, January 1, 2022	687,264	6,444	20,817	714,525
Lease payments	(204,465)	(2,379)	(8,314)	(215,158)
Interest expense	63,798	375	480	64,353
Balance, December 31, 2022	546,597	4,440	12,983	564,020
Additions	-	14,320	-	14,320
Lease payments	(204,630)	(4,535)	(8,310)	(217,476)
Interest expense	48,297	1,111	306	49,714
Balance, December 31, 2023	390,264	15,336	4,980	410,580
Current, December 31, 2022	151,090	2,158	9,497	162,745
Non-current, December 31, 2022	395,507	2,282	3,486	401,275
Current, December 31, 2023	160,501	5,581	4,967	171,049
Non-current, December 31, 2023	229,777	9,754	0	239,531

During the year ended December 31, 2023, the Company recognized $117,328 in variable lease payments included in general and administrative expenses on the consolidated statements of loss and comprehensive loss (year ended December 31, 2022 - $83,252).

At December 31, 2023, 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	(201,025)	(240,625)	-	(441,650)
Facility equipment	(5,080)	-	-	(5,080)
Office equipment	(6,716)	(8,683)	(2,171)	(17,569)
Minimum lease payments	(212,821)	(249,308)	(2,171)	(464,299)

(Expressed in Canadian dollars)

16. CONVERTIBLE DEBENTURES

On December 23, 2022, the Company entered into an agreement to amend certain of the unsecured convertible debentures in the aggregate principal amount of $2,740,000, of the total outstanding principal amount of $2,990,000, to extend the maturity date of the remaining outstanding debentures to December 31, 2024. The interest rate of 10% per annum remained unchanged and continue to be payable semi-annually. The conversion price of the debentures was reduced to $0.15 per common share at any time prior to the close on the business day immediately prior to the maturity date. Debentures whose Holders did not choose to participate in the Amendment continue to hold such Debentures under the original terms.

The amendment was treated as a debt extinguishment under IFRS 9 as the terms are substantially different and the discounted present value of the cash flows under the new terms is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. The net impact of the debt extinguishment and the recognition of the amended debt resulted in a loss of $33,312 recorded in the consolidated statements of loss and comprehensive loss.

The convertible debentures are considered to be compound instruments, comprising a liability and a conversion feature. As a result, the liability and equity components have been presented separately. The initial carrying value of the liability was calculated by discounting the stream of future payments of principal and interest using a market interest rate of 20%. Using the residual method, the carrying value of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the consolidated statements of financial position. On issuance, $2,293,570 was recorded as a financial liability and $446,430 was recorded to reserves. The Company incurred listing costs of $18,024. The debentures, net of the equity component, are accreted using the effective interest method over the term of the debentures such that the carrying value of the financial liability will equal the principal balance at maturity using an effective interest rate of 19.95%.

There were no conversions during the years ended December 31, 2022 and 2023.

Convertible debentures consist of the following:

	Debt $	Equity $	Total $
Balance, January 1, 2022	2,599,570	865,517	3,465,087
Accretion interest on debenture discount	344,267	-	344,267
Accretion of transaction costs	11,498	-	11,498
Financial liability extinguished	(2,733,340)	(865,517)	(3,598,857)
New liability	2,278,483	-	2,278,483
Equity portion transferred to contributed surplus on extinguishment of financial liability	-	446,430	446,430
Balance, December 31, 2022	2,500,478	446,430	2,946,908
Accretion interest on debenture discount	200,950	-	200,950
Accretion of transaction costs	7,544	-	7,544
Repayment of matured debenture	(250,000)	-	(250,000)
Balance, December 31, 2023	2,458,972	446,430	2,905,402

(Expressed in Canadian dollars)

A reconciliation of interest and accretion expense on the convertible debentures for the year ended December 31, 2023 and 2022, is as follows:

	2023 $	2022 $
Accretion interest on debenture discount	200,950	344,267
Interest expense in the year	276,361	299,000
Total interest and accretion on convertible debentures expensed	477,311	643,267
Interest expense payable, opening balance	15,750	-
Interest expense in the year	276,361	299,000
Interest expense paid in cash	(276,361)	(5,750)
Interest expense paid in shares	(15,750)	(277,500)
Interest expense included in accounts payable and accrued liabilities	-	15,750

On January 9, 2022, the Company issued shares pursuant to a shares for debt agreement to satisfy an aggregate of $15,750 of the Company's outstanding debts for accrued but unpaid interest on convertible debentures. An aggregate of 131,246 shares were issued, which includes 118,747 shares issued to related parties.

