INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and six months ended June 30, 2023 and 2022

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

As at	*Note*	**June 30, 2023** **$**	December 31, 2022 $
ASSETS			
Current assets			
Cash		**2,608,755**	2,785,710
Accounts receivable	*5*	**2,785,846**	4,133,982
Other receivable	*16*	**1,250,000**	-
Inventory	*6*	**3,746,806**	4,138,047
Prepaid expenses and deposits	*7*	**443,927**	494,166
Assets held for sale	*10*	**-**	130,215
Total current assets		**10,835,334**	11,682,120
Other non-current assets			
Property, plant and equipment	*8*	**21,525,990**	22,493,894
Assets in process	*9*	**73,989**	47,027
Equipment deposits	*8*	**142,887**	23,127
Intangible assets	*11*	**1,554,956**	1,658,688
Prepaid royalties		**1,944,964**	1,944,219
Total assets		**36,078,120**	37,849,075
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**11,702,307**	12,654,341
Other liabilities	*13*	**293,975**	315,636
Loan payable	*12*	**19,276,853**	-
Lease liability	*14*	**163,811**	162,745
Convertible debentures	*15*	**-**	250,000
Total current liabilities		**31,436,946**	13,382,722
Other non-current liabilities			
Other liabilities	*13*	**721,264**	720,838
Lease liability	*14*	**333,709**	401,275
Loan payable	*12*	**-**	18,945,227
Convertible debentures	*15*	**2,349,624**	2,250,478
Total liabilities		**34,841,543**	35,700,540
Equity			
Share capital	*17*	**59,902,554**	57,391,055
Contributed surplus		**6,053,272**	6,011,665
Reserves		**6,027,128**	6,244,930
Accumulated other comprehensive loss		**(19,537)**	(19,537)
Accumulated deficit		**(70,726,840)**	(67,479,578)
Total equity		**1,236,577**	2,148,535
Total liabilities and equity		**36,078,120**	37,849,075

Going Concern (Note 3), Commitments (Note 25), and Subsequent Events (Note 28)

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

Indiva Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2023 and 2022

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

	Note	**Three months ended June 30**		**Six months ended June 30**	
		2023	2022	**2023**	2022
		$	$	**$**	$
Gross revenue		**8,133,137**	8,891,274	**18,502,418**	18,590,061
Excise taxes		**(627,053)**	(764,745)	**(1,584,219)**	(1,584,962)
Net revenue		**7,506,084**	8,126,529	**16,918,199**	17,005,099
Cost of goods sold	*6*	**(5,304,142)**	(5,435,769)	**(11,554,890)**	(11,685,921)
Write-down of inventory	*6*	**(703,874)**	(523,700)	**(1,527,866)**	(1,372,954)
Gross margin		**1,498,068**	2,167,060	**3,835,443**	3,946,224
Operating expenses					
General and administrative		**1,475,320**	1,359,663	**3,059,973**	2,807,848
Marketing and sales		**1,405,325**	1,625,421	**2,617,373**	3,356,101
Research and development		**225,155**	225,129	**491,862**	335,826
Share-based compensation	*17(c)*	**34,111**	176,660	**100,198**	288,047
Expected credit loss	*22(c)*	**(1,222)**	(2,295)	**(753)**	(536)
Depreciation of property, plant and equipment	*8*	**47,348**	51,793	**97,539**	98,879
Amortization of intangible assets	*11*	**51,865**	51,865	**103,731**	103,729
Total operating expenses		**3,237,902**	3,488,236	**6,469,923**	6,989,894
Loss from operations		**(1,739,834)**	(1,321,176)	**(2,634,480)**	(3,043,670)
Other income (expenses)					
Foreign exchange loss		**(13,572)**	(20,706)	**(20,136)**	(34,593)
Finance costs	*20*	**(1,260,427)**	(1,161,766)	**(2,515,856)**	(2,298,807)
Interest income		**22,824**	5,550	**44,144**	6,859
Gain on issuance of shares		**-**	-	**3,282**	-
Impairment loss on assets held for sale	*10*	**(25,090)**	(3,735)	**(145,486)**	(205,675)
Loss on disposal of assets held for sale	*10*	**(73,113)**	-	**(73,113)**	-
Gain on sale of license rights	*16*	**2,094,383**	-	**2,094,383**	-
Net loss and comprehensive loss attributable to shareholders		**(994,829)**	(2,501,833)	**(3,247,262)**	(5,575,886)
Loss per share, basic and diluted	*18*	**(0.01)**	(0.02)	**(0.02)**	(0.04)
Weighted average number of outstanding shares, basic and diluted	*18*	**154,615,691**	146,150,202	**150,500,446**	146,150,202

