INDIVA LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2023

MAY 16, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following is a discussion and analysis of the financial condition and results of operations of Indiva Limited ("**Indiva**" or the "**Company**") for the three months ended March 31, 2023. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three months ended March 31, 2023 and 2022 (the "**Interim Financial Statements**").

All amounts in the MD&A are in thousands of Canadian dollars, except for per share amounts or unless indicated otherwise. The Company's accounting policies are in accordance with IFRS other than certain non-IFRS financial measures. For further information, see the section entitled "*Non-IFRS Financial Measures*".

The Company's continuous disclosure documents are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Indiva does not directly engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 dated February 8, 2012 (the "**CSA Notice**"). While the Company has partnered with U.S. based companies, these entities are not engaged in the cultivation, possession, or distribution of marijuana. Instead, the Company has partnered with U.S.-based companies which develop and license intellectual property and copyright branding to the cannabis market, and do not engage in 'plant-touching' activities.

The effective date of this MD&A is May 16, 2023.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation (each, a "**forward-looking statement**"). No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. Forward-looking information is, by its nature, prospective. It requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget", "*pro forma*" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, among others, statements pertaining to:

- the Company's future business and development prospects and strategies, including the potential impact of the COVID-19 pandemic thereon;
- the Company's future operating and financial results;
- the competitive and business strategies of the Company;

- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business, continue operations, and/or pursue prospective opportunities;

- expectations regarding production costs;

- competitive conditions of the cannabis industry;

- changes in the regulatory environment, including the introduction of new provincial and federal regulatory regimes relating to recreational cannabis;

- the impact of changes in Canadian federal and provincial laws regarding medical and recreational cannabis on the Company;

- expansion into international markets;

- the performance of the Company's business and operations;

- compliance with all applicable laws and regulations applicable to the Company, both in Canada and internationally, including the CSA Notice (as defined herein); and

- compliance with TSX Venture Exchange ("**TSXV**") policy, including the TSXV Bulletin (as defined herein).

The forward-looking statements within this document are based on information currently available and what management believes are reasonable assumptions. Those assumptions include, but are not limited to, assumptions on: (i) the Company's ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial, market, regulatory and political conditions in which the Company operates; (iii) consumer interest in the Company's products; (iv) competition; (v) anticipated and unanticipated costs; (vi) government regulation of the Company's activities and products; (vii) timely receipt of any required regulatory approvals; (viii) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; and (ix) the Company's development plans and the timeframe for completion of such plans. Forward-looking statements speak only as of the date of this MD&A. In addition, this MD&A may contain forward-looking statements attributed to third party industry sources, the accuracy of which has not been verified by the Company.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this MD&A, including, but not limited to, the following material factors:

- the COVID-19 pandemic;

- failure to comply with the requirements of the Licence to cultivate, process and sell cannabis;

- failure to maintain the Licence to cultivate, process and sell cannabis;

- share price volatility;
- any adverse change or event impacting the Indiva Facility;
- the Company's ability to obtain additional financing;
- the failure to obtain required regulatory approvals or permits;
- delays in the delivery or installation of equipment by suppliers;
- difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints;
- any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of cannabis;
- a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries;
- any delays in transporting the Company's product, breach of security or loss of product;
- increased competition, including increased competition as a result of the legalization of recreational cannabis;
- failure to integrate an acquired business or realize the anticipated benefits of new partnerships;
- amendments to laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical and recreational cannabis, health and safety, privacy, conduct of operations and protection of the environment;
- loss of key personnel;
- the failure of the Company to effectively manage growth;
- failure to comply with all applicable laws and regulations, both in Canada and internationally, including the CSA Notice;
- rising energy costs;
- dependence on and failure to adhere to, third-party license agreements
- failure to protect the Company's intellectual property;
- potential conflicts of interest between management and the Company;
- environmental and employee health risks;
- restrictions on sales and marketing activities;

- co-investment with third parties;
- product recalls and obsolescence;
- results from future clinical research;
- fraudulent or illegal activity by employees, contractors or consultants;
- competition from the illicit supply of cannabis;
- security and cybersecurity breaches; and
- failure to comply with TSXV policy, including the TSXV Bulletin.

We caution that this list is not exhaustive of all possible factors. For a detailed description of risk factors associated with the Company, refer to the "Risks and Uncertainties" section of the Company's management's discussion and analysis for the year ended December 31, 2022 (the "**Annual MD&A**"), filed on April 17, 2023 which is available on the Company's SEDAR profile. New factors emerge from time to time, and it is not possible for management to predict them all or to assess in advance the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Readers are cautioned that these factors are difficult to predict and that the assumptions used in developing the forward-looking statements may prove to be incorrect. Accordingly, readers are cautioned that the Company's actual results may vary from the forward-looking statements, and the variations may be material.

This MD&A may contain market and industry data and forecasts obtained from third party sources, industry publications and publicly available information. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Although management believes it to be reliable, the Company has not independently verified any of the data from third party sources referred to in this MD&A or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources.