On July 19, 2022, the Company issued shares pursuant to a shares for debt agreement to satisfy an aggregate of $5,750 of the Company's outstanding debts for accrued but unpaid interest on convertible debentures. An aggregate of 33,821 shares were issued, which includes 24,998 shares issued to related parties. The Company's common shares had a fair value of $0.17per share and accordingly a $1,015 loss on issuance of shares was recorded in the consolidated statements of loss and comprehensive loss.

17. GAIN ON SALE OF LICENSE RIGHTS

In 2020, the Company entered into a license agreement with The Cima Group LLC (the "Wana Agreement"). Under the terms of the Wana Agreement, Indiva has the exclusive right to produce and distribute Wana products, including gummies and soft chews, in Canada. In February 2021, the Wana Agreement was amended and extended to a five-year term and may be extended for three additional five-year terms.

On May 30, 2023, the Company entered into a license assignment and assumption agreement providing Canopy Growth Corporation ("Canopy") exclusive rights and interests to manufacture, distribute, and sell the Wana branded products in Canada.

Simultaneously, Canopy and Indiva also entered into a contract manufacturing agreement under which Canopy granted Indiva the exclusive right to manufacture and supply the Wana branded products in Canada for a period of five years, with the ability to renew for an additional five-year term upon mutual agreement of the parties.

In addition to the assumption of the Wana Agreement, Canopy subscribed for 37,230,000 Common Shares with an aggregate purchase price of $2,155,617 (the "Private Placement") at a price per Common Share of $0.0579. As a result, Canopy has control and direction over 19.99% of the issued and outstanding

(Expressed in Canadian dollars)

Common Shares at the close of the transaction. The Company also incurred costs of $16,614 in respect of the issuance of the common shares.

Total consideration for the transaction was $4,250,000 of which Canopy paid $472,473 and assumed a trade payable balance due to the Cima Group LLC totalling $2,527,527 with the remaining balance of $1,250,000 payable May 30, 2024. The transaction resulted in a gain on the sale of licensing rights of $2,094,383.

On December 29, 2023, the Company entered into another debt assumption agreement through which Canopy assumed the remining trade payable balance to Cima Group LLC totalling $557,240. As a result, Canopy's total outstanding receivable balance as of December 31, 2023, is $692,760.

18. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at December 31, 2023, a total 186,428,563 (December 31, 2022 – 147,297,037) common shares were issued and outstanding. No special shares have been issued or are outstanding.

On December 22, 2023, the Company issued 183,580 common shares at a fair value on issuance of $0.09 per share related to the vesting of RSUs for officers and employees.

On May 30, 2023, the Company issued 37,230,000 common shares at a fair value on issuance of $0.0579 per share (Note 17).

On May 18, 2023, the Company issued 222,222 common shares at a fair value on issuance of $0.06 per share to redeem vested RSUs.

On February 9, 2023, the Company issued 1,364,478 common shares at a fair value on issuance of $0.09 per share to redeem vested RSUs.

On January 9, 2023, the Company issued 131,246 common shares at a fair value on issuance of $0.12 per share to settle convertible debenture interest.

WARRANTS, FINDERS' UNITS AND FINDERS' WARRANTS

	Warrants outstanding #	Weighted average exercise price $
Outstanding, December 31, 2021	12,842,271	0.42
Expired	(29,942)	0.54
Outstanding, December 31, 2022	12,812,329	0.42
Expired	(8,378,996)	0.40
Outstanding, December 31, 2023	4,433,333	0.45

All warrants outstanding as at December 31, 2023 are exercisable.

(Expressed in Canadian dollars)

The following warrants remain outstanding as at December 31, 2023:

Warrant description	# of warrants #	Expiry date	Exercise price $
Incentive warrants	4,433,333	9/30/2026	0.45
Total warrants and weighted average exercise price	4,433,333		0.45

As at December 31, 2023, the warrants outstanding have a weighted average remaining life of 2.75 years.

