

INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three months ended March 31, 2023 and 2022

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

(Unaudited, Expressed in Canadian dollars)

As at	Note	March 31, 2023	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		2,824,276	2,785,710
Accounts receivable	5	4,536,255	4,133,982
Inventory	6	3,778,941	4,138,047
Prepaid expenses and deposits	7	499,416	494,166
Assets held for sale	10	383,145	130,215
Total current assets		12,022,033	11,682,120
Other non-current assets			
Property, plant and equipment	8	21,814,242	22,493,894
Assets in process	9	35,163	47,027
Equipment deposits		127,485	23,127
Intangible assets	11	1,606,821	1,658,688
Prepaid royalties		1,944,102	1,944,219
Total assets		37,549,846	37,849,075
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		14,683,052	12,654,341
Other liabilities	13	250,301	315,636
Loan payable	12	19,108,332	-
Lease liability	14	157,313	162,745
Convertible debentures	15	-	250,000
Total current liabilities		34,198,998	13,382,722
Other non-current liabilities			
Other liabilities	13	720,982	720,838
Lease liability	14	366,687	401,275
Loan payable	12	-	18,945,227
Convertible debentures	15	2,298,740	2,250,478
Total liabilities		37,585,407	35,700,540
Equity			
Share capital	16	57,750,218	57,391,055
Contributed surplus		5,668,509	6,011,665
Reserves		6,297,260	6,244,930
Accumulated other comprehensive loss		(19,537)	(19,537)
Accumulated deficit		(69,732,011)	(67,479,578)
Total equity		(35,561)	2,148,535
Total liabilities and equity		37,549,846	37,849,075

Going Concern (Note 3) and Commitments (Note 24).

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

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

For the three months ended March 31, 2023 and 2022

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

	<i>Note</i>	2023	2022
		\$	\$
Gross revenue		10,369,281	9,698,787
Excise taxes		(957,166)	(820,218)
Net revenue		9,412,115	8,878,569
Cost of goods sold	6	(6,250,748)	(6,250,152)
Write-down of inventory	6	(823,992)	(849,254)
Gross margin		2,337,375	1,779,163
Operating expenses			
General and administrative		1,584,652	1,448,183
Marketing and sales		1,212,048	1,730,680
Research and development		266,707	110,697
Share-based compensation	16(c)	66,087	111,387
Expected credit loss	21(c)	469	1,759
Depreciation of property, plant and equipment	8	50,192	47,086
Amortization of intangible assets	11	51,867	51,865
Total operating expenses		3,232,022	3,501,657
Loss from operations		(894,647)	(1,722,494)
Other income (expenses)			
Foreign exchange loss		(6,564)	(13,887)
Finance costs	19	(1,255,428)	(1,137,041)
Interest income		21,320	1,309
Gain on issuance of shares		3,282	-
Impairment loss on property, plant and equipment	8	(120,396)	(201,940)
Net loss and comprehensive loss attributable to shareholders		(2,252,433)	(3,074,053)
Loss per share, basic and diluted	17	(0.02)	(0.02)
Weighted average number of outstanding shares, basic and diluted	17	148,792,761	146,150,202

Indiva Limited

Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31, 2023 and 2022

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

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	\$					
Balance, January 1, 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	26	131,246	12,469	3,281	-	-	-	15,750
Vesting of restricted share units	16(c)(i)	1,364,478	346,694	(346,694)	-	-	-	-
Share-based compensation	16(c)	-	-	257	52,330	-	-	52,587
Net loss for the period		-	-	-	-	(2,252,433)	-	(2,252,433)
Balance, March 31, 2023		148,792,761	57,750,218	5,668,509	6,297,260	(69,732,011)	(19,537)	(35,561)

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	\$					
Balance, January 1, 2022		146,150,202	57,229,825	5,737,124	5,629,233	(56,246,046)	(19,537)	12,330,599
Restricted share units issued	16(c)(i)	-	-	40,000	-	-	-	40,000
Share-based compensation	16(c)	-	-	-	90,560	-	-	90,560
Net loss for the period		-	-	-	-	(3,026,019)	-	(3,026,019)
Balance, March 31, 2022		146,150,202	57,229,825	5,777,124	5,719,793	(59,272,065)	(19,537)	9,435,140