The forward-looking statements contained in this MD&A are expressly qualified by the foregoing cautionary statements and are made as of the date of this MD&A. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this MD&A or reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise. You should not place undue reliance on the forward-looking statements.

OVERVIEW

INDIVA'S BUSINESS

Indiva, via its indirect wholly owned subsidiary, Indiva Inc., is a Canadian producer of cannabis servicing the medical and recreational markets. The Company is based in London, Ontario, Canada and its common shares (the "**Common Shares**") are listed on the TSXV under the symbol "NDVA".

Indiva's business objective is to produce and sell cannabis products, including dried flower, extract and edible products. As of the date hereof, the Company does not grow cannabis on-site, but rather focuses on the Company's core competencies, being the production and processing of edible and extract cannabis products as well as packaging of edibles and extracts.

Indiva currently sells the majority of its cannabis products to consumers in the recreational market in the provinces of Ontario, British Columbia, Alberta, Quebec, Nova Scotia, Saskatchewan, Manitoba, New Brunswick, Prince Edward Island, Newfoundland, the Yukon, Northwest Territories, and Nunavut. Indiva sells its cannabis products on a wholesale basis to other licensed producers of marijuana under the Cannabis Act (Canada) and the Cannabis Regulations ("**Licensed Producers**") for sale into medical channels.

As of the date hereof, the Company currently holds the following cannabis licences issued by Health Canada:

1. Standard Cultivation;
2. Standard Processing;
3. Sale for Medical Purposes; and
4. Research

(collectively, the "**Licence**").

The Licence enables the Company to sell, distribute, send and deliver cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis topicals, cannabis extracts and edible cannabis. On July 14, 2020, the Company successfully renewed the Licence with Health Canada for another three-year term and the Licence expires July 14, 2023. Indiva has submitted the necessary documents to renew the License to Health Canada.

On April 25, 2022, the Company received its Research Licence from Health Canada which enables it to possess cannabis for the purpose of research. The Company intends to use the Research Licence to prepare and conduct sensory trials. The Research Licence was granted for a five-year term and expires April 25, 2027.

The Company's business is the production of cannabis and cannabis-based products at its facility located at 1050 Hargrieve Road in London, Ontario (the "**Indiva Facility**"). The Indiva Facility is a production, processing and distribution facility. At the Indiva Facility, cannabis and products produced from cannabis extracts are processed in individually segregated and highly-controlled processing rooms. The Indiva Facility is fully licensed as of March 30, 2020, and consists of offices and approximately 40,000 square feet of licensed cannabis production and processing space. The Company invested $11.6M to retrofit the existing building to enable the production and processing of cannabis and cannabis products.

The Indiva Facility is owned by the Company. Management believes that the Indiva Facility has sufficient power and water to support its expanded production operations.

All of Indiva's assets and operations are located in Canada.

As at March 31, 2023, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Indiva's management team includes individuals with experience in cannabis production, finance, corporate and business development, branding and advertising, operations and supply chain management, regulatory and quality assurance and cannabis client care, sales and distribution.

OVERVIEW OF OPERATIONS

Provincial Supply Agreements

As of the date hereof, Indiva distributes products in the recreational channel to all 13 provinces and territories in Canada. The Company has entered into supply agreements with the following provincial and territorial entities:

- the Ontario Cannabis Retail Corporation doing business as the Ontario Cannabis Store;
- Alberta Gaming, Liquor and Cannabis Commission;
- Nova Scotia Liquor Commission;
- Société Québécoise Du Cannabis;
- British Columbia Liquor Distribution Branch; and
- Yukon Liquor Corporation.

The Company is also authorized with Saskatchewan Liquor and Gaming Authority, the Manitoba Liquor and Lotteries, Cannabis NB Ltd, Northwest Territories Liquor and Cannabis Commission, Cannabis NL, and PEI Cannabis Corporation to sell into Saskatchewan, Manitoba, New Brunswick, Northwest Territories, Newfoundland and Prince Edward Island respectively. On January 18, 2022, the Company became a registered supplier in Nunavut.

The Company has also entered into a supply agreement with Medical Cannabis by Shoppers Inc., a subsidiary of Shoppers Drug Mart Inc. as well as several other Licensed Producers to sell Indiva's products through their medical platforms. In Q1 2023, the Company added Tilray Brands, Inc. to its list of medical distributors.

Indiva Life Lozenges

On March 14, 2023, the Company received notification from Health Canada of its determination that certain of its lozenges have been improperly classified as an "extract" rather than an "edible" under applicable cannabis regulations. Health Canada has requested that Indiva cease production of the lozenges. The lozenges subject to this determination are the Indiva Life Wild Cherry THC Lozenges and Indiva Life Lemon THC Lozenges in their 100 mg, 250 mg and 500 mg THC per package formats (the "**Products**"). Prior to the launch of the Products, the Company closely considered the regulatory requirements of the legislation, including with respect to product classification, and conducted substantial research. Consistent with the legislative requirements and the Company's research, the Company classified the Products as cannabis extracts. Currently, the Company has paused production of the

Products as it consults with its advisors and considers next steps and a potential resolution of this matter. The Company may choose to continue manufacturing the Products in alternative packaging formats.