(b) SHARE-BASED COMPENSATION

During the year ended December 31, 2023, the Company recognized share-based compensation expense of $175,584 (year ended December 31, 2022 - $585,911) related to stock options and RSUs included in operating expenses in the consolidated statements of loss and comprehensive loss. Share-based compensation for the year ended December 31, 2023, totalling $45,167 (year ended December 31, 2022 - $137,207) 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 December 31 2023, based on the Company's total common shares outstanding, a total of 18,642,856 (December 31, 2022 – 14,729,704) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 10,414,522 (December 31, 2022 – 2,524,485) additional stock options or RSUs beyond what was issued and outstanding as at December 31, 2023. TSXV approval is required to reserve the related common shares for issuance. A maximum of 12,000,000 RSUs may be issued under the plan.

(I) RESTRICTED SHARE UNITS

During the year ended December 31, 2023, the Company recorded share-based compensation expense related to equity settled RSUs totalling $68,059. The Company has recorded a liability related to the outstanding cash settled RSUs at December 31, 2023 totalling $11,528 in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

The following table summarizes the movement in RSUs:

	Equity settled	Cash settled	Total
Outstanding, January 1, 2022	-	-	-
Granted	1,022,220	1,885,499	2,907,719
Redeemed	-	(275,000)	(275,000)
Outstanding, December 31, 2022	1,022,220	1,610,499	2,632,719
Redeemed	(1,022,220)	(1,563,499)	(2,585,719)
Forfeited and terminations	-	(47,000)	(47,000)
Outstanding, December 31, 2023	-	-	-

(Expressed in Canadian dollars)

(II) STOCK OPTIONS

Unless otherwise determined by the Board, options issued under the plan vest over a three-year period, except for options granted to consultants or persons employed in Investor Relations Activities (as defined in the policies of the exchange).

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

	Number of options #	Weighted average exercise price $
Outstanding, January 1, 2022	9,943,334	0.49
Granted	3,260,000	0.06
Expired	(1,895,000)	0.14
Forfeited and terminations	(1,535,834)	0.39
Outstanding, December 31, 2022	9,772,500	0.34
Expired	(470,000)	0.82
Forfeited and terminations	(1,074,166)	0.36
Outstanding, December 31, 2023	8,228,334	0.32

The following table presents information related to stock options at December 31, 2023:

Weighted average exercise price	Number of Options	Exercisable	Weighted average remaining life (years)
$0.15	1,522,500	640,838	3.98
$0.21	1,510,000	503,335	3.42
$0.27	1,621,667	1,116,662	2.79
$0.30	362,500	362,500	1.48
$0.40	2,345,667	2,209,020	1.43
$0.45	200,000	200,000	0.07
$0.59	150,000	150,000	2.16
$0.75	266,000	266,000	0.48
$0.80	250,000	250,000	0.36
$0.32	8,228,334	5,698,355	2.41

(Expressed in Canadian dollars)

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

Weighted average exercise price	Number of Options	Exercisable	Weighted average remaining life (years)
$0.15	1,575,000	200,000	4.89
$0.21	1,640,000	-	4.42
$0.27	1,835,000	653,332	3.29
$0.30	474,166	247,501	1.92
$0.40	2,862,334	2,278,262	2.26
$0.45	200,000	200,000	1.07
$0.59	150,000	100,000	3.16
$0.75	266,000	266,000	1.48
$0.80	580,000	580,000	0.88
$0.87	140,000	140,000	0.15
$0.48	9,722,500	4,665,095	3.28

19. OPERATING EXPENSES BY NATURE

	2023 $	2022 $
Salaries and benefits	4,368,072	4,709,655
Marketing and sales	3,560,326	4,076,347
Professional fees	1,208,962	993,522
Licenses and permits	1,009,295	1,091,302
Insurance	644,950	589,651
Depreciation and amortization	393,325	410,484
Research and development material	274,675	727,890
Investor relations and public company costs	251,516	289,569
Travel, meals and entertainment	249,059	360,247
Rent, utilities and facility costs	231,552	179,405
Share-based compensation	175,584	585,911
Consulting fees	163,098	120,855
Office, telecommunications and IT	105,980	112,786
Expected credit loss	9,592	3,019
Total operating expenses	12,645,986	14,250,643

(Expressed in Canadian dollars)