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

For the three months ended March 31, 2023 and 2022

(Unaudited, Expressed in Canadian dollars)

	<i>Note</i>	2023	2022
		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		(2,252,433)	(3,074,053)
Adjustments for:			
Write-off of inventory to net realizable value	6	823,992	849,254
Depreciation and amortization	8, 11	405,220	98,951
Impairment and loss on disposal of property, plant and equipment	10	120,396	201,940
Non-cash financing costs	21	270,317	376,785
Share-based compensation	16	79,785	130,560
Expected credit losses		469	1,759
Interest income		(21,320)	(1,309)
Changes in working capital items	18	1,034,119	1,648,720
Cash provided by operating activities		460,545	232,607
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and construction deposits	8, 9	(139,522)	(278,957)
Interest income		21,320	1,309
Cash used in investing activities		(118,202)	(277,648)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	14	(53,777)	(53,777)
Repayment of convertible debenture	15	(250,000)	-
Cash used in financing activities		(303,777)	(53,777)
Change in cash		38,566	(98,818)
Cash, beginning of the period		2,785,710	2,480,335
Cash, end of the period		2,824,276	2,381,517

Indiva Limited

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

1. CORPORATE INFORMATION

Indiva Limited (the “Company” or “Indiva”) is governed by the laws of the Province 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 derivative 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

These unaudited condensed consolidated Interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2022 (the “2022 Annual Financial Statements”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

All figures presented in the Interim Financial Statements are reflected in Canadian dollars, which is also the functional currency of the Company and its subsidiaries. The Interim Financial Statements have been prepared using accounting policies consistent with those described in the 2022 Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 16, 2023.

(b) BASIS OF MEASUREMENT

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

The preparation of the Interim Financial Statements in accordance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. In preparing the Interim Financial Statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2022 Annual Financial Statements.

Indiva Limited

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

3. GOING CONCERN

These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company has incurred losses in the current and prior periods, with a loss and comprehensive loss attributable to shareholders of \$2,252,433 for the three months ended March 31, 2023 (three months ended March 31, 2022 – \$3,074,053) and an accumulated deficit of \$69,732,011 as at March 31, 2023 (December 31, 2022 - \$67,479,578). These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. If for any reason the Company is unable to continue as a going concern, then this could have an impact on the Company's ability to realize assets at their recognized values and to extinguish liabilities in the normal course of business at the amounts stated in the Interim Financial Statements.

The Company expects it will need to raise additional financing in the form of debt and/or equity in order to fund continuing operations, loan payable and capital expenditures. Even if the Company has been successful in raising funds in the past, there is no assurance that it will manage to obtain financing in the future.

In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. If the going concern assumption was not appropriate for these Interim Financial Statements, then adjustments would likely be necessary to the carrying amounts of assets and liabilities, expenses, the accumulated deficit and the classification used in the condensed consolidated interim statement of financial position. These adjustments could be material.

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

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2022 Annual Financial Statements, except for the adoption of the applicable new standards effective as of January 1, 2023.

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

5. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2023 consisted of trade receivables totaling \$4,389,249 (December 31, 2022 - \$4,035,819) and taxes receivable totaling \$147,006 (December 31, 2022 - \$98,163).

Accounts receivable are presented net of expected credit losses totaling \$19,262 as at March 31, 2023 (December 31, 2022 - \$18,792).

