

INDVR Brands Inc.

(formerly Cannabis One Holdings Inc.)

Condensed Interim Consolidated Financial Statements

For the nine months ended

October 31, 2021

(Unaudited – Prepared by Management)

(Expressed in U.S. Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of INDVR Brands Inc. (“the Company”) for the three and nine months ended October 31, 2021 and October 31, 2020, have been prepared by the management of the Company and approved by the Company’s Audit Committee and the Company’s Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed interim financial statements by an entity’s auditor.

INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Prepared by Management)
(Expressed in United States Dollars)

As at October 31, 2021 and January 31, 2021

	Note	October 31, 2021 \$	January 31, 2021 \$
Assets			
Current assets			
Cash		15,669	92,053
Receivables	15	1,029,977	722,147
Leases receivable	4	294,293	344,139
Inventory	3,5	242,445	-
Loans receivable	6	-	121,276
Prepaid expenses		135,161	126,824
		1,717,545	1,406,439
Non-current assets			
Equipment and other deposits		162,576	162,576
Receivables	15	500,000	500,000
Leases receivable	4	1,727,184	2,524,192
Loans receivable	6	130,790	-
Property and equipment	7	4,451,978	2,158,424
Intangible assets	8	3,092,177	693,296
Goodwill	3	3,335,967	-
		13,400,672	6,038,488
Total assets		15,118,217	7,444,927
Liabilities and shareholders' equity			
Current liabilities			
Trade and other payables	13	2,435,483	2,527,453
Lease liabilities	7	887,847	448,491
Loans payable	9	832,381	826,243
Tenant deposits		165,000	165,000
		4,320,711	3,967,187
Non-current liabilities			
Lease liabilities	7	2,817,951	2,023,461
Total liabilities		7,138,662	5,990,648
Shareholders' equity			
Share capital	11	35,472,733	26,552,640
Subscriptions received	11	-	79,200
Reserves	11	1,457,949	2,603,482
Accumulated other comprehensive income (loss)		797	(37,045)
Deficit		(28,951,924)	(27,743,998)
Total shareholders' equity		7,979,555	1,454,279
Total liabilities and shareholders' equity		15,118,217	7,444,927
Nature of operations and going concern	1		
Commitments and contingencies	17		

Approved on behalf of the Board of Directors on December 30, 2021 by:

"Jordan Shapiro" Director

"Hugh Hempel" Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Prepared by Management)
(Expressed in United States Dollars)
For the three and nine months ended October 31, 2021 and October 31, 2020

		Three Months ended	Three Months ended	Nine months ended	Nine months ended
		October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
	Note	\$	\$	\$	\$
Revenue (Note 13)					
Lease and rental income	4	231,716	266,060	586,430	751,415
Royalty income, net		72,714	15,411	292,443	34,060
Total revenue		304,430	281,471	878,873	785,475
Cost of sales					
Lease expenses		-	-	-	7,028
Total cost of sales		-	-	-	(7,028)
Net service loss		-	(90,981)	-	(152,498)
Gross profit		304,430	190,490	878,873	625,949
Operating expenses					
Amortization of intangible assets	8	105,316	85,828	231,120	257,484
Consulting fees		50,772	101,167	109,650	247,057
Depreciation	7	266,783	189,325	504,649	592,440
Finance costs, net	7	94,339	73,387	215,900	209,974
General and administrative		21,180	15,686	52,558	203,400
Investor relations		44,310	48,459	365,134	119,284
Management fees	13	102,500	80,420	284,750	557,776
Professional fees		88,734	32,411	371,221	330,705
Salaries and benefits		-	25,201	-	25,201
Share-based payments	11,13	(1,199)	50,338	331,035	171,698
Transfer agent and filing fees		11,823	6,955	38,222	29,499
Travel		12,124	370	15,323	30,628
Total operating expenses		(796,682)	(709,547)	(2,519,562)	(2,775,146)
Loss from operations		(492,252)	(519,057)	(1,640,689)	(2,149,197)
Other expenses					
Reversal (loss) provision for contingencies	17	-	181,568	(595,853)	(68,432)
Loss on derecognition of leases receivable	4	-	-	(447,952)	-
Loss allowances/provisions on trade receivables		-	-	-	(42,291)
Loss for the period		(492,252)	(337,489)	(2,684,494)	(2,259,920)
Other items of comprehensive income (loss)					
Foreign currency translation gain (loss)		89,149	(359)	37,842	48,606
Loss and comprehensive loss for the period		(403,103)	(337,848)	(2,646,652)	(2,211,314)
Loss per share					
Weighted average number of common shares outstanding					
- Basic #		115,293,972	108,582,538	226,293,232	99,926,830
- Diluted #		115,293,972	108,582,538	226,293,232	99,926,830
Basic loss per share		(0.00)	(0.00)	(0.01)	(0.02)
Diluted loss per share		(0.00)	(0.00)	(0.01)	(0.02)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited - Prepared by Management)
(Expressed in United States Dollars)
For the nine months ended October 31, 2021

