

INDIVA LIMITED

Condensed Consolidated Interim Financial Statements

(Unaudited, Expressed in Canadian dollars)

For the three months ended March 31, 2024 and 2023

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

(Unaudited, Expressed in Canadian dollars)

As at	Note	March 31, 2024 \$	December 31, 2023 \$
ASSETS			
Current assets			
Cash		2,980,627	2,225,742
Accounts receivable	5	4,187,729	4,895,127
Other receivable		692,760	692,760
Inventory	6	4,850,800	4,846,822
Prepaid expenses and deposits	7	605,763	398,311
Assets held for sale		16,100	-
Total current assets		13,333,779	13,058,762
Other non-current assets			
Property, plant and equipment	8	21,111,054	21,196,830
Assets in process	9	25,118	123,991
Equipment deposits	8	-	48,279
Intangible assets	10	1,399,362	1,451,228
Prepaid royalties		1,944,973	1,944,963
Total assets		37,814,286	37,824,053
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		16,015,047	15,238,745
Other liabilities	12	281,202	230,591
Lease liabilities	13	160,907	171,049
Convertible debentures	14	2,517,693	2,458,972
Total current liabilities		18,974,849	18,099,357
Other non-current liabilities			
Other liabilities	12	723,302	722,267
Lease liabilities	13	225,063	239,531
Loan payable	11	19,172,528	19,105,768
Total liabilities		39,095,742	38,166,923
Equity			
Share capital	15	60,592,985	59,918,158
Contributed surplus		7,177,683	7,154,444
Reserves		5,135,361	5,001,893
Accumulated other comprehensive loss		(19,537)	(19,537)
Accumulated deficit		(74,167,948)	(72,397,828)
Total equity		(1,281,456)	(342,870)
Total liabilities and equity		37,814,286	37,824,053

Going Concern (Note 3) and Commitments (Note 23)

N. Marotta

Carmine (Niel) Marotta

J. Yersh

James Yersh

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

For the three months ended March 31, 2024 and 2023

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

	<i>Note</i>	2024	2023
		\$	\$
Gross revenue		10,642,099	10,369,281
Excise taxes		(1,313,558)	(957,166)
Net revenue		9,328,541	9,412,115
Cost of goods sold	6	(6,544,242)	(6,250,748)
Write-down of inventory	6	(17,450)	(823,992)
Gross margin		2,766,849	2,337,375
Operating expenses			
General and administrative		1,573,279	1,584,652
Marketing and sales		1,270,642	1,212,048
Research and development		151,058	266,707
Share-based compensation	15(c)	117,803	66,087
Expected credit loss	20(c)	4,903	469
Depreciation of property, plant and equipment	8	40,034	50,192
Amortization of intangible assets	10	51,865	51,867
Total operating expenses		3,209,584	3,232,022
Loss from operations		(442,734)	(894,647)
Other income (expenses)			
Foreign exchange loss		(6,769)	(6,564)
Finance costs	18	(1,193,185)	(1,255,428)
Interest income		22,569	21,320
Gain on issuance of shares		-	3,282
Impairment loss on assets held for sale		-	(120,396)
Other expenses		(150,000)	-
Net loss and comprehensive loss attributable to shareholders		(1,770,120)	(2,252,433)
Loss per share, basic and diluted	16	(0.01)	(0.02)
Weighted average number of outstanding shares, basic and diluted	16	189,146,563	148,792,761

Indiva Limited

Condensed Consolidated Interim Statements of Changes in Equity

For the three months ended March 31, 2024 and 2023

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

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	\$					
Balance, January 1, 2024		186,428,563	59,918,158	7,154,444	5,001,893	(72,397,828)	(19,537)	(342,870)
Shares issued with warrants-net of share issuance cost	15(a)	9,060,000	674,827	-	76,685	-	-	751,512
Share-based compensation	15(c)	-	-	23,239	56,783	-	-	80,022
Net loss for the period		-	-	-	-	(1,770,120)	-	(1,770,120)
Balance, March 31, 2024		195,488,563	60,592,985	7,177,683	5,135,361	(74,167,948)	(19,537)	(1,281,456)