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

For the three months ended March 31, 2023 and 2022

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

6. INVENTORY

Inventory as at March 31, 2023, and December 31, 2022, consisted of the following:

	March 31, 2023	December 31, 2022
	\$	\$
<i>Dried cannabis</i>		
Finished goods	27,750	129,351
Work-in-process	-	99,878
<i>Cannabis extracts and edibles</i>		
Finished goods	1,707,810	996,891
Work-in-process	759,733	1,157,506
Packaging, supplies and other inventory	1,283,648	1,754,421
Total inventory	3,778,941	4,138,047

Inventory expensed to cost of goods sold during the three months ended March 31, 2023 was \$4,623,274 (three months ended March 31, 2022 - \$3,999,137). Cost of goods sold for the three months ended March 31, 2023, also includes royalties, license fees, shipping, and other costs totalling \$1,627,474 (three months ended March 31, 2022 - \$2,251,015). In the three months ended March 31, 2023, the Company recorded inventory write-off totalling \$823,992 (three months ended March 31, 2022 - \$849,254). The inventory write-off for the three months ended March 31, 2023, includes disposal of product that did not meet the Company's quality standards as well as disposals and provisions for aged inventory and write-downs.

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2023	December 31, 2022
	\$	\$
Rent, security and utility deposits	9,052	9,052
Government of Canada surety bond	303,000	303,000
Other prepayments	187,364	182,114
Total prepaid expenses and deposits	499,416	494,166

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

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

For the three months ended March 31, 2023 and 2022

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and building improvements	Leasehold improvements	Facility equipment	Vehicle	Office equipment & furniture	Right-of-use Assets	Totals
	\$	\$	\$	\$	\$	\$	\$	\$
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	-	3,634	-	8,057	-	-	-	11,691
Transferred from assets in process	-	-	-	35,334	-	-	-	35,334
Disposals	-	-	-	(9,500)	-	(25,570)	-	(35,070)
Transferred to assets held for sale	-	-	-	(711,289)	-	-	-	(711,289)
Balance, March 31, 2023	252,275	18,811,935	66,066	5,940,990	71,307	500,349	1,006,963	26,649,885
Accumulated depreciation								
Balance, December 31, 2022	-	1,965,259	10,932	1,910,936	45,551	402,920	519,726	4,855,324
Depreciation for the period	-	126,088	1,511	162,355	2,228	21,350	39,820	353,352
Disposals	-	-	-	(1,900)	-	(25,570)	-	(27,470)
Transferred to assets held for sale	-	-	-	(345,563)	-	-	-	(345,563)
Balance, March 31, 2023	-	2,091,347	12,443	1,725,828	47,779	398,700	559,546	4,835,643
Carrying amounts as at:								
December 31, 2022	252,275	16,843,042	55,134	4,707,452	25,757	122,999	487,237	22,493,894
March 31, 2023	252,275	16,720,588	53,623	4,215,162	23,528	101,649	447,417	21,814,242

As at March 31, 2023, \$108,925 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2022 - \$269,946). In the three months ended March 31, 2023, equipment deposits totalling \$23,127 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 \$95,241 towards future purchases (December 31, 2022 - \$23,127).

Total depreciation expense for the three months ended March 31, 2023 was \$353,352 (three months ended March 31, 2022 - \$312,744), of which \$303,161 has been capitalized in the production of inventory (three months ended March 31, 2022 - \$265,658).

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

For the three months ended March 31, 2023 and 2022

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

9. ASSETS IN PROCESS

	Facility equipment \$
Balance, December 31, 2022	47,027
Additions	23,470
Transferred to property, plant and equipment	(35,334)
Balance, March 31, 2023	35,163

10. ASSETS HELD FOR SALE

In the three months ended March 31, 2023, the Company identified certain facility equipment for sale as a result of the Company's transition away from selling dry flower cannabis products and had them classified as assets held for sale by their fair value, recording \$120,396 as impairment losses. During the year ended December 31, 2022, the Company committed to a plan to sell certain facility equipment related to cannabis cultivation as a result of the Company's transition away from growing cannabis. Accordingly, these items of property, plant and equipment are presented as assets held for sale on the condensed consolidated interim statements of financial position. Impairment losses totaling \$201,940 were recorded to reduce the carrying amount of the assets to management's estimate of their fair value less costs to sell during the three months ended March 31, 2022. In the three months ended March 31, 2022, three assets held for sale with a carrying value of \$2,490 were sold for proceeds of \$2,832.