	Class A Subordinated Voting Shares #	Class B Super Voting Shares #	Class A Subordinated Voting Shares \$	Class B Super Voting Shares \$	Subscriptions (receivable) received	Reserves \$	Accumulated other comprehensive loss \$	Deficit \$	Total \$
January 31, 2021	82,184,258	5,489,428	13,659,559	12,893,081	79,200	2,603,482	(37,045)	(27,743,998)	1,454,279
Issuance of shares for cash	2,375,000	-	150,306	-	(79,200)	-	-	-	71,106
Issuance of shares for settlement of payables	4,412,875	164,375	278,919	103,695	-	-	-	-	382,614
Issuance of shares for settlement of contingency	-	2,000,000	-	1,058,438	-	-	-	-	1,058,438
Issuance of shares for business combination - Strainz & Bronnor	-	13,700,000	-	7,328,735	-	-	-	-	7,328,735
Conversion of Class B SVS Shares to Class A SUB Shares	5,520,040	(552,004)	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	331,035	-	-	331,035
Re-allocated on cancellation of options	-	-	-	-	-	(1,097,529)	-	1,097,529	-
Re-allocated on expiry of warrants	-	-	-	-	-	(379,039)	-	379,039	-
Foreign currency translation adjustment	-	-	-	-	-	-	37,842	-	37,842
Loss for the period	-	-	-	-	-	-	-	(2,684,494)	(2,684,494)
October 31, 2021	94,492,173	20,801,799	14,088,784	21,383,949	-	1,457,949	797	(28,951,924)	7,979,555

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INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited - Prepared by Management)
(Expressed in United States Dollars)
For the nine months ended October 31, 2020

	Class A Subordinated Voting Shares #	Class B Super Voting Shares #	Class A Subordinated Voting Shares \$	Class B Super Voting Shares \$	Subscriptions (receivable) received	Reserves \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total \$
January 31, 2020	51,901,743	3,171,591	12,558,178	11,478,860	(244,682)	4,039,696	(30,779)	(23,860,139)	3,941,134
Issuance of units/shares for cash, services, and debt settlements	7,629,365	1,733,552	369,724	840,091	-	-	-	-	1,209,815
Share issue costs - cash	-	-	(3,791)	-	-	-	-	-	(3,791)
Repurchase of shares and return to treasury	-	-	(435,932)	-	244,682	-	-	-	(191,250)
Conversion of Class B SVS Shares to Class A SUB Shares	2,727,680	(312,768)	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	171,698	-	-	171,698
Re-allocated on cancellation of options	-	-	-	-	-	(23,691)	-	23,691	-
Re-allocated on expiry of warrants	-	-	2,953	-	-	(1,755,100)	-	1,752,147	-
Foreign currency translation adjustment	-	-	-	-	-	-	48,606	-	48,606
Loss for the period	-	-	-	-	-	-	-	(2,259,920)	(2,259,920)
October 31, 2020	62,258,788	4,592,375	12,491,132	12,318,951	-	2,432,603	17,827	(24,344,221)	2,916,292

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)
(Expressed in U.S. Dollars)

For the nine months ended October 31, 2021 and October 31, 2020

	Note	October 31, 2021 \$	October 31, 2020 \$
Operating activities:			
Loss for the period		(2,684,494)	(2,259,920)
Adjustments for:			
Amortization of intangible assets		231,120	257,484
Depreciation		504,649	592,440
Finance costs		215,900	209,974
Interest (income) expense, net - General and administrative		127,414	(22,495)
Share-based payments		331,035	171,698
Reversal (loss) provision for contingencies		595,853	(68,432)
Loss on derecognition of leases receivable		447,952	-
Loss allowances/provisions on trade receivables		-	42,291
Changes in non-cash working capital items:			
Receivables		(307,080)	(82,202)
Leases receivable		57,842	108,960
Prepaid expenses		(7,526)	86,019
Deposits		-	30,000
Trade and other payables		757,549	532,395
		270,214	(401,788)
Investing activities:			
Funds advanced for loans receivable, net of repayments		-	(19,375)
Purchases of property and equipment		(11,170)	(289,175)
		(11,170)	(308,550)
Financing activities:			
Lease payments	7	(440,472)	(369,875)
Proceeds from loan	9	-	820,600
Proceeds from issuance of shares	11	71,106	332,653
Share issue costs		-	(3,791)
Repurchase of shares issued - to be returned to treasury	11	-	(191,250)
		(369,366)	588,337
Change in cash		(110,322)	(122,001)
Effect of foreign exchange on cash		33,938	39,687
Cash, beginning of period		92,053	141,674
Cash, end of period		15,669	59,360
Income taxes paid		\$ -	\$ -
Interest paid		\$ -	\$ -

Supplemental cash flow information

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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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INDVR Brands Inc. (formerly Cannabis One Holdings Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended October 31, 2021 and October 31, 2020
(Unaudited – Prepared by Management)
(Expressed in United States Dollars)

1. Nature of operations and going concern

INDVR Brands Inc. (formerly Cannabis One Holdings Inc., and Metropolitan Energy Corp. prior thereto) (“INDVR”, “Metropolitan”, or the “Company”) was incorporated on July 16, 2007, under the *Business Corporations Act* (British Columbia). On August 14, 2020, the Company changed its name to INDVR Brands Inc. The Company’s head office is located at 1840, 444-5th Avenue SW, Calgary, AB, T2P 2T8. The Company’s registered office address is 1000 - 1000 Granville Street, Vancouver, BC, V6C 0C8. The Class A SUB Shares of the Company trade on the Canadian Securities Exchange (the “CSE”) under the symbol “IDVR”.