	Note	Share capital		Contributed surplus	Reserves	Accumulated deficit	Accumulated other comprehensive loss	Total
		Shares	Amount					
		#	\$					
Balance, January 1, 2023		147,297,037	57,391,055	6,011,665	6,244,930	(67,479,578)	(19,537)	2,148,535
Shares issued in lieu of interest		131,246	12,469	3,281	-	-	-	15,750
Vesting of restricted share units	15(c)(i)	1,364,478	346,694	(346,694)	-	-	-	-
Share-based compensation	15(c)	-	-	257	52,330	-	-	52,587
Net loss for the period		-	-	-	-	(2,252,433)	-	(2,252,433)
Balance, March 31, 2023		148,792,761	57,750,218	5,668,509	6,297,260	(69,732,011)	(19,537)	(35,561)

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

For the three months ended March 31, 2024 and 2023

(Unaudited, Expressed in Canadian dollars)

	<i>Note</i>	2024	2023
		\$	\$
OPERATING ACTIVITIES			
Net loss for the period		(1,770,120)	(2,252,433)
Adjustments for:			
Write-off of inventory to net realizable value	6	17,450	823,992
Depreciation and amortization	8, 10	91,899	102,059
Loss on disposal of assets held for sale		-	120,396
Non-cash financing costs	18	140,480	270,317
Share-based compensation	15(c)	117,803	79,785
Expected credit loss		4,903	469
Interest income		(22,569)	(21,320)
Net changes in working capital items	17	1,041,961	1,337,280
Cash provided by (used in) operating activities		(378,193)	460,545
INVESTING ACTIVITIES			
Purchase of property, plant, equipment and deposits	8, 9	(178,334)	(139,522)
Interest income		22,569	21,320
Cash used in investing activities		(155,765)	(118,202)
FINANCING ACTIVITIES			
Proceeds from issuance of equity units, net of costs	15	751,512	-
Payment of principal portion of lease liabilities	13	(61,226)	(53,777)
Repayment of convertible debenture	14	-	(250,000)
Cash provided by (used in) financing activities		690,309	(303,777)
Change in cash		156,351	38,566
Cash, beginning of the period		2,824,276	2,785,710
Cash, end of the period		2,980,627	2,824,276

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

1. CORPORATE INFORMATION

Indiva Limited (the “Company” or “Indiva”) is governed by the laws of Ontario. The Company’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol “NDVA”.

Its wholly owned subsidiary, Indiva Inc. is a licensed producer of marijuana under the Cannabis Act and Cannabis Regulations (formerly Health Canada’s Access to Cannabis for Medical Purposes Regulations “ACMPR”), in London, Ontario, focused on manufacturing edible and extract products. The Company received the sales amendment to its licence on August 10, 2018 and its extracts, edibles and topicals amendment on January 31, 2020.

The address of the Company’s corporate office is 333 Preston Street, Suite 710, Ottawa, Ontario, K1S 5N4.

2. BASIS OF PRESENTATION

(a) STATEMENT OF COMPLIANCE

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, 2023 (the “2023 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 2023 Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Board of Directors on May 23, 2024.

(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 2023 Annual Financial Statements.

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

3. GOING CONCERN

These Interim Financial Statements have been prepared on the basis of principles applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities for the foreseeable future. The Company has incurred losses in the current and prior periods, with a loss and comprehensive loss attributable to shareholders of \$1,770,120 for the three months ended March 31, 2024 (three months ended March 31, 2023 - \$2,252,433), an accumulated deficit of \$74,167,948 as at March 31, 2024 (December 31, 2023 - \$72,397,828) and negative working capital of \$5,641,070 (December 31, 2023 - \$5,040,595). These conditions, together with amounts payable under the loan agreement (see note 11), 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, 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, convertible debenture repayments and capital expenditures. Even if the Company has been successful in raising funds in the past, there is no assurance that it will manage to obtain financing in the future.

In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. If the going concern assumption was not appropriate for 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 2023 Annual Financial Statements, except for the adoption of the applicable new standards effective as of January 1, 2024.

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

5. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2024 consist of trade and other receivables totaling \$4,212,537 (December 31, 2023 - \$4,851,734) and taxes receivable totalling \$117,112 (December 31, 2023 - \$71,777).

Accounts receivable are presented net of expected credit losses of \$33,287 as at March 31, 2024 (December 31, 2023 - \$28,384).