Grön license agreement

On December 14, 2021, the Company entered into an exclusive licensing and manufacturing agreement with Grön LLC ("**Grön**") to manufacture and sell Grön products in Canada. The license has an initial term of five years and renews automatically for three additional terms of five years. The Company began producing Pearls by Grön ("**Pearls**") in Q2 2022 and sales began in Q3 2022 in select provinces including Ontario and British Columbia. Subsequent to Q1 2023, Pearls launched in Alberta.

Bhang Licence agreement

On July 20, 2020, Indiva entered into a license agreement (the "**Bhang Agreement**") with Bhang Corporation ("**Bhang**"), an award-winning licensor of cannabis, edibles and concentrates. The Bhang Agreement provides Indiva with exclusive rights to manufacture and sell Bhang products in Canada as well as the right to export those products internationally (the "**Bhang License**"). The Bhang License has an initial termination date of December 31, 2030 and is renewable for two additional five (5) year terms. In exchange for the Bhang License, the Company has paid an upfront license fee of $1,355,900 (USD$1,000,000), and the Company pays Bhang a net royalty on the sale of Bhang products manufactured and sold by the Company as well as a royalty on any non-Bhang cannabis chocolate products produced and sold by the Company.

Wana Licence agreement

In 2020, the Company announced a license agreement (the "**Wana Agreement**") with The Cima Group LLC ("**Wana**"). 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.

Pursuant to the press release issued by Canopy Growth ("**Canopy**") on October 14, 2021 announcing the acquisition of an option to acquire Wana Brands, Indiva's exclusive rights to manufacture and distribute Wana Sour Gummies in Canada will remain in place until the earlier of May 2025, or the date upon which Wana terminates the Wana Agreement following the exercise by Canopy of its option to acquire Wana, following federal legalization of cannabis in the United States. Indiva and Wana may continue the Wana Agreement beyond May 2025, if both parties mutually agree. In the event that Canopy exercises its option prior to May 2025 and causes Wana to terminate the Wana Agreement, Indiva would be contractually entitled to receive a termination payment equivalent to four times the most recent three months of gross revenue, net of license payments, from the sale of Wana products in Canada.

Artisan Batch

The Company sources high-quality cannabis products from craft and microgrowers and distributes them to provincial markets under the Artisan Batch brand. Sales of the Artisan Batch products began in Q3 2020. Indiva's Artisan Batch products are sold in ten provinces with more strains being added throughout 2022. As of late 2022, the Company began winding down the Artisan Batch brand due to competitive pricing pressure in the flower category as well as to focus on its edible and extract products.

DeepCell Licence Agreement

On April 26, 2018, Indiva announced an exclusive license agreement (the "**DeepCell Agreement**") with DeepCell Industries ("**DeepCell**"), a Seattle-based technology development company focusing on material science, microfluidics and cannabinoid molecule discoveries. Pursuant to the DeepCell Agreement, Indiva acquired exclusive rights in Canada to manufacture and sell DeepCell's complete line of products in exchange for payment of future royalties. Approval for the transaction was obtained from the TSXV on June 11, 2018. Indiva has paid USD $1,500,000 to DeepCell for prepaid royalties. The Company began to manufacture products pursuant to the DeepCell Agreement in Q4 2021, the first shipments occurred in December 2021 to the OCS.

Dime Manufacturing and Licensing Agreement

On April 19, 2022, the Company announced that it had entered into a manufacturing and licensing agreement (the "**Dime Agreement**") with Dime Industries™ Inc. ("**Dime**"). Under the terms of the Dime Agreement, Indiva has the exclusive right to produce and distribute Dime vape products in Canada. The Dime Agreement has an initial term of five years and automatically renews for three additional five year terms. The Company started initial deliveries to provincial wholesalers in Q3 2022.

Sundial Strategic Investment

On February 23, 2021, the Company closed a $22,000,000 strategic investment from Sundial Growers Inc. ("**Sundial**"). The investment was completed in the form of a brokered private placement of 25,000,000 Common Shares at a price of $0.44 per Common Share, for gross proceeds of $11,000,000 ("**Sundial Subscription**"), and a non-revolving term loan facility in the principal amount of $11,000,000 ("**Sundial Loan**" and together with the Sundial Subscription, the "**Sundial Investment**"). The non-revolving term loan was issued net of a 4% discount, the facility matures on February 23, 2024 and bears an interest rate of 9% per annum. 50% of the accrued interest is payable in cash on the last day of each month and the remaining 50% of accrued interest is payable, at the option of Indiva, (i) in cash on the last day of each month, or (ii) payable in arrears on the maturity date. Pursuant to the Sundial Investment, Sundial and Indiva entered into an investor rights agreement whereby Sundial was granted the right to participate in future equity financings to maintain its pro-rata ownership in Indiva and registration rights, subject to customary limits and exceptions. The Company incurred $596,972 in fees directly related to the issuance of Common Shares pursuant to the Sundial Subscription.

Pursuant to the Sundial Investment, the Company settled the previously outstanding loan payable, factoring payable facilities, and outstanding promissory note.