The Company is focused on providing infrastructure and brand licensing to licensed cannabis businesses in the United States. The Company currently generates revenue through subleasing cultivation, manufacturing, and dispensary facilities and licensing brand names. The Company is in the process of acquiring the appropriate licensing and its recent Strainz and Bronnor purchase of assets and business combination (Note 3), upon receipt of proper transfers and approvals it will expand into manufacturing of cannabis extracts. Until such time that licensing is obtained, the Company itself does not directly produce or sell cannabis products, or control or operate any of Bronnor’s licensed activities in Colorado, but rather continues to lease certain acquired assets to Bronnor for use in its own ongoing operations. The Company currently operates in recreational cannabis sectors in Washington, Oregon and Colorado where the legal commercial production and vending of cannabis is permitted by state laws.

On June 14, 2021, the Company through Bronnor II Inc. a newly incorporated wholly-owned Colorado subsidiary of the Company (as further described in Note 2) completed the acquisition of substantially all of the physical assets, IP and trademarks of Strainz, Inc. (“Strainz”) and Bronnor, Corp. (“Bronnor”) pursuant to an Asset Purchase Agreement (“APA”) executed on February 26, 2021 (Note 3).

These condensed interim consolidated financial statements (the “financial statements”) have been prepared on a going concern basis which assumes that the Company will be able to continue its operations for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of business.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations currently. There are travel restrictions and health and safety concerns that may delay the Company’s business development activities. Various Government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic, and the various programs are constantly being expanded and relaxed, which may qualify the Company for additional assistance. To date, the Company has qualified for and received an unsecured loan with a principal amount of \$820,600 from the Paycheck Protection Program (the “PPP”), authorized under the Coronavirus Aid, Relief, and Economic Securities (CARES) Act of the United States (Note 9).

The Company’s continuing operations are dependent upon its ability to raise additional financing and generate profitable operations through additional brand licensing (royalty) arrangements, operating revenues through the newly acquired assets and related businesses from Strainz and Bronnor, and the continuance of facility sublease arrangements. During the nine months October 31, 2021, the Company incurred a loss for the period of \$2,684,494 and as at October 31, 2021, the Company had a working capital deficiency of \$2,603,166 (January 31, 2021 – working capital deficiency of \$2,560,748). These material uncertainties and conditions may cast significant doubt upon the Company’s ability to continue as a going concern. Historically, the Company has funded its operations primarily through the issuance of equity. There are no assurances that the Company will continue to be successful in securing equity and/or debt financing on favorable terms.

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Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended October 31, 2021 and October 31, 2020
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1. Nature of operations and going concern (continued)

Legality of Cannabis Operations in the United States:

The Company indirectly derives revenue from the cannabis industry in Washington, Oregon, and Colorado. The cannabis industry is illegal under United States federal law. The Company is not directly engaged in the manufacture, importation, possession, use, sale, or distribution of cannabis in the recreational cannabis marketplace, or medical cannabis marketplace in either Canada or the United States.

In the United States (“U.S.”), 36 states, the District of Columbia, and four U.S. territories allow the use of medical cannabis. Moreover, 18 states, the District of Columbia, and two territories have legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 (“Federal CSA”). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

There remains uncertainty about the US federal government’s position on cannabis with respect to cannabis legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited financial statements for the year ended January 31, 2021, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These financial statements include the accounts of:

- INDVR Brands Inc. (“INDVR”) (formerly Cannabis One Holdings Inc.) a company domiciled in Canada as the legal parent company;
- INDVR Brands U.S., Inc. (“INDVR US”) (formerly Cannabis One U.S. Inc., and formerly Bertram Capital Finance, Inc.) a wholly-owned operating subsidiary of INDVR domiciled in the USA; and
- Bronnor II Inc. (“Bronnor II”) a wholly-owned operating subsidiary of INDVR domiciled in the USA. Bronnor II was incorporated by INDVR on February 26, 2021 under the name INDVR Brands Acquisition Corp. until completing a name change on July 28, 2021 to Bronnor II Inc. At the time of incorporation, there was no assets or liabilities in Bronnor II.

A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

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Notes to the Condensed Interim Consolidated Financial Statements
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2. Significant accounting policies (continued)

Functional and presentation currency

These financial statements are presented in United States dollars (U.S. dollars), which is the functional currency of INDVR US, and Bronnor II. The functional currency of INDVR is the Canadian dollar ("CAD").

Comparative figures

Certain comparative figures on the statement of loss and comprehensive loss have been reclassified to conform to the current period's presentation. Specifically, information technology and software, rent, and finance income (expense) has been combined within general and administrative. Additionally, depreciation is presented as a single line item instead of segregated between right-of-use assets and other.

Significant accounting policies

Except for the new or expanded accounting policies set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended January 31, 2022. Accordingly, these financial statements should be read in conjunction with the Company's most recent annual audited financial statements.

Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

Licenses	Indefinite – renewed annually
Intellectual property	10 years
Domain names	5 years
Distribution/sales channels	5 years
Trademarks, trade names and brands	5 years

Indefinite life intangible assets are measured at cost less any impairment charges. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired.

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For the nine months ended October 31, 2021 and October 31, 2020
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2. Significant accounting policies (continued)

Estimates and critical judgments by management

Business combination

Determination of whether a set of assets acquired, or liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of Strainz and Bronnor (Note 3) was determined to constitute a business combination.