20. LOSS PER SHARE

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

	December 31, 2023	December 31, 2022
Stock options	8,228,334	9,722,500
RSUs	-	2,632,719
Warrants	4,433,333	12,812,329
Convertible debentures	18,266,667	19,266,667

21. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for year ended December 31, 2023 and 2022 are comprised of the following:

	2023 $	2022 $
Accounts receivable	(770,736)	1,733,467
Others receivable	(692,760)	-
Inventory	(2,159,838)	1,221,337
Prepaid expenses and deposits	95,110	231,822
Accounts payable and accrued liabilities	6,580,157	4,454,879
Other liabilities	(83,616)	148,301
Deferred revenue	-	(4,025)
	2,968,317	7,785,781

22. FINANCE COSTS

Finance costs consist of the following for the year ended December 31, 2023 and 2022:

	2023 $	2022 $
Interest on loan payable (Note 13)	2,962,786	2,962,786
Interest on convertible debentures (Note 16)	276,361	299,000
Accretion of discount on loan payable (Note 13)	332,691	356,699
Accretion on convertible debentures (Note 16)	200,950	344,267
Amortization of deferred financing costs	208,945	272,385
Interest and penalty on promissory note	-	136,940
Interest on lease liabilities (Note 15)	49,714	64,652
Interest on other liabilities (Note 14)	179,336	181,887
Other interest and bank charges	795,428	99,363
	5,006,211	4,717,979

(Expressed in Canadian dollars)

23. 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.

24. 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 and accounts payable and accrued liabilities are equivalent to their carrying values given their short maturity period. Interest accretion on other liabilities is at the Company's effective interest rate, and accordingly, the carrying value is equivalent to the fair value. The loan payable was recorded using the Company's effective interest rate and accordingly its' carrying values approximates the fair value on the issuance date. There has been no material change to the Company's overall effective interest rate as at December 31, 2023 and accordingly the fair value of the Company's long-term financial liabilities, comprising loan payable approximates its carrying value as at December 31, 2023.

(a) Foreign currency risk

As at December 31, 2023, the Company did not hold any cash denominated in a foreign currency (December 31, 2022 - $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 27, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at December 31, 2023	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	15,238,745	15,238,745	15,238,745	-	-
Other liabilities	952,859	2,264,021	206,719	444,962	1,612,340
Loan payable	19,105,768	19,751,905	-	19,751,905	-
Lease liabilities	410,580	464,299	212,821	249,308	2,171
Convertible debentures	2,458,972	2,740,000	2,740,000	-	-
Total	38,166,924	40,458,970	18,398,285	20,446,175	1,614,511

(Expressed in Canadian dollars)

(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 14 - 60 days. The Company has recorded an expected credit loss on accounts receivable for the year ended December 31, 2023, totalling $9,592.

During the year ended December 31, 2023, the Company had gross sales of $33,854,193 to three major customers (year ended December 31, 2022 - $32,014,832). These customers each accounted for over 10% of the Company's total revenue for the year ended December 31, 2023. Total amounts receivable from these customers at December 31, 2023 was $3,620,398 (December 31, 2022 - $3,512,837).

As at December 31, 2023, the Company's aging of receivables was approximately as follows:

	December 31, 2023 $	Expected credit loss rate %	December 31, 2022 $	Expected credit loss rate %
1 – 60 days	4,819,306	0.5	3,994,761	0.5
61 – 120 days	32,428	3.0	41,058	3.0
Total	4,851,734	0.5	4,035,819	0.5

(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.

25. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of $21,321,912 (December 31, 2022 – $23,594,240), as shown below:

	December 31, 2023 $	December 31, 2022 $
Total debt		
Loan payable	19,105,768	18,945,227
Convertible debentures	2,458,972	2,500,478
Total debt	21,221,868	21,445,705
Total equity	(342,870)	2,148,535

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.