On October 4, 2021, the Company amended the terms of the Sundial Loan. Under terms of the amendment, Indiva will receive an additional advance totalling $8,500,000. The interest rate on the total amount of principal and accrued interest outstanding on the facility is increased to 15% per annum with interest payable monthly and the loan maturing on February 23, 2024. The Company used a majority of the proceeds from the Sundial Loan to fund a claim settlement.

2019 Convertible Debentures

On December 6, 2019, the Company announced a non-brokered unsecured convertible debenture (the "**2019 Debentures**") financing of up to $4,000,000 (the "**2019 Offering**"). The Company completed the first tranche of the 2019 Offering in an aggregate principal amount of $2,115,000 on December 23, 2019, and the second tranche of the 2019 Offering in an aggregate principal amount of $1,040,000 on January

20, 2020. The 2019 Debentures: (i) mature on the date that is 36 months from the date of issuance; (ii) bear interest at the rate of 10.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months, and payable semi-annually on the last day of June and December of each year; and (iii) are convertible, at the option of the holder, into Common Shares at a conversion price of $0.20 per Common Share.

As of March 31, 2023, holders of the 2019 Debentures had converted a cumulative $1,665,000 of principal into 8,325,000 Common Shares.

2020 Convertible Debentures

On February 4, 2020, the Company completed a non-brokered unsecured convertible debenture (the "**2020 Debentures"** and together with the 2019 Debentures, the **"Convertible Debentures**") offering of $1,500,000 (the "**2020 Offering**"). The 2020 Offering was subscribed for by Prairie Merchant Corporation ("**PMC**") and another entity, both controlled by, or affiliated with, W. Brett Wilson. The subscription for the 2020 Debentures by PMC was in addition to its existing shareholdings of the Company and the $500,000 aggregate principal amount of 2019 Debentures. The 2020 Debentures: (i) mature on the date that is 36 months from the date of issuance; (ii) bear interest at the rate of 10.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months, and payable semi-annually on the last day of June and December of each year; and (iii) are convertible, at the option of the holder, into Common Shares at a conversion price of $0.25 per Common Share.

On February 4, 2023, $250,000 of Convertible Debentures held by the holder who did not choose to participate in the amendment matured. The Company repaid the principal of the Convertible Debenture on that date.

There were no conversions of the 2020 Debentures in the three months ended March 31, 2023.

Amended Convertible Debentures

On December 23, 2022, the Company entered into an agreement to amend certain of the 2019 Debentures and 2020 Debentures in the aggregate principal amount of $2,740,000, of the total outstanding principal amount of $2,990,000, to extend the maturity date of the remaining outstanding Convertible Debentures to December 31, 2024. The interest rate of 10% per annum remains unchanged and is payable semi-annually. The Convertible Debentures are convertible into Common Shares at a price of $0.15 per Common Share at any time prior to the close on the business day immediately prior to the maturity date.

Stock based compensation plan

On June 24, 2021, the Company amended its stock-based compensation plan to allow for the issuance of restricted share units ("**RSUs**") and was further amended on June 23, 2022.

During the three months ended March 31, 2023, the Company did not grant any RSUs or stock options.

INDUSTRY TRENDS

Economic and industry factors are substantially unchanged compared to the Annual MD&A. For a detailed description of economic and industry factors, refer to the "Industry Trends" section of the Annual MD&A, which is available on the Company's SEDAR profile.

SELECTED FINANCIAL INFORMATION

(ALL FIGURES IN THIS SECTION ARE IN THOUSANDS OF $, EXCEPT PER SHARE FIGURES)

Summary of Q1 2023 Results

	Three months ended March 31,	
(in thousands of $, except per share figures)	**2023**	**2022**
	$	**$**
Gross revenue	**10,369.3**	9,698.8
Net revenue	**9,412.1**	8,878.6
Net loss	**(2,252.4)**	(3,074.1)
Comprehensive loss	**(2,252.4)**	(3,074.1)
Adjusted EBITDA*	**414.8**	(378.4)
Net loss per share – basic and diluted	**(0.02)**	(0.02)
Comprehensive loss per share – basic and diluted	**(0.02)**	(0.02)

*Adjusted EBITDA is a non-IFRS measure. See "*Non-IFRS Measures*" section for an explanation of how this measure is calculated.

Highlights for Q1 2023:

- Gross revenue in the three months ending March 31, 2023 was $10,369.3 representing a 6.9% increase compared to the three months ending March 31, 2022, driven by the sale of new edible and extract products launched during 2022.

- The Company's gross margin before inventory write-downs in the three months ending March 31, 2023, was 33.6%, compared to 29.6% in the three months ending March 31, 2022. The improved gross margins are driven by lower costs for cannabis inputs for the Company's edible products and production efficiencies.

- The Company's operating expenses in the three months ending March 31, 2023 totaled $3,232.0 down from $3,501.7 in Q1 2022 mainly due to reduced expenditures on marketing and sales.

- The Company reported Adjusted EBITDA of $414.8 in the three months ended March 31, 2023 as opposed to an Adjusted EBITDA loss of $378.4 due to increased sales and gross margin as well as managing operating costs.