The fair value of assets acquired, and liabilities assumed and the resulting goodwill, if any, requires that management makes estimates based on the information provided by the acquiree. Changes to the provisional values of assets acquired and liabilities assumed, including the associated deferred income taxes and resulting goodwill, if any, will be retrospectively adjusted when the final measurements are determined (within one year of acquisition date). The determination of fair value as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, revenue, future operating costs, market trajectory and prices for goods, and forecasts of brand and license value.

Business combinations and asset acquisitions

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed are recorded at 100% of their fair values at the date of acquisition. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred, and the Company acquires the assets and assumes the liabilities of the acquiree. Acquisition related costs of business combinations are recognized as expenses. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired on initial recognition and are classified as a separate component of equity. The excess of (a) total consideration transferred by the Company, measured at fair value, including contingent consideration, and (b) the non-controlling interests in the acquiree, over the fair value of net assets acquired, is recorded as goodwill. Any excess of the aggregate fair value of net assets acquired over the consideration paid is recognized in profit or loss.

Asset acquisitions are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition of assets transferred, liabilities incurred or assumed, equity instruments issued by the Company, and contingent consideration payable. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition-related costs are recognized in profit or loss as incurred. The excess of the consideration paid over the fair value of the net identifiable assets and liabilities acquired is recorded as a non-current asset such as intangible assets. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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3. Business combination – Strainz, Inc. and Bronnor, Corp.

On June 14, 2021, the Company issued 13,700,000 Class B SVS Shares with a fair value of approximately \$0.53 (CAD \$0.65) for a total of \$7,328,735 (CAD \$8,905,000) (Note 11) upon completion of the acquisition of certain assets of Strainz, Inc. (“Strainz”) and Bronnor, Corp. (“Bronnor”) pursuant to an Asset Purchase Agreement (“APA”) executed on February 26, 2021 (Note 1).

Both Strainz and Bronnor are private companies in the cannabis industry in the United States. The components acquired from Bronnor (with physical manufacturing operations in Colorado) primarily include the license (subject to proper transfer of this license as approved by regulatory authorities), intellectual property, domain names, operating and manufacturing procedures, distribution/sales channels, non cannabis containing inventory, and property and equipment (including the right-of-use asset and lease liability). The components acquired from Strainz (a Nevada-based brand with no physical operations) primarily include intellectual property, trademarks, trade names and brands, and inventory.

Moreover, the specific assets acquired from both parties include finished goods and raw materials inventory relating to cannabis extracts and edibles, property and equipment (inclusive of facility subleases (right-of-use asset within property and equipment and lease liability), extraction equipment, and furniture and fixtures), as well as an operating permit in the City of Denver, a cannabis manufacturing license in the State of Colorado (still subject to transfer approval and which specifically does not include finished goods and raw materials inventory related to cannabis extracts and edibles), intellectual property, domain names, trademarks, trade names and brands, operating procedures and processes, and distribution/sales channels. Transfer of the license from Bronnor to the Company is currently undergoing regulatory approvals with the State of Colorado.

The acquisition of the assets of Strainz and Bronnor constituted a business combination which is accounted for under the acquisition method in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations* whereby identifiable assets and liabilities acquired are recorded at their fair values at the date of acquisition. Upon completion of the accounting for the acquisition, goodwill arose from the consideration paid for the net assets acquired by the Company in excess of their fair values. Consideration in excess of the assets fair values recognized within goodwill reflects the benefit of expected revenue, future market development, assembled work forces and existing manufacturing “know-how”.

Upon transfer of the license the Company will officially acquire physical possession and control of the inventory (and license shown below).

Assets (liabilities) of Strainz and Bronnor acquired:	June 14, 2021	\$
Inventory		242,445
Property and equipment		2,464,463
Intangibles:		
License		1,200,001
Intellectual property		600,000
Domain names		5,000
Distribution/sales channels		200,000
Trademarks, trade names and brands		625,000
Lease liability		(1,344,141)
Goodwill		3,335,967
Net assets acquired		7,328,735
Consideration paid:		\$
Class B SVS Shares (13,700,000 shares at \$0.53 (CAD\$0.65) per share)		7,328,735
Total		7,328,735

The Company did not incur external legal or other professional fees related to closing of the transaction. All fees related to closing of the transaction incurred by individuals internal to the Company are included in professional fees. However, the Company has engaged an external consultant in relation to transfer of the license who was compensated \$4,900 during the nine months ended October 31, 2021, which is presented as consulting fees.

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4. Leases receivable

Facility leases:

As at October 31, 2021 and January 31, 2021, leases receivable consists of three facility sublease agreements (all with Cannabis Corp., Note 7). The Company recognizes these facility subleases as finance leases because they are for the majority of the remaining term of the head lease. The average monthly implicit lease rates ranged between 10.19% and 26.70% on each of the three facility subleases.

There were no amendments to the terms of the facility subleases during the nine months ended October 31, 2021 and the year ended January 31, 2021.

Terminated equipment leases:

During June 2021, the Company terminated two equipment lease agreements with Cannabis Corp. and recognized the effect of the termination as at July 31, 2021 by derecognizing leases receivable of \$658,222 and recognizing the equipment in the process of repossession at the estimated net book value of \$210,270 which represents the expected net book value of the equipment in the event that the Company had never entered the lease agreements. The net effect is a loss on derecognition of leases receivable of \$447,952 during the nine months ended October 31, 2021.