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

For the three months ended March 31, 2024 and 2023

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

6. INVENTORY

Inventory as at March 31, 2024, and December 31, 2023, consisted of the following:

	March 31, 2024	December 31, 2023
	\$	\$
<i>Cannabis extracts and edibles</i>		
Finished goods	1,869,163	1,875,736
Work-in-process	1,387,960	1,285,312
Packaging, supplies and other inventory	1,593,677	1,168,774
Total inventory	4,850,800	4,846,822

Inventory expensed to cost of goods sold during the three months ended March 31, 2024 was \$5,670,083 (three months ended March 31, 2023 - \$4,623,274). Cost of goods sold for the three months ended March 31, 2024, also includes royalties, license fees, shipping, and other costs totalling \$768,597 (three months ended March 31, 2023 - \$1,627,474). In the three months ended March 31, 2024, the Company recorded inventory write-offs totalling \$17,450 (three months ended March 31, 2023 - \$823,992). The inventory write-off for the three months ended March 31, 2023, includes disposal of products that did not meet the Company's quality standards as well as disposals and provisions for aged inventory and write-downs.

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2024	December 31, 2023
	\$	\$
Rent, security and utility deposits	5,287	5,287
Government of Canada surety bond	369,000	303,000
Other prepayments	231,476	90,024
Total prepaid expenses and deposits	605,763	398,311

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

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

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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, 2023	252,275	18,816,255	81,318	6,315,777	71,307	482,335	1,021,283	27,040,550
Additions	-	25,334	-	96,245	-	-	26,423	148,002
Transferred from assets in process	-	14,151	-	124,453	-	-	-	138,604
Disposals	-	-	-	-	-	(7,227)	-	(7,227)
Transferred to assets held for sale	-	-	-	-	(71,307)	-	-	(71,307)
Balance, March 31, 2024	252,275	18,855,740	81,318	6,536,475	-	475,108	1,047,706	27,248,622
Accumulated depreciation								
Balance, December 31, 2023	-	2,469,703	17,716	2,188,394	54,464	432,050	681,393	5,843,720
Depreciation for the period	-	127,218	1,996	170,336	743	14,255	41,734	356,282
Disposals	-	-	-	-	-	(7,227)	-	(7,227)
Transferred to assets held for sale	-	-	-	-	(55,207)	-	-	(55,207)
Balance, March 31, 2024	-	2,596,921	19,712	2,358,730	-	439,078	723,127	6,137,568
Carrying amounts as at:								
December 31, 2023	252,275	16,346,552	63,602	4,127,383	16,843	50,285	339,890	21,196,830
March 31, 2024	252,275	16,258,819	61,606	4,177,745	-	36,030	324,579	21,111,054

As at March 31, 2024, \$48,279 of the cost of the Company's additions were included in accounts payable and accrued liabilities (December 31, 2023 - \$20,306). In the three months ended March 31, 2024, equipment deposits totalling \$48,279 have been applied towards the cost of additions to property, plant and equipment (December 31, 2023 - \$251,660) and the Company has made no further deposits towards future purchases (December 31, 2023 - \$48,279).

Total depreciation expense for the three months ended March 31, 2024 was \$356,282 (three months ended March 31, 2023 - \$353,352), of which \$316,248 has been capitalized in the production of inventory (three months ended March 31, 2022 - \$303,161).

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

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

For the three months ended March 31, 2024 and 2023

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

9. ASSETS IN PROCESS

	Building and building improvements \$	Facility equipment \$	Total \$
Balance, December 31, 2023	4,383	119,608	123,991
Additions	14,588	25,142	39,730
Transferred to property, plant and equipment	(14,150)	(124,453)	(138,603)
Balance, March 31, 2024	4,821	20,297	25,118

10. INTANGIBLE ASSETS

	Bhang license \$
Balance, December 31, 2023	2,169,688
Balance, March 31, 2024	2,169,688
Accumulated amortization	
Balance, December 31, 2023	718,460
Amortization for the period	51,865
Balance, March 31, 2024	770,325
Carrying amounts as at:	
December 31, 2023	1,451,228
March 31, 2024	1,399,362

11. LOAN PAYABLE

	\$
Loan payable, December 31, 2023	19,105,768
Accretion of discount and deferred transaction costs	66,760
Interest charged on SNDL Loan	738,667
Payment of interest on SNDL Loan	(738,667)
Loan payable, March 31, 2024	19,172,528

As at March 31, 2024, the Company is in compliance with all applicable covenants of the SNDL Loan.