(Expressed in Canadian dollars)

26. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.5% (2022 - 26.5%) to income before taxes. The reasons for the differences are as follows:

	December 31, 2023	December 31, 2022
	$	$
Loss before taxes	(4,918,250)	(11,050,355)
Statutory tax rate	26.5%	26.5%
Expected tax benefit resulting from loss	(1,303,336)	(2,928,344)
Non-deductible expenses and other	(55,570)	252,153
Deductible temporary differences for which no deferred tax asset is recognized	1,358,906	2,557,888
Income tax recovery	-	(118,303)

The unrecognized temporary differences of the Company are comprised of:

	December 31, 2023	December 31, 2022
	$	$
Non-capital loss carry forward	65,014,225	59,098,008
Intangible assets	721,287	-
Right of use liability	410,580	564,021
Inventory	547,101	1,515,218
Unamortized share issuance costs	580,476	892,299
Property, plant and equipment	1,795,225	696,474
Other deductible temporary differences	65,932	293,484
Total	69,134,826	63,059,505

(Expressed in Canadian dollars)

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax assets and liabilities, which has been recognized during the year ended December 31, 2023, are as follows:

	December 31, 2022	Recognized in net loss	Recognized in equity	December 31, 2023
	$	$	$	$
Deferred tax assets				
Non-capital losses carried forward	268,121	9,210	-	277,331
Intangible assets	156,782	(156,783)	-	-
	424,904	(147,573)	-	277,331
Deferred tax liabilities				
ROU asset	(129,118)	39,047	-	(90,071)
Property, plant and equipment	(115,099)	10,732	-	(104,277)
Convertible debentures	(180,777)	97,794	-	(82,983)
	(424,904)	147,573	-	(277,331)
Net deferred tax	-	-	-	-

In assessing the ability to realize the benefit of the deferred tax assets, management considers whether it is probable that some portion or all the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers the likelihood of future profitability, the character of the deferred tax assets and available tax planning strategies in making this assessment. To the extent that management believes it is probable the deferred tax assets will be realized, that portion of the deferred tax assets is recognized in the financial statements.

Based on this assessment, a portion of the deferred tax assets as at December 31, 2023 and 2022 have not been recognized in the consolidated financial statements.

As at December 31, 2023, the Company had non-capital loss carry forwards of approximately $64,179,625 (2022 - $58,080,717) that expire between 2036 and 2043.

27. 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 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	3,505,628
2 – 3 years	2,545,861
Total	6,051,489

Subsequent to December 31, 2023, the Company entered into commitments totalling $1,473,791. These commitments are primarily composed of production supplies. These commitments are payable over the next 12 months.

(Expressed in Canadian dollars)

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.

Under the terms of the Supply Agreement with SNDL, Indiva has committed to buy distillate and isolate at market prices from SNDL until the maturity date of the term loan (Note 13).

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.

28. 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 year ended December 31, 2023 and 2022 was as follows:

	2023 $	2022 $
Short-term key management personnel compensation	1,000,507	1,035,551
Share-based payments	209,995	553,589
Directors' fees	62,500	62,500

29. RELATED-PARTY TRANSACTIONS

In the year ended December 31, 2023, the Company settled interest payments in exchange for common shares in the Company. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 131,246 (2022- 24,998) common shares were issued to the related parties to settle interest owing to settle accrued interest totaling $15,750 (2022- $11,500).

Interest payments on convertible debentures held by related parties paid in cash during the year ended December 31, 2023, was $88,500 (2022 - $60,000).

30. SUBSEQUENT EVENT

On January 3, 2024, the Company granted 3,645,836 restricted share units to directors and officers of the Company. The units vest one year from the grant date and have a fair value of $0.095 per unit on the date of the grant. The company also granted 3,524,778 stock options to directors and employees of the Company. The options will vest in three years from the grant date. The options expire on January 3, 2029 and are exercisable into common shares at an exercise price of $0.095. The Company also granted 100,000 options to consultants of the Company. The options will vest over a period of one year with ¼ of the options granted vesting on each three month anniversary of the grant date The options expire on January 3, 2029 and are exercisable into common shares at an exercise price of $0.095 per share.

On March 4, 2024, the Company closed its first tranche of a private placement offering pursuant to the listed issuer financing exemption pursuant to Part 5A of National Instrument 45-106 – Prospectus Exemptions ("NI 56-106"), first announced on January 22, 2024, and then amended and restated on February 28, 2024 (the "Offering"). Under the First Tranche, the Company issued 9,060,000 units of the Company (the "Units") for aggregate gross proceeds of $906,000.

Each Unit consists of one common share in the capital of the Company (each, a "Common Share") and one-half Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one Common Share at a price of $0.15 per Common Share for a period of 36 months from the date of issuance.