INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three and nine months ended September 30, 2023 and 2022

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

As at	*Note*	**September 30, 2023** **$**	December 31, 2022 $
ASSETS			
Current assets			
Cash		**3,914,897**	2,785,710
Accounts receivable	*5*	**3,707,390**	4,133,982
Other receivable	*16*	**1,250,000**	-
Inventory	*6*	**3,798,009**	4,138,047
Prepaid expenses and deposits	*7*	**380,645**	494,166
Assets held for sale	*10*	**-**	130,215
Total current assets		**13,050,941**	11,682,120
Other non-current assets			
Property, plant and equipment	*8*	**21,498,281**	22,493,894
Assets in process	*9*	**39,548**	47,027
Equipment deposits	*8*	**57,663**	23,127
Intangible assets	*11*	**1,503,093**	1,658,688
Prepaid royalties		**1,944,964**	1,944,219
Total assets		**38,094,490**	37,849,075
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**14,838,939**	12,654,341
Other liabilities	*13*	**268,959**	315,636
Lease liability	*14*	**167,284**	162,745
Convertible debentures	*15*	**-**	250,000
Total current liabilities		**15,275,182**	13,382,722
Other non-current liabilities			
Other liabilities	*13*	**721,689**	720,838
Lease liabilities	*14*	**287,409**	401,275
Loan payable	*12*	**19,036,087**	18,945,227
Convertible debentures	*15*	**2,402,993**	2,250,478
Total liabilities		**37,723,360**	35,700,540
Equity			
Share capital	*17*	**59,902,554**	57,391,055
Contributed surplus		**7,150,944**	6,011,665
Reserves		**4,966,230**	6,244,930
Accumulated other comprehensive loss		**(19,537)**	(19,537)
Accumulated deficit		**(71,629,061)**	(67,479,578)
Total equity		**371,130**	2,148,535
Total liabilities and equity		**38,094,490**	37,849,075

Going Concern (Note 3) and Commitments (Note 25)

N. Marotta
Carmine (Niel) Marotta

J. Yersh
James Yersh

Indiva Limited

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2023 and 2022

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

	Note	**Three months ended September 30**		**Nine months ended September 30**	
		2023	2022	**2023**	2022
		$	$	**$**	$
Gross revenue		**10,871,278**	8,791,900	**29,373,696**	27,381,961
Excise taxes		**(1,084,602)**	(701,033)	**(2,668,821)**	(2,285,995)
Net revenue		**9,786,676**	8,090,867	**26,704,875**	25,095,966
Cost of goods sold	*6*	**(6,160,439)**	(5,755,464)	**(17,715,329)**	(17,441,385)
Write-down of inventory	*6*	**(579,636)**	(354,243)	**(2,107,502)**	(1,727,197)
Gross margin		**3,046,601**	1,981,160	**6,882,044**	5,927,384
Operating expenses					
General and administrative		**1,433,319**	1,276,448	**4,493,293**	4,084,296
Marketing and sales		**1,261,658**	1,528,092	**3,879,031**	4,884,193
Research and development		**207,228**	332,608	**699,090**	668,434
Share-based compensation	*17(c)*	**29,209**	141,633	**129,406**	429,680
Expected credit loss	*22(c)*	**4,770**	(704)	**4,016**	(1,240)
Depreciation of property, plant and equipment	*8*	**45,791**	52,069	**143,331**	150,948
Amortization of intangible assets	*11*	**51,863**	51,865	**155,595**	155,595
Total operating expenses		**3,033,838**	3,382,011	**9,503,762**	10,371,906
Income (loss) from operations		**12,763**	(1,400,851)	**(2,621,718)**	(4,444,522)
Other income (expenses)					
Foreign exchange loss		**(17,044)**	(13,362)	**(37,180)**	(47,955)
Finance costs	*20*	**(1,218,587)**	(1,193,515)	**(3,734,442)**	(3,492,322)
Interest income		**24,291**	11,116	**68,435**	17,975
Gain on issuance of shares		**-**	30,367	**3,282**	30,367
Impairment loss on assets held for sale	*10*	**-**	702	**(145,486)**	(204,973)
Loss on disposal of assets held for sale	*10*	**-**	-	**(73,113)**	-
Gain on modification of debt	*12*	**296,356**	-	**296,356**	
Gain on sale of license rights	*16*	**-**	-	**2,094,383**	-
Net loss and comprehensive loss attributable to shareholders		**(902,221)**	(2,565,543)	**(4,149,483)**	(8,141,430)
Income (loss) per share, basic and diluted	*18*	**0.00**	(0.02)	**(0.03)**	(0.06)
Weighted average number of outstanding shares, basic and diluted	*18*	**186,244,983**	146,057,956	**163,089,030**	130,935,515