Indiva Limited
Condensed Consolidated Interim Statements of Changes in Equity
For the six months ended June 30, 2023 and 2022
(Unaudited, Expressed in Canadian dollars, except per share amounts)

	Note	Share capital					Accumulated other	
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	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	*27*	131,246	12,469	3,281	-	-	-	15,750
Vesting of restricted share units	*17(c)(i)*	1,586,700	360,027	(360,027)	-	-	-	-
Shares issued net of issuance costs	*16*	37,230,000	2,139,003	-	-	-	-	2,139,003
Warrants expired		-	-	305,900	(305,900)	-	-	-
Share-based compensation	*17(c)*	-	-	92,453	88,098	-	-	180,551
Net loss for the period		-	-	-	-	(3,247,262)	-	(3,247,262)
Balance, June 30, 2023		**186,244,983**	**59,902,554**	**6,053,272**	**6,027,128**	**(70,726,840)**	**(19,537)**	**1,236,577**

	Note	Share capital					Accumulated other	
		Shares	Amount	Contributed surplus	Reserves	Accumulated deficit	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
Share-based compensation	*17(c)*	-	-	109,259	171,883	-	-	281,142
Net loss for the period		-	-	-	-	(5,575,886)	-	(5,575,886)
Balance, June 30, 2022		146,150,202	57,229,825	5,846,383	5,801,116	(62,123,412)	(19,537)	6,734,375

Indiva Limited
Condensed Consolidated Interim Statements of Cash Flows
For the six months ended June 30, 2023 and 2022
(Unaudited, Expressed in Canadian dollars)

	Note	2023 $	2022 $
OPERATING ACTIVITIES			
Net loss for the period		**(3,247,262)**	(5,575,886)
Adjustments for:			
Gain on sale of license rights	*16*	**(2,094,383)**	-
Write-off of inventory to net realizable value	*6*	**1,527,866**	1,372,954
Unrealized foreign exchange loss		**20,136**	34,593
Depreciation and amortization	*8, 11*	**201,271**	202,608
Impairment loss of property, plant and equipment	*16*	**145,486**	205,675
Loss on disposal of assets held for sale	*10*	**73,113**	-
Non-cash financing costs	*20*	**547,661**	577,717
Share-based compensation	*17*	**100,198**	281,142
Expected credit losses		**(753)**	(536)
Interest income		**(44,144)**	(6,859)
Changes in working capital items	*19*	**2,602,850**	3,652,440
Cash (used in) provided by operating activities		**(167,961)**	743,848
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and deposits	*8, 9*	**(234,143)**	(611,307)
Proceeds from disposal of assets held for sale	*10*	**66,086**	885
Interest income		**44,144**	6,859
Cash used in investing activities		**(123,913)**	(603,563)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs	*16*	**472,473**	-
Payment of principal portion of lease liabilities	*14*	**(107,554)**	(107,603)
Repayment of convertible debenture	*15*	**(250,000)**	-
Cash provided by (used in) financing activities		**114,919**	(107,603)
Change in cash		**(176,955)**	32,682
Cash, beginning of the period		**2,785,710**	2,480,335
Cash, end of the period		**2,608,755**	2,513,017

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 August 29, 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.

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 $994,829 and $3,247,262 for the three and six months ended June 30, 2023 (three and six months ended June 30, 2022 – $2,501,833 and $5,575,886) and an accumulated deficit of $70,726,840 as at June 30, 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 statements 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 June 30, 2023 consisted of trade receivables totaling $2,679,837 (December 31, 2022 - $4,035,819) and taxes receivable totaling $106,009 (December 31, 2022 - $98,163).