RESULTS OF OPERATIONS

Revenue and Cost of Sales

	Three months ended March 31,	
(in thousands of $)	**2023**	**2022**
	$	**$**
Gross revenue	**10,369.3**	9,698.8
Excise taxes	**(957.2)**	(820.2)
Net revenue	**9,412.1**	8,878.6
Cost of goods sold	**(6,250.7)**	(6,250.2)
Write-down of inventory	**(824.0)**	(849.3)
Gross margin	**2,337.4**	1,779.2

Net Revenue and Cost of Goods Sold

The Company recorded an increase in net revenue for the three months ended March 31, 2023 of $533.5 or 6.0% as compared to the prior year period as a result of sales of new edible and extract products launched throughout 2022, including Pearls gummies and Indiva Life lozenges, and the refund of excise taxes on returned products offset by lower sales of Wana Sour Gummies.

Cost of goods sold for the three months ended March 31, 2023 was $6,250.7, compared to $6,250.2 in 2022. Cost of goods sold as a percentage of net revenue during the three months period ending March 31, 2023 was 67%, down from 70% compared to the prior year period as a result of lower costs for cannabis inputs and production efficiencies.

During the three months ended March 31, 2023, the Company recorded a write-down of inventory totaling $824.0. The inventory write-downs in Q1 2023 primarily related to disposal of bulk extracts related to lozenges which cannot be sold due to Health Canada's recent order to halt production and sale of these products, disposal of products that did not meet the Company's quality standards, disposal of aged inventory and packaging material.

Cost of goods sold includes the direct and indirect costs of materials and labour related to inventory sold, and includes processing, packaging, and shipping costs, licensing and royalty fees, depreciation and applicable stock-based compensation and direct and indirect overhead.

Excise taxes are payable on each discrete unit of cannabis sold for the adult recreational market however this does not apply to cannabis sold to other Licensed Producers. Excise taxes as a percentage of gross revenue increased to 9.2% for the three months ending March 31, 2023 from 8.5% for the three months ending March 31, 2022.

Operating Expenses

	Three months ended March 31,	
(In thousands of $)	**2023**	**2022**
	$	**$**
General and administrative	**1,584.7**	1,448.2
Marketing and sales	**1,212.0**	1,730.7
Research and development	**266.7**	110.7
Share-based compensation	**66.1**	111.4
Expected credit loss	**0.5**	1.8
Depreciation of property, plant and equipment	**50.2**	47.1
Amortization of intangible assets	**51.9**	51.9
Total operating expenses	**3,232.0**	3,501.7

General and administrative expenses for the three months ending March 31, 2023 increased to $1,584.7, a 9.4% increase from the prior year primarily due to the increase in legal and insurance expenses and a 2.4% increase from the prior quarter.

Marketing and sales expenses for the three months ended March 31, 2023 decreased to $1,212.0, a reduction of 30% when compared to expenses of $1,730.7 for the three months ended March 31, 2022. Sales and marketing costs were lower primarily due to lower investments in data programs, in-store promotion and magazine-based advertising, partly offset by increased sales commissions consistent with increased sales volumes in the quarter.

Research and development expenses for the three months ended March 31, 2023 increased to $266.7, an increase of 140.9% when compared to $110.7 for the three months ended March 31, 2022. The higher cost is primarily due to the expenses incurred associated with the commissioning of new automation and the development of new products in Q1 2023.

Depreciation of property, plant and equipment increased to $50.2 for the three months ended March 31, 2023, an increase of 6.6% from the three months ended March 31, 2022. Total depreciation expense for the three months ended March 31, 2023 was $353.4 (three months ended March 31, 2022 - $312.8), of which $278.3 related to production facility and equipment and has been capitalized in the production cost of inventory (three months ended March 31, 2022 - $276.8).

Amortization of intangible assets for the three months ended March 31, 2023 relates to amortization of the Bhang Agreement. Effective July 20, 2020, under the terms of the amended Bhang Agreement, the Bhang Licence for the Bhang branded products was recorded as an intangible asset and the cost is amortized over the term of the Bhang Agreement.

Other Income (Expenses)

	Three months ended March 31,	
(in thousands of $)	**2023**	**2022**
	$	**$**
Realized foreign exchange loss	**(6.6)**	(13.9)
Finance costs	**(1,255.4)**	(1,137.0)
Interest income	**21.3**	1.3
Gain on issuance of shares	**3.3**	-
Impairment and loss on disposal of assets	**(120.4)**	(201.9)

During the three months ended March 31, 2023, the Company recognized a loss of $120.4 related to the impairment and disposal of facility equipment.

Finance costs

	Three months ended March 31,	
(in thousands of $)	**2023**	**2022**
	$	**$**
Interest on loan payable	**730.6**	730.6
Interest on convertible debentures	**70.9**	74.8
Accretion of discount on loan payable	**97.9**	82.3
Accretion on convertible debentures	**46.4**	78.7
Amortization of deferred financing costs	**67.1**	68.1
Interest on lease liabilities	**13.8**	17.6
Interest on other liabilities	**45.2**	45.6
Other interest and bank charges	**183.7**	40.0
Total finance costs	**1,255.4**	1,137.0

Finance costs recorded in the three months ended March 31, 2023, increased by $118.4 compared to the same period in 2022.