The two former lease agreements originally had a term of five years each which would have expired on December 31, 2021 and March 31, 2022. The repossession of the equipment is subject to the Notice of Claim served against Cannabis Corp. (Note 17). Moreover, the terms of the former lease agreements stipulated that the equipment is always owned by the Company, and possession will revert to the Company upon expiration or termination of the lease agreements.

Summary:

The following table sets out a maturity analysis of leases receivable, showing the undiscounted lease payments to be received in future periods:

Fiscal year	Facility subleases \$
Less than one year	583,128
One to three years	1,183,076
Three to five years	793,010
Thereafter	332,884
Total undiscounted lease payments receivable	2,892,098
Unearned finance income	(870,621)
Net investment in the lease	2,021,477

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4. Leases receivable (continued)

A reconciliation of the Company's leases receivable as at and for the year ended January 31, 2021 is as follows:

	Facility subleases \$	Equipment leases \$	January 31, 2021 \$
Balance, beginning of year	1,501,981	784,031	2,286,012
Addition	910,300	-	910,300
Payments received	(523,600)	(611,132)	(1,134,732)
Lease income	314,189	492,562	806,751
Balance, end of year	2,202,870	665,461	2,868,331
Current portion (within one year)	287,740	56,399	344,139
Long-term portion (later than one year but no later than five years)	1,915,130	609,062	2,524,192

A reconciliation of the Company's leases receivable as at and for the nine months ended October 31, 2021, is as follows:

	Facility subleases \$	Equipment leases \$	October 31, 2021 \$
Balance, beginning of period	2,202,870	665,461	2,868,331
Payments received	(434,088)	(87,305)	(521,393)
Derecognition	-	(658,222)	(658,222)
Lease income	252,695	80,066	332,761
Balance, end of period	2,021,477	-	2,021,477
Current portion (within one year)	294,293	-	294,293
Long-term portion (later than one year but no later than five years)	1,727,184	-	1,727,184

Lease and rental income:

During the nine months ended October 31, 2021, the Company earned \$586,430 (2020 - \$751,415) in lease and rental income related to unwinding of finance income on equipment leases and facility subleases of \$332,761 (per above) plus other nominal amounts, and an additional \$250,000 for a short term month-to-month sublease arrangement invoiced to Bronnor through the newly acquired facility in the purchase of assets business combination with Strainz and Bronnor until the required license transfers are approved and finalized.

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5. Inventory

The Company's inventory was acquired during the nine months ended October 31, 2021, through the business combination with Strainz and Bronnor (Note 3). Inventory is comprised of raw materials, packaging, and finished goods relating to cannabis edibles and related goods. Inventory is valued but not controlled or operated until regulatory approval of the license transfer is approved.

Until such time that the applicable licensing is transferred from Bronnor to the Company's subsidiary, the Company will not be able to take possession of, or directly benefit from the sales of cannabis edibles and related products. The transfer of the licensing remains under review by state and regulatory authorities.

6. Loans receivable

A reconciliation of the Company's loans receivable as at and for the nine months ended October 31, 2021, and the year ended January 31, 2021 is as follows:

	October 31, 2021	\$	January 31, 2021	\$
Balance, beginning of period/year	121,276		108,520	
Advances	-		21,875	
Repayments	-		(2,500)	
Interest income accrual and/or adjustment	9,514		14,287	
Loss allowance	-		(20,906)	
Balance, end of period/year	130,790		121,276	

As at October 31, 2021, the carrying value of loans receivable is due from Cannabis Corp. which is subject to the Notice of Claim (Note 17). Additionally, a loan due from another third party has been fully reduced for a loss allowance of \$20,206 recognized during the year ended January 31, 2021.

Cannabis Corp. loan receivable

In 2020, the Company issued a Promissory Note to Cannabis Corp. in the amount of \$106,012 for the purpose of providing short-term working capital until such time that the City of Denver issued the Certificate of Occupancy (issued December 10, 2019) on its cultivation facility. The loan bears interest at 12% per annum, is unsecured and matured on November 20, 2020 at which time it was automatically extended in accordance with the terms of the agreement.

As at October 31, 2021 and January 31, 2021, the loan (which is presented as a non-current asset) had not yet been repaid and is subject to the Notice of Claim served against Cannabis Corp (Note 15).

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7. Property and equipment

Property and equipment consists of the following:

	Extraction equipment \$	Cultivation equipment \$	Leasehold improvements \$	Furniture and equipment \$	Right-of-use assets \$	Total \$
Cost						
January 31, 2020	547,386	395,046	1,899,939	88,967	624,294	3,555,632
Additions	-	9,601	110,463	5,230	-	125,294
Transfer to leases receivable	-	-	-	-	-	-
Disposals	-	-	(146,613)	-	(500,210)	(646,823)
January 31, 2021	547,386	404,647	1,863,789	94,197	124,084	3,034,103
Accumulated depreciation						
January 31, 2020	90,773	68,140	112,651	19,118	243,374	534,056
Additions	109,477	93,860	239,090	18,486	86,152	547,065
Disposals	-	-	-	-	(205,442)	(205,442)
January 31, 2021	200,250	162,000	351,741	37,604	124,084	875,679
Cost						
January 31, 2021	547,386	404,647	1,863,789	94,197	124,084	3,034,103
Additions	-	11,170	-	-	112,300	123,470
Acquired from Strainz and Bronnor (Note 3)	1,114,736	-	-	5,586	1,344,141	2,464,463
Transfer on derecognized leases receivable (Note 4)	-	210,270	-	-	-	210,270
October 31, 2021	1,662,122	626,087	1,863,789	99,783	1,580,525	5,832,306
Accumulated depreciation						
January 31, 2021	200,250	162,000	351,741	37,604	124,084	875,679
Additions	167,011	61,269	156,567	14,555	105,247	504,649
October 31, 2021	367,261	223,269	508,308	52,159	229,331	1,380,328
Net book value						
January 31, 2021	347,136	242,647	1,512,048	56,593	-	2,158,424
October 31, 2021	1,294,861	402,818	1,355,481	47,624	1,351,194	4,451,978