Accounts receivable are presented net of expected credit losses totaling $18,039 as at June 30, 2023 (December 31, 2022 - $18,792).

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

6. INVENTORY

Inventory as at June 30, 2023, and December 31, 2022, consisted of the following:

	June 30, 2023 **$**	December 31, 2022 $
Dried cannabis		
Finished goods	**-**	129,351
Work-in-process	**-**	99,878
Cannabis extracts and edibles		
Finished goods	**1,596,978**	996,891
Work-in-process	**860,086**	1,157,506
Packaging, supplies and other inventory	**1,289,742**	1,754,421
Total inventory	**3,746,806**	4,138,047

Inventory expensed to cost of goods sold during the three and six months ended June 30, 2023 was $4,053,146 and $8,676,420 (three and six months ended June 30, 2022 - $3,539,337 and $7,538,474). Cost of goods sold for the three and six months ended June 30, 2023, also includes royalties, license fees, shipping, and other costs totalling $1,250,996 and $2,878,470 (three and six months ended June 30, 2022 - $1,896,432 and $4,147,447). In the three and six months ended June 30, 2023, the Company recorded inventory write-offs totalling $703,874 and $1,527,866 (three and six months ended June 30, 2022 - $523,700 and $1,372,954). The inventory write-off for the three months ended June 30, 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

	June 30, 2023 **$**	December 31, 2022 $
Rent, security and utility deposits	**9,052**	9,052
Government of Canada surety bond	**303,000**	303,000
Other prepayments	**131,875**	182,114
Total prepaid expenses and deposits	**443,927**	494,166

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

(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 and 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	-	9,310	-	4,092	14,320	31,356
Transferred from assets in process	-	-	-	56,837	-	-	-	56,837
Disposals	-	-	-	(14,336)	-	(47,676)	-	(62,012)
Transferred to assets held for sale	-	-	-	(706,459)	-	-	-	(706,459)
Balance, June 30, 2023	**252,275**	**18,811,935**	**66,066**	**5,963,740**	**71,307**	**482,335**	**1,021,283**	**26,668,941**
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	-	252,214	3,022	308,072	4,457	39,875	80,237	687,877
Disposals	-	-	-	(11,615)	-	(43,071)	-	(54,686)
Transferred to assets held for sale	-	-	-	(345,564)	-	-	-	(345,564)
Balance, June 30, 2023	**-**	**2,217,473**	**13,954**	**1,861,829**	**50,008**	**399,724**	**599,963**	**5,142,951**
Carrying amounts as at:								
December 31, 2022	252,275	16,843,041	55,134	4,707,452	25,756	122,999	487,237	22,493,894
June 30, 2023	**252,275**	**16,594,462**	**52,112**	**4,101,911**	**21,299**	**82,611**	**421,320**	**21,525,990**

As at June 30, 2023, $7,596 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2022 - $269,946). In the six months ended June 30, 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 $142,887 towards future purchases (December 31, 2022 - $23,127).

Total depreciation expense for the three and six months ended June 30, 2023 was $334,525 and $687,877 (three and six months ended June 30, 2022 - $328,788 and $667,095), of which $287,177 and $590,338 has been capitalized in the production of inventory (three and six months ended June 30, 2022 - $276,994 and $568,216).

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

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

9. ASSETS IN PROCESS

	Facility equipment $
Balance, December 31, 2022	47,027
Additions	83,799
Transferred to property, plant and equipment	(56,837)
Balance, June 30, 2023	**73,989**

10. ASSETS HELD FOR SALE

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 property, plant and equipment were presented as assets held for sale on the condensed consolidated interim statements of financial position. In the three and six months ended June 30, 2023, impairment losses totaling $25,090 and $145,486 has been recorded to reduce the carrying amount of the assets to management's estimate of their fair value less costs to sell (three and six months ended June 30, 2022 - $3,735 and $205,675). In the three and six months ended June 30, 2023, $73,113 was recognized as losses on disposal of assets held for sale ($nil in the three and six months ended June 30, 2022). In the three and six months ended June 30, 2023, the sales generated from assets held for sale amounted to $66,086 ($nil in the three and six months ended June 30, 2022). The Company settled trade payable totaling $212,000 in exchange for an asset held for sale.