11. INTANGIBLE ASSETS

	Bhang License \$
Balance, December 31, 2022	2,169,688
Balance, March 31, 2023	2,169,688
Accumulated amortization	
Balance, December 31, 2022	511,000
Amortization for the period	51,867
Balance, March 31, 2023	562,867
Carrying amounts as at:	
December 31, 2022	1,658,688
March 31, 2023	1,606,821

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

For the three months ended March 31, 2023 and 2022

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

12. LOAN PAYABLE

The following is a continuity of the loan payable:

	\$
Loan payable, December 31, 2022	18,945,227
Accretion of discount and deferred transaction costs	163,105
Interest charged on Sundial Loan	730,550
Payment of interest on Sundial Loan	(730,550)
Loan payable, March 31, 2023	19,108,332

As at March 31, 2023, the Company was in compliance with all applicable covenants.

13. OTHER LIABILITIES

	March 31, 2023			December 31, 2022		
	Current \$	Long-term \$	Total \$	Current \$	Long-term \$	Total \$
Minimum royalties	155,658	720,982	876,640	160,222	720,838	881,060
Others	94,643	-	94,643	155,414	-	155,414
Balance	250,301	720,982	971,283	315,636	720,838	1,036,474

The present value of minimum royalty payments required under terms of the Bhang license agreement at initial recognition was \$813,789. During the three months ended March 31, 2023, interest accretion of \$45,193 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2022 - \$45,605).

14. LEASE LIABILITY

	Office space \$	Office equipment \$	Facility equipment \$	Total \$
Balance, December 31, 2022	546,597	4,440	12,983	564,020
Lease payments	(51,109)	(594)	(2,074)	(53,777)
Interest expense	13,591	71	93	13,755
Balance, March 31, 2023	509,079	3,917	11,002	523,999
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, March 31, 2023	146,869	2,192	8,252	157,313
Non-current, March 31, 2023	362,211	1,725	2,750	366,687

During the three months ended March 31, 2023, the Company recognized \$23,852 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2022 - \$22,243).

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

For the three months ended March 31, 2023 and 2022

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

At March 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	(210,803)	(321,200)	(68,750)	(600,753)
Facility equipment	(9,189)	(2,543)	-	(11,732)
Office equipment	(2,375)	(1,780)	-	(4,155)
Minimum lease payments	(222,367)	(325,523)	(68,750)	(616,640)

15. CONVERTIBLE DEBENTURES

The following is a continuity of the convertible debentures:

	\$
Balance, December 31, 2022	2,500,478
Accretion interest on debenture discount	46,376
Accretion of transaction costs	1,886
Repayment of matured debenture	(250,000)
Balance, March 31, 2023	2,298,740

A reconciliation of interest and accretion expense on the convertible debentures in the three months ended March 31, 2023 and 2022, is as follows:

	2023 \$	2022 \$
Accretion interest on debenture discount	46,376	78,737
Interest expense in the period	70,861	74,750
Total interest and accretion on convertible debentures expensed	117,237	153,487
Interest expense payable, opening balance	15,750	-
Interest expense in the period	70,861	74,750
Interest expense paid in shares	(15,750)	-
Interest expense included in accounts payable and accrued liabilities	70,861	74,750

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

16. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at March 31, 2023, a total 148,792,761 (December 31, 2022 – 147,297,037) common shares were issued and outstanding. No special shares have been issued or are outstanding.

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.

On February 2, 2023, the Company issued 1,364,478 common shares at a fair value on issuance of \$0.09 per share to redeem vested RSUs.

(b) 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
Outstanding, March 31, 2023	12,812,329	0.42

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

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

Warrant description	# of warrants #	Expiry date	Exercise price \$
Warrants issued on June 25, 2020 equity offering	1,608,333	6/25/2023	0.40
Warrants issued on August 10, 2020 equity offering	6,694,997	8/10/2023	0.40
Warrants issued to brokers on August 10, 2020 equity offering	75,666	8/10/2023	0.30
Incentive warrants	4,433,333	9/30/2026	0.45
Total warrants and weighted average exercise price	12,812,329		0.42

As at March 31, 2023, the warrants outstanding have a weighted average remaining life of 1.43 years.