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

	Note	**Share capital**						
	Note	**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	*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		-	-	1,403,571	(1,403,571)	-	-	-
Share-based compensation	*17(c)*	-	-	92,454	124,871	-	-	217,325
Net loss for the period		-	-	-	-	(4,149,483)	-	(4,149,483)
Balance, September 30, 2023		**186,244,983**	**59,902,554**	**7,150,944**	**4,966,230**	**(71,629,061)**	**(19,537)**	**371,130**

	Note	**Share capital**						
	Note	**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
Share-based compensation	*17(c)*	-	-	183,148	225,110	-	-	408,258
Shares issued		1,012,209	141,709	-	-	-	-	141,709
Net loss for the period		-	-	-	-	(8,141,430)	-	(8,141,430)
Balance, September 30, 2022		147,162,411	57,371,534	5,920,272	5,854,343	(64,688,956)	(19,537)	4,437,656

Indiva Limited

Condensed Consolidated Interim Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

(Unaudited, Expressed in Canadian dollars)

	Note	2023 $	2022 $
OPERATING ACTIVITIES			
Net loss for the period		**(4,149,483)**	(8,141,430)
Adjustments for:			
Gain on sale of license rights	*16*	**(2,094,383)**	-
Gain on modification of debt	*12*	**(296,356)**	-
Write-off of inventory to net realizable value	*6*	**2,107,502**	1,727,197
Unrealized foreign exchange loss		**37,180**	47,955
Depreciation and amortization	*8, 11*	**298,926**	502,539
Impairment loss on assets held for sale	*10*	**145,486**	204,973
Loss on disposal of assets held for sale	*10*	**73,113**	-
Non-cash financing costs	*20*	**616,926**	645,892
Share-based compensation	*17*	**129,406**	408,258
Expected credit recovery (loss)		**4,016**	(1,240)
Interest income		**(68,435)**	(17,975)
Changes in working capital items	*19*	**4,532,633**	6,795,859
Cash provided by operating activities		**1,336,531**	2,172,028
INVESTING ACTIVITIES			
Purchase of property, plant, equipment and deposits	*8, 9*	**(401,922)**	(882,737)
Proceeds from disposal of assets held for sale	*10*	**66,086**	2,832
Interest income		**68,435**	17,975
Cash used in investing activities		**(267,401)**	(861,930)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs	*16*	**472,473**	-
Payment of principal portion of lease liabilities	*14*	**(162,416)**	(161,380)
Repayment of convertible debenture	*15*	**(250,000)**	-
Cash provided by (used in) financing activities		**60,057**	(161,380)
Change in cash		**1,129,187**	1,148,718
Cash, beginning of the period		**2,785,710**	2,480,335
Cash, end of the period		**3,914,897**	3,629,053

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 November 21, 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 judgments 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 $902,221 and $4,149,483 for the three and nine months ended September 30, 2023 (three and nine months ended September 30, 2022 – $2,565,543 and $8,141,430), an accumulated deficit of $71,629,061 as at September 30, 2023 (December 31, 2022 - $67,479,578) and negative working capital of $2,224,241 (December 31, 2022, - $1,700,602). 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 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 September 30, 2023 consisted of trade receivables totaling $3,585,472 (December 31, 2022 - $4,035,819) and taxes receivable totaling $121,918 (December 31, 2022 - $98,163).

Accounts receivable are presented net of expected credit losses of $22,808 as at September 30, 2023 (December 31, 2022 - $18,792).