11. INTANGIBLE ASSETS

	Bhang License $
Balance, December 31, 2022	2,169,688
Balance, June 30, 2023	**2,169,688**
Accumulated amortization	
Balance, December 31, 2022	511,000
Amortization for the period	103,732
Balance, June 30, 2023	**614,732**
Carrying amounts as at:	
December 31, 2022	1,658,688
June 30, 2023	**1,554,956**

(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	331,626
Interest charged on SNDL Loan	1,469,217
Payment of interest on SNDL Loan	(1,469,217)
Loan payable, June 30, 2023	**19,276,853**

As at June 30, 2023, the Company is in compliance with all applicable covenants.

13. OTHER LIABILITIES

	June 30, 2023			December 31, 2022		
	Current	**Long-term**	**Total**	Current	Long-term	Total
	$	**$**	**$**	$	$	$
Minimum royalties	**150,726**	**721,264**	**871,990**	160,222	720,838	881,060
Others	**143,249**	**-**	**143,249**	155,414	-	155,414
	293,975	**721,264**	**1,015,239**	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 and six months ended June 30, 2023, interest accretion of $45,193 and $90,155 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2022 - $45,519 and $91,124).

14. LEASE LIABILITY

	Office space	**Office equipment**	**Facility equipment**	**Total**
	$	**$**	**$**	**$**
Balance, December 31, 2022	**546,597**	**4,440**	**12,983**	**564,020**
Additions	-	14,320	-	14,320
Lease payments	(102,215)	(1,178)	(4,161)	(107,554)
Interest expense	26,190	369	175	26,734
Balance, June 30, 2023	**470,572**	**17,951**	**8,997**	**497,520**
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, June 30, 2023	**151,359**	**5,445**	**7,007**	**163,811**
Non-current, June 30, 2023	**319,213**	**12,506**	**1,990**	**333,709**

During the three and six months ended June 30, 2023, the Company recognized $28,981 and $52,833 in variable lease payments included in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2022 - $12,635 and $34,878).

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

As at June 30, 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	205,816	303,875	34,375	**544,066**
Facility equipment	7,474	1,755	-	**9,229**
Office equipment	6,715	9,870	4,341	**20,926**
Minimum lease payments	**220,005**	**315,500**	**38,716**	**574,221**

15. CONVERTIBLE DEBENTURES

The following is a continuity of the convertible debentures:

	$
Balance, December 31, 2022	**2,500,478**
Accretion interest on debenture discount	95,375
Accretion of transaction costs	3,771
Repayment of matured debenture	(250,000)
Balance, June 30, 2023	**2,349,624**

A reconciliation of interest and accretion expense on the convertible debentures in the six months ended June 30, 2023 and 2022, is as follows:

	2023	2022
	$	$
Accretion interest on debenture discount	**95,375**	162,171
Interest expense in the period	**139,361**	149,500
Total interest and accretion on convertible debentures expensed	**234,736**	311,671
Interest expense payable, opening balance	**15,750**	-
Interest expense in the period	**139,361**	149,500
Interest expense paid in cash	**(139,361)**	(143,750)
Interest expense paid in shares	**(15,750)**	-
Interest expense included in accounts payable and accrued liabilities	-	5,750

16. 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 Growth") exclusive rights and interests to manufacture, distribute, and sell the Wana branded products in Canada.

Simultaneously, Canopy Growth and Indiva also entered into a contract manufacturing agreement under which Canopy Growth will grant 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 Growth 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 Growth had control and direction over 19.99% of the issued and outstanding 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.

The total consideration for this transaction was $4,250,000 of which Canopy Growth 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 by May 30, 2024. The transaction resulted in a gain on the sale of licensing rights of $2,094,383.

17. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at June 30, 2023, a total 186,244,983 (December 31, 2022 – 147,297,037) common shares were issued and outstanding. No special shares have been issued or are outstanding.