(c) SHARE-BASED COMPENSATION

The equity compensation plans that the Company has in place relate to grants issued to officers, directors, employees and consultants, and were approved by the Board of Directors in 2017. The plan was amended June 24, 2021, as an Omnibus Incentive Plan ("Omnibus Plan"), which also allows for the issuance of RSUs and was further amended on June 23, 2022.

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For the three months ended March 31, 2023 and 2022

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

During the three months ended March 31, 2023, the Company recognized share-based compensation expense of \$66,087 (three months ended March 31, 2022 - \$11,387) related to stock options and RSUs included in operating expenses in the condensed consolidated statements of loss and comprehensive loss. Share-based compensation for the three months ended March 31, 2023, totalling \$13,699 (three months ended March 31, 2022 - \$19,173) related to options issued to production employees is included in the cost of inventory.

The maximum number of common shares reserved for issuance under all share-based compensation arrangements of the Company may not exceed 10% of the Company's outstanding common shares. As at March 31, 2023, based on the Company's total common shares outstanding, a total of 14,879,276 (December 31, 2022 – 14,729,704) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 4,152,778 (December 31, 2022 – 2,524,485) additional stock options or RSUs beyond what was issued and outstanding as at March 31, 2023. TSXV approval is required to reserve the related common shares for issuance. A maximum of 4,800,000 RSUs may be issued under the plan.

(I) RESTRICTED SHARE UNITS

In the three months ending March 31, 2023, the Company has recorded share-based compensation expense related to equity settled RSUs totalling \$33,889. The Company has recorded a liability related to the outstanding cash settled RSUs at March 31, 2023 totalling \$10,625 in accounts payable and accrued liabilities in the condensed consolidated statements of financial position.

On February 9, 2023, the Company issued 1,364,478 common shares to settle vested RSUs.

The following table summarizes the movement in outstanding RSUs:

	Equity settled	Cash settled	Total
Outstanding, December 31, 2022	1,022,220	1,610,499	2,632,719
Redeemed	(799,998)	(1,185,499)	(1,985,497)
Outstanding, March 31, 2023	222,222	425,000	647,222

(II) STOCK OPTIONS

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

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

	Number of options #	Weighted average exercise price \$
Outstanding, December 31, 2022	9,772,500	0.34
Expired	(140,000)	0.87
Forfeited and terminations	(360,000)	0.25
Outstanding, March 31, 2023	9,222,500	0.34

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Notes to the Condensed Consolidated Interim Financial Statements

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

The grant date fair value is calculated using the Black-Scholes pricing model and the inputs below. Expected volatility is based on the average volatility of the Company. The exercise price used in the pricing model is that of the respective option granted.

There were no grants in the three months ended March 31, 2023.

17. LOSS PER SHARE

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

	March 31, 2023	December 31, 2022
Stock options	9,222,500	9,772,500
RSUs	647,222	2,632,719
Warrants	12,812,329	12,812,329
Convertible debentures	18,266,667	19,266,667

18. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for the three months ended March 31, 2023 and 2022 are comprised of the following:

	2023	2022
	\$	\$
Accounts receivable	(402,741)	62,845
Inventory	(1,669,837)	455,549
Prepaid expenses and deposits	(5,134)	(35,763)
Accounts payable and accrued liabilities	3,177,022	1,376,536
Other liabilities	(65,191)	(206,422)
Deferred revenue	-	(4,025)
	1,034,119	1,648,720

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2023 and 2022

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

19. FINANCE COSTS

Finance costs consist of the following for the three months ended March 31, 2023 and 2022:

	2023	2022
	\$	\$
Interest on loan payable (Note 12)	730,550	730,550
Interest on convertible debentures (Note 15)	70,861	74,750
Accretion of discount on loan payable (Note 12)	97,856	82,317
Accretion on convertible debentures (Note 15)	46,376	78,737
Amortization of deferred financing costs	67,136	68,096
Interest on lease liabilities (Note 14)	13,756	17,607
Interest on other liabilities (Note 13)	45,193	45,605
Other interest and bank charges	183,700	39,379
	1,255,428	1,137,041

20. 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.