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

6. INVENTORY

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

	September 30, 2023	December 31, 2022
	$	$
Dried cannabis		
Finished goods	**-**	129,351
Work-in-process	**-**	99,878
Cannabis extracts and edibles		
Finished goods	**943,818**	996,891
Work-in-process	**1,550,417**	1,157,506
Packaging, supplies and other inventory	**1,303,774**	1,754,421
Total inventory	**3,798,009**	4,138,047

Inventory expensed to cost of goods sold during the three and nine months ended September 30, 2023 was $5,270,739 and $13,947,160 (three and nine months ended September 30, 2022 - $4,000,093 and $11,538,567). Cost of goods sold for the three and nine months ended September 30, 2023, also includes royalties, license fees, shipping, and other costs totalling $889,700 and $3,768,169 (three and nine months ended September 30, 2022 - $1,755,529 and $5,902,976). In the three and nine months ended September 30, 2023, the Company recorded inventory write-offs totalling $576,636 and $2,107,502 (three and nine months ended September 30, 2022 - $354,244 and $1,727,197). The inventory write-off for the three and nine months ended September 30, 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

	September 30, 2023	December 31, 2022
	$	$
Rent, security and utility deposits	**5,287**	9,052
Government of Canada surety bond	**303,000**	303,000
Other prepayments	**72,358**	182,114
Total prepaid expenses and deposits	**380,645**	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	15,252	271,562	-	4,092	14,320	308,860
Transferred from assets in process	-	-	-	100,841	-	-	-	100,841
Disposals	-	-	-	(14,336)	-	(47,676)	-	(62,012)
Transferred to assets held for sale	-	-	-	(706,459)	-	-	-	(706,459)
Balance, September 30, 2023	**252,275**	**18,811,935**	**81,318**	**6,269,996**	**71,307**	**482,335**	**1,021,283**	**26,990,449**
Accumulated depreciation								
Balance, December 31, 2022	-	1,965,260	10,932	1,910,936	45,551	402,920	519,726	4,855,325
Depreciation for the period	-	378,323	4,787	468,696	6,685	57,651	120,952	1,037,094
Disposals	-	-	-	(11,615)	-	(43,071)	-	(54,686)
Transferred to assets held for sale	-	-	-	(345,564)	-	-	-	(345,564)
Balance, September 30, 2023	**-**	**2,343,582**	**15,719**	**2,022,453**	**52,236**	**417,500**	**640,678**	**5,492,168**
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
September 30, 2023	**252,275**	**16,468,353**	**65,599**	**4,247,543**	**19,071**	**64,835**	**380,605**	**21,498,281**

As at September 30, 2023, $27,682 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2022 - $269,946). In the nine months ended September 30, 2023, equipment deposits totalling $191,046 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 $57,663 towards future purchases (December 31, 2022 - $23,127).

Total depreciation expense for the three and nine months ended September 30, 2023 was $349,217 and $1,037,094 (three and nine months ended September 30, 2022 - $330,081 and $997,176), of which $303,426 and $893,763 has been capitalized in the production of inventory (three and nine months ended September 30, 2022 - $278,258 and $847,474).

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	93,362
Transferred to property, plant and equipment	(100,841)
Balance, September 30, 2023	**39,548**

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. In the nine months ended September 30, 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 (nine months ended September 30, 2022 -$204,973). In the nine months ended September 30, 2023, $73,113 was recognized as losses on disposal of assets held for sale. 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.

11. INTANGIBLE ASSETS

	Bhang License $
Balance, December 31, 2022	2,169,688
Balance, September 30, 2023	**2,169,688**
Accumulated amortization	
Balance, December 31, 2022	511,000
Amortization for the period	155,595
Balance, September 30, 2023	**666,595**
Carrying amounts as at:	
December 31, 2022	1,658,688
September 30, 2023	**1,503,093**

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

12. LOAN PAYABLE

	$
Loan payable, December 31, 2022	**18,945,227**
Accretion of discount and deferred transaction costs	464,411
Gain on loan modification	(296,356)
Transaction costs	(77,195)
Interest charged on SNDL Loan	2,207,884
Payment of interest on SNDL Loan	(2,207,884)
Loan payable, September 30, 2023	**19,036,087**

On August 28, 2023, Indiva amended the terms of its existing non-revolving term loan facility 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.

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 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 would constitute an event of default under the Amended Term Loan.

The Company incurred transactions costs totaling $77,195 related to the amendment, which are netted against the value of the liability and amortized over the 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 condensed consolidated statements of loss and comprehensive loss.

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

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

13. OTHER LIABILITIES

	September 30, 2023			December 31, 2022		
	Current	**Long-term**	**Total**	Current	Long-term	Total
	$	**$**	**$**	$	$	$
Minimum royalties	**145,406**	**721,689**	**867,095**	160,222	720,838	881,060
Others	**123,553**	**-**	**123,553**	155,414	-	155,414
	268,959	**721,689**	**990,648**	315,636	720,838	1,036,474

The present value of minimum royalty payments required under the terms of the Bhang license agreement at initial recognition was $813,789. During the three and nine months ended September 30, 2023, interest accretion of $44,718 and $134,873 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2022 - $45,429 and $136,553).