On May 30, 2023, the Company issued 37,230,000 common shares at a fair value on issuance of $0.0579 per share (Note 16).

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 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.

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.

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

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

	Warrants outstanding #	Weighted average exercise price $
Outstanding, December 31, 2022	**12,812,329**	**0.42**
Expired	**(1,608,333)**	**0.40**
Outstanding, June 30, 2023	**11,203,996**	**0.42**

All warrants outstanding as at June 30, 2023 are exercisable.

The following warrants remain outstanding as at June 30, 2023:

Warrant description	# of warrants #	Expiry date	Exercise price $
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	**11,203,996**		**0.42**

As at June 30, 2023, the warrants outstanding have a weighted average remaining life of 1.36 years.

(c) SHARE-BASED COMPENSATION

During the three and six months ended June 30, 2023, the Company recognized share-based compensation expense of $34,111 and $100,198 (three and six months ended June 30, 2022 - $176,660 and $288,047) related to stock options and RSUs included in operating expenses in the condensed consolidated interim statements of loss and comprehensive loss. Share-based compensation for the three and six months ended June 30, 2023, totalling $6,348 and $20,047 (three and six months ended June 30, 2022 - $65,204 and $84,377) 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 June 30, 2023, based on the Company's total common shares outstanding, a total of 18,624,498 (December 31, 2022 – 14,729,704) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 9,366,996 (December 31, 2022 – 2,524,485) additional stock options or RSUs beyond what was issued and outstanding as at June 30, 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.

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

(I) RESTRICTED SHARE UNITS

During the three and the six months ending June 30, 2023, the Company has recorded share-based compensation expense related to equity settled RSUs totalling $6,692 and $34,148. The Company has recorded a liability related to the outstanding cash settled RSUs at June 30, 2023 totalling $4,463 in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

On May 18, 2023, the Company issued 222,222 common shares to settle vested RSUs.

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	(1,022,220)	(1,138,499)	(2,160,719)
Forfeited and terminations	-	(47,000)	(47,000)
Outstanding, June 30, 2023	**-**	**425,000**	**425,000**

(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	(270,000)	0.84
Forfeited and terminations	(669,998)	0.34
Outstanding, June 30, 2023	**8,832,502**	**0.33**

There were no grants in the six months ended June 30, 2023.

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

18. LOSS PER SHARE

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

	June 30, 2023	December 31, 2022
Stock options	**8,832,502**	9,772,500
RSUs	**425,000**	2,632,719
Warrants	**11,203,996**	12,812,329
Convertible debentures	**18,266,667**	19,266,667

19. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for the six months ended June 30, 2023 and 2022 are comprised of the following:

	2023	2022
	$	$
Accounts receivable	**1,348,136**	1,916,620
Other receivable	**(1,250,000)**	-
Inventory	**495,241**	735,225
Prepaid expenses and deposits	**50,237**	168,739
Prepaid royalties	**-**	6,509
Accounts payable and accrued liabilities	**1,980,898**	902,958
Other liabilities	**(21,662)**	(79,336)
Deferred revenue	**-**	(4,025)
Interest on loan payable and convertible debentures	**-**	5,750
	2,602,850	3,652,440

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

20. FINANCE COSTS

Finance costs consist of the following for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Interest on loan payable (Note 12)	**738,667**	738,667	**1,469,217**	1,469,217
Interest on convertible debentures (Note 15)	**68,500**	74,750	**139,361**	149,500
Accretion of discount on loan payable (Note 12)	**103,271**	82,318	**201,127**	164,770
Accretion on convertible debentures (Note 15)	**48,999**	83,434	**95,375**	162,171
Amortization of deferred financing costs	**67,136**	68,096	**134,272**	136,192
Interest on lease liabilities (Note 14)	**12,977**	16,595	**26,734**	34,203
Interest on other liabilities (Note 13)	**44,962**	45,519	**90,155**	91,124
Other interest and bank charges	**175,915**	52,387	**359,615**	91,630
	1,260,427	1,161,766	**2,515,856**	2,298,807

21. 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.