On April 1, 2024, the Company entered into an amendment to the second amended and restated promissory note between the Company and SNDL (the "Amending Agreement"). Pursuant to the Amending Agreement, the Company repaid \$2,000,000 of the principal outstanding of the SNDL Loan and the requirement that the Company ensures a \$2,000,000 minimum unrestricted cash balance at all times was removed. As well, if certain current liabilities totalling \$4,913,021 are not paid by May 31, 2024, and

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Notes to the Condensed Consolidated Interim Financial Statements

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that timeline is not further extended by SNDL, then, at the lender's discretion, certain rights of the lender in the context of a breach may be accelerated pursuant to the terms of the SNDL Loan. The interest rate, maturity date and other terms of the SNDL Loan remain the same. The Company also announced on April 2, 2024, that it had engaged a financial advisor to assist the Company in the evaluation of potential strategic alternatives intended to maximize shareholder value, including but not limited to, financing alternatives, a merger, amalgamation, plan of arrangement, consolidation, reorganization or other similar transactions.

12. OTHER LIABILITIES

	March 31, 2024			December 31, 2023		
	Current	Long-term	Total	Current	Long-term	Total
	\$	\$	\$	\$	\$	\$
Minimum royalties	133,395	723,302	856,697	139,679	722,267	861,947
Others	147,807	-	147,807	90,912	-	90,912
	281,202	723,302	1,004,504	230,591	722,267	952,859

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 months ended March 31, 2024, interest accretion of \$44,151 was recorded to finance costs in the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2023 - \$45,193).

13. LEASE LIABILITY

	Office space	Office equipment	Facility equipment	Total
	\$	\$	\$	\$
Balance, December 31, 2023	390,264	15,336	4,980	410,580
Additions	-	-	26,420	26,420
Lease payments	(51,021)	(1,684)	(8,498)	(61,203)
Interest expense	9,418	328	427	10,173
Balance, March 31, 2024	348,661	13,980	23,329	385,970
Current, December 31, 2023	160,501	5,581	4,967	171,049
Non-current, December 31, 2023	229,777	9,754	-	239,531
Current, March 31, 2024	147,121	1,740	12,046	160,907
Non-current, March 31, 2024	201,541	-	23,522	225,063

During the three months ended March 31, 2024, the Company recognized \$22,381 in variable lease payments in general and administrative expenses on the condensed consolidated interim statements of loss and comprehensive loss (three months ended March 31, 2023 - \$23,852).

Indiva Limited

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

As at March 31, 2024, 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	183,700	206,250	-	389,950
Facility equipment	10,916	15,352	-	26,268
Office equipment	6,122	8,683	1,085	15,890
Minimum lease payments	200,738	230,285	1,085	432,109

14. CONVERTIBLE DEBENTURES

	\$
Balance, December 31, 2023	2,458,972
Accretion interest on debenture discount	56,835
Accretion of transaction costs	1,886
Balance, March 31, 2024	2,517,693

A reconciliation of interest and accretion expense on the convertible debentures in the three months ended March 31, 2024 and 2023, is as follows:

	2024 \$	2023 \$
Accretion interest on debenture discount	56,835	46,376
Interest expense in the period	68,500	70,861
Total interest and accretion on convertible debentures expensed	125,335	117,237
Interest expense payable, opening balance	-	15,750
Interest expense in the period	68,500	70,861
Interest expense paid in shares	-	(15,750)
Interest expense included in accounts payable and accrued liabilities	68,500	70,861

15. SHARE CAPITAL

(a) CAPITAL STOCK

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

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

Each Unit consists of one common share in the capital of the Company (each, a "Common Share") and one-half Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable

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into one Common Share at a price of \$0.15 per Common Share for a period of 36 months from the date of issuance.

The proceeds were recognized in equity and allocated \$674,827 to common shares and \$76,685 to reserves based on the relative fair value of each equity instrument. The Company incurred share issuance costs totalling \$154,489 related to this transaction.