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	(153,324)	(2,856)	(6,236)	(162,416)
Interest expense	37,768	753	247	38,768
Balance, September 30, 2023	**431,041**	**16,657**	**6,994**	**454,692**
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, September 30, 2023	**155,969**	**5,551**	**5,764**	**167,284**
Non-current, September 30, 2023	**275,073**	**11,106**	**1,230**	**287,409**

During the three and nine months ended September 30, 2023, the Company recognized $41,848 and $94,681 in variable lease payments in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three and nine months ended September 30, 2022 - $53,997 and $88,875).

As at September 30, 2023, the Company's undiscounted amount of future minimum lease payments are as follows:

	1 Year	2 to 3 Years	4 to 5 Years	**Total**
	$	$	$	**$**
Office and warehouse space	206,209	292,325	11,458	**509,992**
Facility equipment	6,616	1,230	-	**7,846**
Office equipment	6,716	9,276	3,256	**19,248**
Minimum lease payments	**219,541**	**302,831**	**14,714**	**537,086**

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

15. CONVERTIBLE DEBENTURES

	$
Balance, December 31, 2022	**2,500,478**
Accretion interest on debenture discount	146,857
Accretion of transaction costs	5,658
Repayment of matured debenture	(250,000)
Balance, September 30, 2023	**2,402,993**

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

	2023	2022
	$	$
Accretion interest on debenture discount	**146,857**	250,581
Interest expense in the period	**207,861**	224,250
Total interest and accretion on convertible debentures expensed	**354,718**	474,831
Interest expense payable, opening balance	**15,750**	-
Interest expense in the period	**207,861**	224,250
Interest expense paid in cash	**(139,361)**	(143,750)
Interest expense paid in shares	**(15,750)**	(5,750)
Interest expense included in accounts payable and accrued liabilities	**68,500**	74,750

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") 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

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

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.

17. SHARE CAPITAL

(a) CAPITAL STOCK

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

As at September 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 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.

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

	Warrants outstanding #	Weighted average exercise price $
Outstanding, December 31, 2022	**12,812,329**	**0.42**
Expired	**(8,378,996)**	**0.40**
Outstanding, September 30, 2023	**4,433,333**	**0.45**

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

The following warrants remain outstanding as at September 30, 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 September 30, 2023, the warrants outstanding have remaining life of three years.

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

(c) SHARE-BASED COMPENSATION

During the three and nine months ended September 30, 2023, the Company recognized share-based compensation expense of $29,209 and $129,406 (three and nine months ended September 30, 2022 - $141,633 and $429,680) 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 nine months ended September 30, 2023, totalling $14,629 and $34,676 (three and nine months ended September 30, 2022 - $26,646 and $110,223) related to options issued to production employees was included in the cost of inventory.

The maximum number of common shares reserved for issuance under all share-based compensation arrangements of the Company may not exceed 10% of the Company's outstanding common shares. As at September 30, 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 9,557,832 (December 31, 2022 – 2,524,485) additional stock options or RSUs beyond what was issued and outstanding as at September 30, 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 three and the nine months ending September 30, 2023, the Company recorded share-based compensation expense related to equity settled RSUs totalling $nil and $34,148. The Company has recorded a liability related to the outstanding cash settled RSUs at September 30, 2023 totalling $11,528 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, September 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:

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

	Number of options #	Weighted average exercise price $
Outstanding, December 31, 2022	9,772,500	0.34
Expired	(270,000)	0.84
Forfeited and terminations	(897,499)	0.34
Outstanding, September 30, 2023	**8,605,001**	**0.33**

There were no grants in the nine months ended September 30, 2023.

18. LOSS PER SHARE

The following table represents the number of shares to be issued on the exercise of stock options, RSUs, warrants and convertible debentures. The effect of such on diluted loss per share is anti-dilutive. As a result these have been excluded from the calculation.