Right-of-Use Assets and Lease Liabilities

Under IFRS 16 – *Leases*, the Company assesses whether a contract is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

The Company has identified certain contracts that are leases as defined under IFRS 16. In analyzing the identified agreements, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities were calculated with a discount rate of 10%.

Based on all the facts and circumstances at the inception of the contract, the Company has determined that the identified facility leases listed below contain a lease as defined by IFRS 16:

Location	Asset	Type	Sublessee	Sublease classification
Denver, CO	Building	Cultivation	Cannabis Corp.	Finance lease (leases receivable)
Denver, CO	Building	Cultivation	Cannabis Corp.	Finance lease (leases receivable)
Denver, CO	Building	Dispensary	Cannabis Corp.	Finance lease (leases receivable)
Denver, CO	Building	Manufacturing	Bronnor	month-to-month lease
Calgary, AB	Building	Corporate Head Office	n/a	n/a

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7. Property and equipment (continued)

A reconciliation of the Company's lease liabilities as at and for the nine months ended October 31, 2021, and the year ended January 31, 2021, is as follows:

	October 31,	January 31,
	2021	2021
	\$	\$
Lease liabilities		
Balance, beginning of period/year	2,471,952	2,169,707
Additions (Note 3)	1,456,441	910,300
(1) Lease payments	(440,472)	(517,959)
Lease interest (finance costs)	215,900	275,607
Translation adjustment	1,977	-
Termination	-	(365,703)
Balance, end of period/year	3,705,798	2,471,952
Current portion of lease liabilities	887,847	448,491
Non-current portion of lease liabilities	2,817,951	2,023,461
Maturity analysis - contractual undiscounted cash flows		
Less than one year	887,847	448,491
One to five years	2,953,612	1,804,212
More than five years	1,245,146	1,458,694
Total undiscounted lease liabilities	5,086,605	3,711,397

(1) As at October 31, 2021, there were no lease payments included in trade and other payables (January 31, 2021 - \$40,875, which was settled by way of issuance of Class A SUB shares during the nine months ended October 31, 2021 (Note 11)).

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8. Intangible assets

Intangible assets consist of the following:

	Licenses \$	Intellectual property \$	Domain names \$	Distribution/sales channels \$	Trademarks, trade names, and brands \$	Total \$
Cost						
January 31, 2020	-	-	-	-	1,716,574	1,716,574
Write-down of trade names	-	-	-	-	(749,550)	(749,550)
January 31, 2021	-	-	-	-	967,024	967,024
Accumulated amortization						
January 31, 2020	-	-	-	-	147,974	147,974
Write-down of trade names	-	-	-	-	(217,560)	(217,560)
Additions	-	-	-	-	343,314	343,314
January 31, 2021	-	-	-	-	273,728	273,728
Cost						
January 31, 2021	-	-	-	-	967,024	967,024
Acquired from Strainz and Bronnor (Note 3)	1,200,001	600,000	5,000	200,000	625,000	2,630,001
October 31, 2021	1,200,001	600,000	5,000	200,000	1,592,024	3,597,025
Accumulated amortization						
January 31, 2021	-	-	-	-	273,728	273,728
Additions	-	22,849	381	15,233	192,657	231,120
October 31, 2021	-	22,849	381	15,233	466,385	504,848
Net book value						
January 31, 2021	-	-	-	-	693,296	693,296
October 31, 2021	1,200,001	577,151	4,619	184,767	1,125,639	3,092,177

As at January 31, 2021, the Company tested whether the Fat Face Farms trade name was impaired and concluded that it was impaired in full (net book value of \$531,990) as revenues from the trade name had not yet been recognized by issuance of the January 31, 2021 financial statements and as at the date of these financial statements, and there is uncertainty as to the timing and amount of revenues that may be generated in the future.

As at October 31, 2021 and January 31, 2021, there were no impairment indicators in respect of the Honu trade name, nor any of the other intangible assets acquired on June 14, 2021 from Strainz and Bronnor (Note 3).

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9. Loans payable

A reconciliation of the Company's loans payable as at and for the nine months ended October 31, 2021, and the year ended January 31, 2021 is as follows:

	October 31, 2021	January 31, 2021
	\$	\$
Balance, beginning of period/year	826,243	412,000
Proceeds received - Payroll Protection Program	-	820,600
Settlement (non-cash)	-	(400,000)
Interest forgiven	-	(12,000)
Interest expense (general and administrative)	6,138	5,643
Balance, end of period/year	832,381	826,243

Payroll Protection Program Loan

On May 25, 2020, the Company entered into a loan agreement with a lender based in the United States for an unsecured loan. The loan was made pursuant to the Paycheck Protection Program (the "PPP") as part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") administered by the U.S. Small Business Administration ("SBA"). The loan was made to the Company for a principal amount of \$820,600 and has a term of 2 years with a 1% annual interest rate. At October 31, 2021, accrued interest payable totals \$11,781 (January 31, 2021 - \$5,643) and is included within the carrying value of the loans payable.