22. 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 June 30, 2023 and accordingly the fair value of the Company's long-term financial liabilities, comprising convertible debentures approximates their carrying value as at June 30, 2023.

(a) Foreign currency risk

As at June 30, 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.

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

In addition to the commitments disclosed in Note 25, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at June 30, 2023	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	11,702,307	11,702,307	11,702,307	-	-
Other liabilities	1,015,239	2,264,021	203,411	437,843	1,622,767
Loan payable	19,276,853	19,751,905	19,751,905	-	-
Lease liabilities	497,520	574,221	220,005	315,500	38,716
Convertible debentures	2,349,624	2,740,000	-	2,740,000	-
Total	**34,841,543**	**37,032,454**	**31,877,628**	**3,493,343**	**1,661,483**

(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 did not record an expected credit loss on accounts receivable for the six months ended June 30, 2023 and recovered $753 (six months ended June 30, 2022 – recovery of $536).

During the three and six months ended June 30, 2023, the Company had gross sales of $6,456,758 and $15,807,342 to three major customers (three and six months ended June 30, 2022 - $7,616,414 and $16,201,196). These customers each accounted for over 10% of the Company's total revenue for the three and six months ended June 30, 2023. Total amounts receivable from these customers at June 30, 2023 was $2,037,685 (December 31, 2022 - $3,512,837).

As at June 30, 2023, the Company's aging of trade receivables was approximately as follows:

	June 30, 2023	**Expected credit loss rate**	December 31, 2022	Expected credit loss rate
	$	%	$	%
1 – 60 days	2,679,819	0.7	3,994,761	0.5
61 – 120 days	18	3.0	41,058	3.0
Total	**2,679,837**	0.7	**4,035,819**	0.5

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

(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.

23. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of $22,863,053 (December 31, 2022 – $23,594,240), as shown below:

	June 30, 2023	December 31, 2022
	$	$
Total debt		
Loan payable	**19,276,853**	18,945,227
Convertible debentures	**2,349,624**	2,500,478
Total debt	**21,626,477**	21,445,705
Total equity	**1,236,577**	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 SNDL loan the Company must maintain a cash balance, at all times, of not less than $2,000,000.

24. INCOME TAXES

There have been no material changes to income tax matters during the three and six months ended June 30, 2023. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three and six months ended June 30, 2023, there were no material changes to statutory tax rates.

25. 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	1,753,993
2 – 3 years	47,847
Total	1,801,840

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

Subsequent to June 30, 2023, the Company entered into commitments totalling $656,000. These commitments are primarily composed of production supplies, cannabis inputs, equipment and marketing supplies. These commitments are payable over the next 12 months.

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.

26. KEY MANAGEMENT COMPENSATION

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

Key management personnel compensation for the three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Short-term key management personnel compensation	**261,250**	251,250	**522,500**	502,500
Share-based payments	**76,126**	106,697	**124,066**	277,749
Directors' fees	**15,625**	15,625	**31,250**	31,250
	353,001	373,572	**677,816**	811,499

27. RELATED-PARTY TRANSACTIONS

In the three and six months ended June 30, 2023, the Company paid $39,250 and settled interest payable 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 were issued to the creditors which included an aggregate of 118,747 common shares issued to related parties to settle interest owing.

In the three and six months ended June 30, 2022, the Company paid $39,250 in interest payments to related party debenture holders.

28. SUBSEQUENT EVENT

On August 28, 2023, Indiva amended the terms of its existing non-revolving term loan facility (the "Amended Term 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 products on an exclusive basis.

The Supply Agreement provides for minimum monthly purchase commitments by the Company (the "Minimum Purchase Commitment"). The prices of all products supplied under the Supply Agreement are subject to periodical 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 Amended Term Loan, unless the Company elects otherwise.

The Amended Term Loan extends the maturity date to February 24, 2026 and extends the existing security interest in favour of SNDL under the Amended Term Loan to the Minimum Purchase Commitment. The interest rate and other terms of the Amended Term Loan remain the same except for the addition of an event of default, whereby a default under the Supply Agreement (which is not cured by the applicable time period set out in the Supply Agreement) would constitute an event of default under the Amended Term Loan.