	September 30, 2023	December 31, 2022
Stock options	**8,605,001**	9,772,500
RSUs	**425,000**	2,632,719
Warrants	**4,433,333**	12,812,329
Convertible debentures	**18,266,667**	19,266,667

19. SUPPLEMENTAL CASH FLOWS

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

	2023 $	2022 $
Accounts receivable	**422,576**	1,786,537
Inventory	**(873,694)**	1,199,760
Prepaid expenses and deposits	**113,520**	36,254
Prepaid royalties	**(745)**	4,434
Accounts payable and accrued liabilities	**4,916,801**	3,854,056
Other liabilities	**(45,825)**	(81,157)
Deferred revenue	**-**	(4,025)
	4,532,633	6,795,859

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

20. FINANCE COSTS

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
	$	$	**$**	$
Interest on loan payable (Note 12)	**738,667**	784,437	**2,207,884**	2,253,654
Interest on convertible debentures (Note 15)	**68,500**	74,750	**207,861**	224,250
Accretion of discount on loan payable (Note 12)	**86,710**	96,133	**287,837**	260,903
Accretion on convertible debentures (Note 15)	**51,482**	88,410	**146,857**	250,581
Amortization of deferred financing costs	**47,959**	68,097	**182,231**	204,289
Interest on lease liabilities (Note 14)	**12,033**	15,705	**38,767**	49,908
Interest on other liabilities (Note 13)	**44,718**	45,429	**134,873**	136,553
Other interest and bank charges	**168,518**	20,554	**528,132**	112,184
	1,218,587	1,193,515	**3,734,442**	3,492,322

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

(a) Foreign currency risk

As at September 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 September 30, 2023	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	$	$	$	$	$
Accounts payable and accrued liabilities	14,838,938	14,838,938	14,838,938	-	-
Other liabilities	990,648	2,264,021	205,892	443,182	1,614,946
Loan payable	19,036,087	19,751,905	-	19,751,905	-
Lease liabilities	454,692	591,949	220,237	321,537	50,175
Convertible debentures	2,402,993	2,740,000	-	2,740,000	-
Total	37,723,358	40,186,813	15,265,066	23,256,624	1,665,121

(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 recorded an expected credit loss on accounts receivable for the three and nine months ended September 30, 2023 of $4,770 and $4,016 (three and nine months ended September 30, 2022 – recovery of $704 and $1,240).

During the three and nine months ended September 30, 2023, the Company had gross sales of $7,171,975 and $23,686,607 to three major customers (three and nine months ended September 30, 2022 - $7,653,105 and $22,944,454). These customers each accounted for over 10% of the Company's total revenue for the three and nine months ended September 30, 2023. Total amounts receivable from these customers at September 30, 2023 was $2,493,635 (December 31, 2022 - $3,512,837).

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

	September 30, 2023	**Expected credit loss rate**	December 31, 2022	Expected credit loss rate
	$	%	$	%
1 – 60 days	3,540,930	0.7	3,994,761	0.5
61 – 120 days	44,542	3.0	41,058	3.0
Total	**3,585,472**	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 $21,810,210 (December 31, 2022 – $23,594,240), as shown below:

	September 30, 2023	December 31, 2022
	$	$
Total debt		
Loan payable	**19,036,087**	18,945,227
Convertible debentures	**2,402,993**	2,500,478
Total debt	**21,439,080**	21,445,705
Total equity	**371,130**	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 nine months ended September 30, 2023. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three and nine months ended September 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 supply agreement (Note 12), 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	3,357,716
2 – 3 years	3,107,484
Total	6,465,200

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

Subsequent to September 30, 2023, the Company entered into commitments totalling $1,418,557. 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 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 12).

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 nine months ended September 30, 2023 and 2022 were as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2023	2022	**2023**	2022
	$	$	**$**	$
Short-term key management personnel compensation	**253,007**	294,584	**775,507**	797,083
Share-based payments	**36,698**	140,856	**160,764**	418,605
Directors' fees	**15,625**	15,625	**46,875**	46,875
	305,330	451,065	**983,146**	1,262,563

27. RELATED-PARTY TRANSACTIONS

In the three and nine months ended September 30, 2023, the Company paid $nil and $39,250 and settled interest payable totalling $nil and $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 nine months ended September 30, 2022, the Company paid $nil and $39,250 in interest payments to related party debenture holders. Also, the Company settled interest payments totaling $nil and $5,750 in exchange for common shares in the Company. The fair value of the shares on issuance was $0.17 per share. The debenture holders include certain related parties of the Company, including directors and officers of the Company. An aggregate of 33,821 common shares was issued to the creditors, which includes an aggregate of 24,998 common shares issued to related parties to settle interest owing.