21. FINANCIAL INSTRUMENTS AND RISKS

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

(a) Foreign currency risk

As at March 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 24, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

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

For the three months ended March 31, 2023 and 2022

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

As at March 31, 2023	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	14,638,052	14,638,052	14,638,052	-	-
Other liabilities	971,283	2,419,434	295,573	432,503	1,630,587
Loan payable	19,108,332	19,751,905	19,751,905	-	-
Lease liabilities	524,000	616,640	222,367	325,523	68,750
Convertible debentures	2,298,740	2,740,000	-	2,740,000	-
Total	37,540,407	40,166,031	34,907,897	3,498,026	1,699,337

(c) Credit risk

The Company's cash is exposed to credit risk, which is the risk that the counterparties to a financial instrument fail to meet its contractual obligations to the Company. The amount of credit risk related to cash is considered insignificant as the Company's funds are held with a Schedule I bank.

The Company has assessed that it has limited customer credit risk due to the fact that accounts receivable are primarily from the sale of cannabis to government agencies and large retail outlets and have payment terms of 30 - 60 days. The Company has recorded an expected credit loss on accounts receivable for the three months ended March 31, 2023 totalling \$469 (three months ended March 31, 2022 - \$1,759).

During the three months ended March 31, 2023, the Company had gross sales of \$9,511,725 to three major customers (three months ended March 31, 2022 - \$8,584,782). These customers each accounted for over 10% of the Company's total revenue for the three months ended March 31, 2023. Total amounts receivable from these customers at March 31, 2023 was \$3,756,440 (December 31, 2022 - \$3,512,837).

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

	March 31, 2023	Expected credit loss rate	December 31, 2022	Expected credit loss rate
	\$	%	\$	%
1 - 60 days	4,337,554	0.5	3,994,761	0.5
61 - 120 days	51,694	3.0	41,058	3.0
Total	4,389,248	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.

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For the three months ended March 31, 2023 and 2022

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

22. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of \$21,371,511 (December 31, 2022 – \$23,594,240), as shown below:

	March 31, 2023	December 31, 2022
	\$	\$
Total debt		
Loan payable	19,108,332	18,945,227
Convertible debentures	2,298,740	2,500,478
Total debt	21,407,072	21,445,705
Total equity	(35,561)	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.

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

23. INCOME TAXES

There have been no material changes to income tax matters during the three months ended March 31, 2023. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three months ended March 31, 2023, there were no material changes to statutory tax rates.

24. COMMITMENTS

In addition to the lease liability commitments disclosed in Note 14, the Company has contractual obligations for insurance, 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	1,531,669
2 – 3 years	120,252
Total	1,651,921

Subsequent to March 31, 2023, the Company entered into commitments totalling \$658,662. These commitments are primarily composed of production supplies, cannabis inputs and marketing supplies. These commitments are payable over the next 12 months.

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The Company entered into a license agreement effective March 4, 2020. Under terms of the agreement, the Company will incur minimum expenditures of \$200,000 per quarter for marketing related to the licensed products.

Under the terms of the Amended License Agreement with Bhang, Indiva has committed to spend an amount equal to at least five percent of net sales of the Bhang licensed products for advertising and promotion of the Bhang licensed products.

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable.

25. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

Key management personnel compensation for the three months ended March 31, 2023 and 2022 was as follows:

	2023	2022
	\$	\$
Short-term key management personnel compensation	261,250	251,250
Share-based payments	76,126	106,697
Directors' fees	15,625	15,625
	353,001	373,572

26. RELATED-PARTY TRANSACTIONS

In the three months ended March 31, 2023, the Company settled interest payments totalling \$15,750 in exchange for common shares in the Company. The fair value of the shares on issuance was \$0.12 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 131,246 common shares was issued to the creditors which included an aggregate of 118,747 common shares issued to related parties to settle interest owing.

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