Payments on the PPP loan are deferred for 6 months, after which the repayment of principal and interest is required to be made in equal monthly payments over 18 months beginning December 25, 2020. There is no prepayment penalty. If proceeds are used for qualifying expenses as defined by the CARES Act, including payroll costs, health care benefits, rent and utilities, the Company can apply for forgiveness after 60 days of all or any portion of the loan used for such qualifying expenses. Although the Company intends to use the proceeds for qualifying expenses, there is no assurance that the Company will obtain forgiveness of the loan. The terms of the loan, including eligibility and forgiveness, may be subject to additional requirements adopted by the SBA. If the Company is successful in receiving forgiveness for those portions of the loan used for qualifying expenses, those amounts will be recorded as a gain upon extinguishment.

10. Other liabilities

Effective January 15, 2020, the Company entered into two Purchase and Sale of Future Receipts Agreements ("PSFR") with the President of the Company, and an entity majority owned by a trust of which the former CEO of the Company is a beneficiary (the "Purchasers"), for aggregate proceeds of \$82,650. These amounts were settled in full during the year ended January 31, 2021, through settlements reached pursuant to the private placement that closed in May 2020. During the year ended January 31, 2021, interest expense in the amount of \$53,723, was recognized and a total of \$136,373 was settled. Accordingly, there are no further amounts owed by the Company.

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11. Share capital

Authorized

The Company is authorized to issue an unlimited number of shares, consisting of the following:

- Class A Subordinated Voting Shares (common share equivalent, one vote per share) (“Class A SUB Shares”); and
- Class B Super Voting Shares (ten votes per share) (“Class B SVS Shares”). Each Class B SVS Share is convertible at any time at the option of the holder into ten (10) Class A SUB Shares.

Repurchase of Shares

During the year ended January 31, 2021, the Company entered into three Settlement and Release Agreements pursuant to the repurchase of certain Class A SUB Shares, and Class B SVS Shares (collectively, “Shares”) which were issued in 2020, pursuant to warrant exercises. Pursuant to the agreements the Company agreed to repurchase the equivalent of 450,000 Class A SUB Shares in aggregate at a total cost of \$337,500.

As at October 31, 2021 and January 31, 2021, the Company had repurchased 200,000 Shares in aggregate at a cost of \$209,014. Additionally, the Company had forgone \$244,682 during the year ended January 31, 2021 which was included in subscriptions receivable as at January 31, 2020. During the year ended January 31, 2021, the Company returned all 200,000 Shares repurchased to treasury. There was no share repurchase activity during the nine months ended October 31, 2021.

Escrowed Shares

As at October 31, 2021, the Company had 1,225,653 Class A SUB Shares and 1,000,000 Class B SVS Shares (January 31, 2021 - 4,902,617 Class A SUB Shares and 1,099,143 Class B SVS Shares) held in escrow subject to timed releases.

Transactions for the issuance of share capital during the nine months ended October 31, 2021:

- On February 26, 2021, the Company issued 2,375,000 Class A SUB Shares at CAD \$0.08 each for cash proceeds of \$150,306 (CAD \$190,000) of which \$79,200 (CAD \$100,000) was included in subscriptions received as at January 31, 2021 leaving \$71,106 as cash proceeds received during the nine months ended October 31, 2021.
- On February 26, 2021, the Company issued 4,412,875 Class A SUB Shares at CAD \$0.08 each for a fair value of \$278,919 (CAD \$353,030) in settlement of trade and other payables and lease liabilities (included in trade and other payables) for an equivalent amount. Additionally, the Company issued 164,375 Class B SVS Shares at CAD \$0.80 each for a fair value of \$103,695 (CAD \$131,500) in settlement of trade and other payables for an equivalent amount.
- On April 30, 2021, the Company issued the first instalment of 1,000,000 Class B SVS Shares with a fair value of \$529,165 (CAD \$650,000 or CAD \$0.65 each) Grid Property Management LLC concurrently with the execution of the Settlement Agreement (relating to a contingency as described in Note 17). Additionally, on June 14, 2021, the Company issued the second and final instalment of 1,000,000 Class B SVS Shares with a fair value of \$529,273 (CAD \$650,000 or CAD \$0.65 each). There was no gain or loss recognized on the settlements which was formerly included in trade and other payables. The fair value of the 2,000,000 Class B SVS Shares issued was \$1,058,438 (CAD \$1,300,000) in aggregate.
- On June 14, 2021, the Company issued 13,700,000 Class B SVS Shares with a fair value of approximately \$0.53 (CAD \$0.65) for a total of \$7,328,735 (CAD \$8,905,000) upon completion of the business combination resulting in the acquisition of substantially all of the assets of Strainz and Bronnor pursuant to an Asset Purchase Agreement (Note 3).
- Between March and July 2021, the Company issued 5,520,040 Class A SUB Shares on conversion of 552,004 Class B SVS Shares for \$nil consideration.