The Company incurred non-cash accretion interest charges totaling $97.9 for the three months ended March 31, 2023 related to the loan payable which was recorded at fair value net of $1,822.3 discount from the principal at issuance.

Amortization of deferred financing costs recorded in the three months ended March 31, 2023 relate to the amortization of transaction costs on the Sundial Loan and the Convertible Debentures.

Non-IFRS Measures

Adjusted EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. The calculation of Adjusted EBITDA is comprised of the net loss and comprehensive loss of the Company added or subtracted as applicable as provided in the detailed reconciliation found in this MD&A. There are a number of individual financial statement adjustments however, they are inclusive of, interest expense and income, income taxes, depreciation and amortization, fair value gains or losses, impairments or settlements, foreign exchange, share based compensation, gains or losses on the sale or disposal of assets and any other unusual items. The most directly comparable financial measure to Adjusted EBITDA is net loss.

While Adjusted EBITDA is used by management of the Company to assess the historical financial performance of the Company, as applicable, readers are cautioned that:

- non-IFRS financial measures, such as Adjusted EBITDA, are not recognized financial measures under IFRS;
- the Company's method of calculating non-IFRS financial measures, such as Adjusted EBITDA, may differ from that of other corporations or entities and therefore may not be directly comparable to measures utilized by other corporations or entities;
- in the future, the Company may disclose different non-IFRS financial measures in order to help its investors more meaningfully evaluate and compare future results of operations to previously reported results of operations;
- non-IFRS financial measures, such as Adjusted EBITDA, should not be viewed as an alternative to measures that are recognized under IFRS such as profit or loss or cash from operating activities; and
- readers should not place undue reliance on any non-IFRS financial measures.

Adjusted EBITDA reconciliation is as follows:

	Three months ended March 31,	
(in thousands of $)	**2023**	**2022**
	$	**$**
Net loss and comprehensive loss	**(2,252.4)**	(3,074.1)
Finance costs	**1,255.4**	1,137.0
Interest income	**(21.3)**	(1.3)
Depreciation of property, plant and equipment	**50.2**	47.1
Amortization of intangible assets	**51.9**	51.9
Amortization in cost of sales	**303.2**	265.7
EBITDA	**(613.1)**	**(1,573.7)**
Write-down of inventory	**824.0**	849.3
Share-based compensation	**66.1**	111.4
Share-based compensation in cost of sales	**13.7**	17.1
Foreign exchange gain	**6.6**	13.9
Gain on issuance of shares	**(3.3)**	-
Impairment and loss on disposal of assets	**120.4**	201.9
Expected credit loss	**0.5**	1.8
Adjusted EBITDA	**414.8**	**(378.4)**

Financial Position

(in thousands of $)	As at March 31, 2023 $	As at December 31, 2022 $	As at March 31, 2022 $
Total assets	**37,549.8**	37,849.0	39,140.9
Total liabilities	**34,199.0**	35,700.5	34,767.5
Total non-current financial liabilities	**3,386.4**	22,317.8	19,945.8
Share capital	**57,750.2**	57,391.1	57,371.5
Contributed surplus	**5,668.5**	6,011.7	5,920.3
Share-based payment reserve	**3,783.7**	3,731.3	3,193.3
Warrant reserve	**2,513.6**	2,513.6	2,526.5
Accumulated other comprehensive loss	**(19.5)**	(19.5)	(19.5)
Accumulated deficit	**(69,732.0)**	(67,479.6)	(64,753.2)

Total Assets and Liabilities

Total assets decreased to $37,549.8 as at March 31, 2023, compared to $37,849.0 as at December 31, 2022 primarily as a result of decreases in accounts receivable and inventory.

Total liabilities have increased by $1,884.9 between December 31, 2022 and March 31, 2023, as a result of increases in accounts payable and accrued liabilities.

The decrease in long-term liabilities relates to the reclassification of the Sundial Loan to current liabilities as it matures in February 2024.

Distributions or Cash Dividends

No distributions or dividends were paid during the three months ended March 31, 2023.

Summary of Quarterly Results

The following tables sets out selected quarterly information for the last eight completed fiscal quarters of the Company:

(in thousands of $, except per share figures)	Q1 2023 $	Q4 2022 $	Q3 2022 $	Q2 2022 $
Net revenue	9,412.1	9,306.8	8.090.8	8,126.5
Comprehensive loss	(2,252.4)	(2,790.6)	(2,565.5)	(2,501.8)
Basic and diluted loss per share	(0.02)	(0.02)	(0.02)	(0.02)
	Q1 2022 $	**Q4 2021 $**	**Q3 2021 $**	**Q2 2021 $**
Net revenue	8,878.6	9,372.3	7,668.8	8,994.9
Comprehensive loss	(3,074.1)	(4,199.6)	(6,468.0)	(1,480.0)
Basic and diluted loss per share	(0.02)	(0.03)	(0.05)	(0.01)

In Q1 2023 the Company recorded $9,412.1 in net revenue representing a 1.1% increase from the prior quarter and a 6.0% increase from Q1 2022. The sale of edible products represented 77.7% of total revenues in Q1 2023.