As at March 31, 2024, a total 195,488,563 (December 31, 2023 – 186,428,563) common shares were issued and outstanding. No special shares have been issued or are outstanding.

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

	Warrants outstanding #	Weighted average exercise price \$
Outstanding, December 31, 2023	4,433,333	0.45
Issued	4,812,800	0.15
Outstanding, March 31, 2024	9,246,133	0.29

All warrants outstanding as at March 31, 2024 are exercisable.

The following warrants remain outstanding as at March 31, 2024:

Warrant description	# of warrants #	Expiry date	Exercise price \$
Incentive warrants	4,433,333	9/30/2026	0.45
2024 Private Placement Offering	4,812,800	2/28/2027	0.15
Total warrants and weighted average exercise price	9,246,133		0.29

As at March 31, 2024, the warrants outstanding have a remaining life of 2.8 years.

(c) SHARE-BASED COMPENSATION

During the three months ended March 31, 2024, the Company recognized share-based compensation expense of \$117,803 (three months ended March 31, 2023 - \$66,087) 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 months ended March 31, 2024, totalling \$13,999 (three months ended March 31, 2023 - \$13,699) 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 March 31, 2024, based on the Company's total common shares outstanding, a total of 19,548,856 (December 31, 2023 - 18,642,856) stock options and RSUs may be issued and outstanding. Based on this, the Company could grant up to 4,651,575 (December 31, 2023 - 10,414,522) additional stock options or RSUs beyond what was issued and outstanding as at March 31, 2024. 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.

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(I) RESTRICTED SHARE UNITS

During the three months ended March 31, 2024, the Company recorded share-based compensation expense related to equity-settled RSUs totalling \$23,239. The Company has recorded a liability related to the outstanding cash-settled RSUs at March 31, 2024 totalling \$51,779 in accounts payable and accrued liabilities in the condensed consolidated interim statements of financial position.

The following table summarizes the movement in outstanding RSUs:

	Equity settled	Cash settled	Total
Outstanding, December 31, 2023	-	-	-
Issued	1,000,002	2,645,834	3,645,836
Outstanding, March 31, 2024	1,000,002	2,645,834	3,645,836

(II) STOCK OPTIONS

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

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

	Number of options #	Weighted average exercise price \$
Outstanding, December 31, 2023	8,228,334	0.32
Issued	3,624,778	0.10
Expired	(500,000)	0.43
Cancelled	(101,667)	0.32
Outstanding, March 31, 2024	11,251,445	0.24

The company granted 3,624,778 options on January 3, 2024 with an exercise price of \$0.095 per option.

16. 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.

	March 31, 2024	December 31, 2023
Stock options	11,251,445	8,228,334
RSUs	3,645,836	-
Warrants	9,246,133	4,433,333
Convertible debentures	18,266,667	18,266,667

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For the three months ended March 31, 2024 and 2023

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

17. SUPPLEMENTAL CASH FLOWS

Changes in working capital items for the three months ended March 31, 2024 and 2023 are comprised of the following:

	2024	2023
	\$	\$
Accounts receivable	702,495	(402,741)
Inventory	(337,673)	(1,669,837)
Prepaid expenses and deposits	(207,452)	(5,134)
Accounts payable and accrued liabilities	935,202	3,177,022
Other liabilities	(50,611)	(65,191)
	1,041,961	1,034,119

18. FINANCE COSTS

Finance costs consist of the following for the three months ended March 31, 2024 and 2023:

	2024	2023
	\$	\$
Interest on loan payable (Note 11)	738,667	730,550
Interest on convertible debentures (Note 14)	68,500	70,861
Accretion of discount on loan payable (Note 11)	46,209	97,856
Accretion on convertible debentures (Note 14)	56,835	46,376
Amortization of deferred financing costs	37,437	67,136
Interest on lease liabilities (Note 13)	10,173	13,756
Interest on other liabilities (Note 12)	44,151	45,193
Other interest and bank charges	191,213	183,700
	1,193,185	1,255,428

19. 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.

20. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, other liabilities, loan payable and convertible debentures. The fair value of accounts receivable and accounts payable and accrued liabilities are equivalent to their carrying values given their short maturity period. Interest accretion on other liabilities is at the Company's effective interest rate, and accordingly, the carrying value is equivalent to the fair value. The loan payable was recorded using the Company's effective interest rate and accordingly its carrying values approximates the fair value on the issuance date. There has been no material change to the Company's overall effective interest rate as at March 31, 2024 and accordingly the fair value of the Company's long-term financial liabilities, including convertible debentures, approximates their carrying value as at March 31, 2024.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

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

(a) Foreign currency risk

As at March 31, 2024, the Company did not hold any cash denominated in a foreign currency (December 31, 2023 - \$nil).

(b) Liquidity risk

The Company's approach to managing liquidity is to maintain sufficient liquidity to meet its liabilities when they become due.

In addition to the commitments disclosed in Note 23, the Company is obligated to the following contractual maturities of undiscounted cash flows, net of interest payments:

As at March 31, 2024	Carrying amount	Contractual cash flows	Year 1	Year 2 - 3	Year 4 - 5 and thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	16,015,047	16,015,047	16,015,047	-	-
Other liabilities	1,004,504	2,264,021	210,977	221,525	2,696,523
Loan payable	19,172,528	19,751,905	-	19,751,905	-
Lease liabilities	385,970	432,108	200,738	230,285	1,085
Convertible debentures	2,517,693	2,740,000	2,740,000	-	-
Total	39,095,742	41,203,081	19,166,762	20,203,715	2,697,608

(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 months ended March 31, 2024 of \$4,903 (three months ended March 31, 2023 - \$479).

During the three months ended March 31, 2024, the Company had gross sales of \$9,293,885 to three major customers (three months ended March 31, 2023 - \$9,511,725). These customers each accounted for over 10% of the Company's total revenue for the three months ended March 31, 2024. Total amounts receivable from these customers as March 31, 2024 was \$2,639,356 (December 31, 2023 - \$3,620,398).

As at March 31, 2024, the Company's aging of trade receivables was approximately as follows:

	March 31, 2024	Expected credit loss rate	December 31, 2023	Expected credit loss rate
	\$	%	\$	%
1 - 60 days	4,043,412	0.5	4,819,306	0.5
61 - 120 days	27,205	3.0	32,428	3.0
Total	4,070,617	0.5	4,851,734	0.5

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024 and 2023

(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.

21. CAPITAL MANAGEMENT

The Company considers its capital under management to be total debt and equity of \$20,408,765 (December 31, 2023 - \$21,221,870), as shown below:

	March 31, 2024	December 31, 2023
	\$	\$
Total debt		
Loan payable	19,172,528	19,105,768
Convertible debentures	2,517,693	2,458,972
Total debt	21,690,221	21,564,740
Total equity	(1,281,456)	(342,870)

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.

22. INCOME TAXES

There have been no material changes to income tax matters during the three months ended March 31, 2024. The Company is subject to income tax at a statutory tax rate of 26.5%. During the three ended March 31, 2024, there were no material changes to statutory tax rates.

23. COMMITMENTS

In addition to the lease liability commitments disclosed in Note 13, the Company has contractual obligations for contractors, consultants, insurance, IT services, facility services and equipment, and minimum payments under license agreements with terms remaining of up to two years. The annual minimum payments payable under these obligations are as follows:

	\$
Next 12 months	3,098,702
2 – 3 years	1,992,000
Total	5,090,702

Subsequent to March 31, 2024, the Company entered into commitments totalling \$1,212,118. These commitments are primarily composed of production supplies. These commitments are payable over the next 12 months.

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

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

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

24. KEY MANAGEMENT COMPENSATION

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

Key management personnel compensation for the three months ended March 31, 2024 and 2023 were as follows:

	2024	2023
	\$	\$
Short-term key management personnel compensation	287,500	225,000
Share-based payments	123,209	76,126
Directors' fees	15,625	15,625
	426,334	316,751

25. RELATED-PARTY TRANSACTIONS

There were no related party transactions in the three months ended March 31, 2024.

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

26. COMPARATIVE FIGURES

Certain comparative amounts in these Financial Statements have been re-classified as a result of a change in presentation of certain expenses on a functional basis during the current year. The Company notes no material changes have been made to any of these figures other than classifications within operating expenses and there is no change to total assets, total liabilities and equity, or total comprehensive loss attributable to shareholders.