In Q4 2022 the Company recorded $9,306.8 in net revenue representing a 15.0% increase from the prior quarter and a 0.7% decrease from Q4 2021. The sale of edible products continued to be the main driver of sales representing 81% of total revenues in Q4 2022. Operating expenses increased 14.7% from the prior quarter while they decreased 4.5% as compared to Q4 2021.

In Q3 2022, the Company recorded $8,090.8 in net revenue representing a 0.4% decline from the prior quarter and a 5.5% increase in net revenue from Q3 2021. The sale of edible products continued to be the main driver of sales representing 91% of total revenues in Q3 2022. Operating expenses declined by 3% compared with Q2 2022 and increased by 12.4% from Q3 2021 as the Company continued to invest in sales and marketing as well as the development of new products.

In Q2 2022, the Company recorded $8,126.5 in net revenue representing a 9% decline from the prior quarter and a 10% decrease in net revenue from Q2 2021. The sale of edible products continued to be the main driver of sales representing 90% of total revenues in Q2 2022. Operating expenses remained consistent with Q1 2022 at $3,314.7 (Q2 2022 - $3,488.2), however were up $306.8 or 10% from Q3 2021 as the Company continued to invest in sales and marketing as well development of new products.

In Q1 2022, the Company recorded $8,878.6 in net revenue representing a 44% increase in net revenue from Q1 2021. Net revenues from the sale of edible products remained strong and increased 3% from Q4 2021 to $8,514.8 from $8,227.1. Operating expenses decreased from $4,066.3 in Q4 2021 to $3,504.9 however were up $1,270.1 or 57% from Q1 2021 as the Company increased investments in research and development and sales and marketing activities. In Q1 2022 the Company recorded an impairment loss totaling $201.9 on cultivation equipment being held for sale.

In Q4 2021, the Company recorded $9,372.3 in net revenue, of which 88% related to the sale of edible products. Net revenues increased 23% from Q3 2021. Comprehensive loss in Q4 2021 included a loss on claim settlement totaling $284.3 and a one-time loss on modification of the Sundial Loan totaling $510.1.

In Q3 2021, the Company recorded $7,668.8 in net revenue, of which 90% related to the sale of edible products. Although, net revenues reduced 15% from Q2 2021, the Company realized a second consecutive quarter with positive adjusted EBITDA. Comprehensive loss in Q3 2021 included a one-time loss pursuant to the settlement of a claim totaling $4,835.1.

In Q2 2021, the Company realized a significant increase in sales which increased net revenue by $2,826.9 or 46% from the previous quarter. The gross margin on those sales, after adjusting for fair value changes and inventory write-downs improved to 34% up from 18% in Q1 2021 as the costs of production decreased from lower cannabis input costs and production efficiencies. Operating expenses in the quarter increased by 39% to $3,098.5 versus $2,217.3 in Q1 2021 primarily due to higher marketing and sales commissions driven by higher sales volumes, and higher public company costs. Comprehensive net loss included one-time expenses and non-cash charges totaling $1,000.3 including inventory write-down and an increase to the onerous contract provision.

LIQUIDITY

The table below sets out the cash, short-term debt and working capital:

(in thousands of $)	As at March 31, 2023 $	As at December 31, 2022 $	As at March 31, 2022 $
Cash	**2,824.2**	2,785.7	2,381.5
Short-term debt	**19,108.3**	(250.0)	(2,681.2)
Working capital	**(22,176.9)**	(1,545.1)	2,693.2

- Short-term debt as of March 31, 2023, includes the Sundial Loan maturing in February 2024.
- In Q4 2021, the Company finalized a warrant incentive program that entitled holders of warrants issued in June 2020 and August 2020, to receive one half of one newly issued warrant upon exercise of the 2020 warrant at the exercise price of $0.40. Under this program holders exercised 8,866,666 warrants in exchange for Common Shares for gross proceeds of $3,546.7.
- On October 4, 2021, the Company amended the terms of Sundial Loan. Under the terms of the amendment Indiva received additional proceeds totaling $8,500,000. The majority of the funds were used to fund the claim settlement.
- On February 23, 2021, the Company closed the $22,000.0 Sundial Investment. The investment was comprised of $11,000.0 in equity pursuant to the Sundial Subscription and the Sundial Loan, a three-year term loan with a principal amount of $11,000.0. The investment provided additional liquidity for the Company to make capital investments to reduce production costs and rollout new products in 2021, including the DeepCell branded products, as well as new products in the Company's existing product lines. The Company also used proceeds from this investment to settle liabilities that were coming due, including the demand loan facility, secured bridge loan, and promissory note.

Cash

As at March 31, 2023, the Company had cash of $2,824.2 compared to $2,785.7 at December 31, 2022 and $2,381.5 as at March 31, 2022.

Summary of cash flows for the three months ended March 31, 2023 and 2022:

(in thousands of $)	For the three months ended March 31	
	2023	**2022**
	$	**$**
Cash flows provided by operating activities	**460.5**	232.6
Cash flows used in investing activities	**(118.2)**	(277.4)
Cash flows used in financing activities	**(303.8)**	(53.7)
Cash, end of period	**2,824.2**	**2,381.5**

Cash from Operating Activities

Cash provided by operations for the three months ended March 31, 2023, was $460.5 as compared to $232.6 for the period ended March 31, 2022. Cash provided by operating activities increased as a result of net revenues increasing 6.0% for the three months ended March 31, 2023, as compared to the prior year, improved gross margins on sales and net changes in working capital accounts.

Cash from Investing Activities

The Company used $118.2 (2022- $277.4) in cash related to investing activities during the three months ended March 31, 2023.

Cash from Financing Activities

The Company used $303.8 in financing activities primarily related to the repayment of $250.0 of Convertible Debentures and payment of the principal portion of lease liabilities.

Going Concern

The 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 $2,252.4 for the three months ended March 31, 2023 (three months ended March 31, 2022 – $3,074.1) and an accumulated deficit of $69,732.0 as at March 31, 2023 (December 31, 2022 - $67,479.6). 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, the Sundial Loan, repayments of the Convertible Debentures, 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 12 months from the end of the reporting period. If the going concern assumption was not appropriate, adjustments would likely be necessary in the carrying amounts of assets and liabilities, expenses, the accumulated deficit and the classification used in the Interim Financial Statements. These adjustments could be material.

CONTRACTUAL OBLIGATIONS

The Company had the following contractual obligations at March 31, 2023:

	$
Next 12 months	1,531.7
2 – 3 years	120.3
Total	**1,652.0**

The Company entered into a license agreement effective March 4, 2020. Under terms of the agreement, the Company will incur minimum expenditures of $200.0 per quarter for marketing related to the licensed products.

Under the terms of the amended Bhang Agreement, 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 licenced products.

SHARE CAPITAL

The Company's authorized share capital is comprised of an unlimited number of Common Shares. The table below outlines the number of Common Shares issued and outstanding and the number of Common Shares issuable on the exercise of issued and outstanding warrants and options as at May 16, 2023, March 31, 2023, December 31, 2022 and March 31, 2022. The table also reflects the number of Common Shares issuable on conversion of the Convertible Debentures.

	May 16, 2023	March 31, 2023	December 31, 2022	March 31, 2022
Common Shares	148,792,761	148,792,761	147,297,037	146,150,202
Options	9,187,500	9,222,500	9,772,500	9,773,333
RSUs	647,222	647,222	2,632,719	2,260,497
Warrants	12,812,329	12,812,329	12,812,329	12,842,271
Convertible debentures	18,266,667	18,266,667	19,266,667	13,450,000

On February 9, 2023, the Company issued 1,364,478 Common Shares pursuant the redemption of issued 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.

TRANSACTIONS WITH RELATED PARTIES

In the three months ended March 31, 2023, the Company settled interest payments totalling $15,750 in exchange for Common Shares to holders of the 2019 Debentures. The fair value of the Common Shares on issuance was $0.12 per Common Share. The 2019 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 2019 Debenture holders which include an aggregate of 118,747 Common Shares issued to related parties to settle interest owing.

There were no other related party transactions in the three months ended March 31, 2023.

RISKS AND UNCERTAINTIES

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. For a detailed description of risk factors associated with the Company, refer to the "Risks and Uncertainties" section of the Annual MD&A, which is available on the Company's SEDAR profile. To the date hereof, there have been no significant changes to the risk factors set out in the Annual MD&A.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses and the related disclosures of contingent assets and liabilities. Significant estimates in the Interim Financial Statements relate to the Company's ability to continue as a going concern, classification of Convertible Debentures as financial liability and equity, classification of the joint arrangement, expected credit losses, deferred income taxes, market interest rates, the fair value of options and warrants, estimated useful lives and depreciation of property, plant and equipment and intangible assets, net realizable value of inventory, value of biological assets and inventory, and variable consideration in revenue from contracts with customers. Actual results could differ from these estimates. Significant new estimates include the market interest of debt instruments.

NEW ACCOUNTING POLICIES

Amendments to IAS 1, Presentation of Financial Statements

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

Amendments to IAS 1, "Presentation of Financial Statements – Disclosure of Accounting Policies" and IFRS Practice Statement 2 – Making Materiality Judgements

The amendments require that an entity disclose its material accounting policies, instead of its significant accounting policies. IFRS Practice Statement 2 was amended to include guidance and examples to explain and demonstrate the application of the four-step materiality process.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The amendments replace the definition of a change in accounting estimates with a definition that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. Amendments clarify that a change in accounting estimates resulting from new information or new developments is not the correction of an error. Further, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior-period errors.

Amendments to IAS 1, "Presentation of Financial Statements ("IAS 1") – Non-Current Liabilities with Covenants"

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect the classification of a liability as current or non-current. Additional disclosures are required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period.

SUBSEQUENT EVENTS

As of the May 16, 2023, there were no subsequent events to disclose.

APPROVAL

The directors of Indiva have approved the disclosures contained in this MD&A.