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11. Share capital (continued)

Transactions for the issuance of share capital during the nine months ended October 31, 2020:

- On May 5, 2020, the Company completed a non-brokered private placement inclusive of debt settlement arrangements consisting of the issuance of 7,629,365 Class A SUB Units at CAD \$0.068 each, and 1,733,552 Class B SVS Units at CAD \$0.68 each for aggregate cash proceeds and debt settlements of \$1,209,815 (CAD \$1,697,612). Cash share issue costs of \$3,791 were incurred in connection with the placement and recorded as a reduction to share capital. Gross proceeds received totalled \$284,173 (CAD \$398,751) and debt settlements and services totalled \$925,642 (CAD \$1,298,861) (which included trade and other payables of \$340,789 loans payable of \$400,000, other liabilities of \$136,373, and consulting expense of \$48,463).

Each Class A SUB Unit consists of one Class A SUB Share and one warrant with each warrant exercisable at \$0.12 per Class A SUB Share until May 5, 2022. Each Class B SVS Unit consists of one share and one warrant with each warrant exercisable at \$1.20 per Class B SVS Share until May 5, 2022 (each Class B SVS Share is convertible into 10 Class A SUB Shares).

- Between May and July 2020, the Company made payments for the repurchase of 200,000 Shares amounting to \$209,014 (as described under “Repurchase of Shares” above). As at January 31, 2021, these shares had been returned to treasury.

Stock options

The Company has an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the CSE requirements, grant to Directors, Officers, employees and consultants stock options to purchase Class A SUB Shares of the Company, provided that the number of shares reserved for issuance will not exceed 10% of the total issued and outstanding shares of the Company. The stock options have a maximum term of 10 years from the date of grant, and vest over periods as determined by the Board of Directors. The exercise price of stock options granted under the Plan must not be less than the market price of the Company’s Class A SUB Shares which trade on the CSE.

A summary of the status of the Company’s stock options as at October 31, 2021 and January 31, 2021 and changes during the period/year then ended is as follows:

	Period ended October 31, 2021		Year ended January 31, 2021	
	Options #	Weighted average exercise price CAD\$	Options #	Weighted average exercise price CAD\$
Options outstanding, beginning of period/year	9,850,000	0.32	4,350,000	0.62
Granted	8,300,000	0.065	5,600,000	0.08
Cancelled	(4,375,000)	0.47	(100,000)	0.60
Options outstanding, end of period/year	13,775,000	0.12	9,850,000	0.32

There are no stock options exercisable into Class B SVS Shares.

As at October 31, 2021, the Company had stock options outstanding and exercisable as follows:

Outstanding	Exercisable	Exercise price (CAD)	Expiry date	Remaining life (years)
100,000	100,000	\$ 0.35	May 11, 2023	1.53
1,125,000	1,125,000	\$ 0.60	February 25, 2024	2.32
4,250,000	1,416,667	\$ 0.08	November 16, 2025	4.05
8,300,000	8,300,000	\$ 0.065	May 31, 2026	4.58
13,775,000	10,941,667			4.21

During the nine months ended October 31, 2021, share-based payment expense totalled \$331,035 (2020 - \$171,698) relating to the fair value of stock options granted and/or vesting during the period (see below for grant details). During the nine months ended October 31, 2021, 4,375,000 stock options were cancelled as a result of former employees leaving employment resulting in a reclassification of \$1,097,529 from reserves with a credit deficit.

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11. Share capital (continued)

Stock options (continued)

During the nine months ended October 31, 2021, the Company granted 8,300,000 stock options to Directors, Officers, and consultants to the Company which vested immediately upon grant. The fair value of the stock options granted during the period then ended was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	October 31, 2021
Risk-free interest rate	0.9%
Expected life of stock options (years)	5.0
Historical volatility	90.0%
Dividend rate	0%
Weighted average fair value per stock option granted	\$ 0.05

Warrants

A summary of the status of the Company's warrants as at October 31, 2021 and January 31, 2021, and changes during the period/year then ended is as follows:

	Period ended October 31, 2021		Year ended January 31, 2021	
	Warrants #	Weighted average exercise price CAD\$	Warrants #	Weighted average exercise price CAD\$
(1) Warrants outstanding, beginning of period/year	66,682,823	0.37	18,587,681	0.51
Issued - attached to Units	-	-	53,340,885	0.31
Correction	-	-	1,788,250	0.63
Exercised	-	-	-	-
Expired	(6,014,990)	0.07	(7,033,993)	0.25
Warrants outstanding, end of period/year	60,667,833	0.31	66,682,823	0.37

- (1) A correction was made to revise the balance of warrants outstanding at January 31, 2021 to correctly reflect the number of warrants outstanding as at October 31, 2021 and January 31, 2021 (from 64,694,573 to 66,682,823 at January 31, 2021, a revision to increase opening balance of warrants by 1,988,250 which represented warrants that were validly issued and outstanding as at January 31, 2021 and had not expired as previously indicated).

All warrants shown in the table above are representative of Class A SUB Share equivalents. Upon expiry of 6,014,990 warrants during the nine months ended October 31, 2021, the Company reclassified the original fair value of \$379,039 from reserves and credited deficit.

As at October 31, 2021, the Company had warrants outstanding and exercisable as follows:

Number of warrants - Class A SUB Shares and equivalent	Exercise price (CAD)	Expiry date	Remaining life (years)
7,526,948	\$ 0.25	April 17, 2022 (1)	0.46
24,964,885	\$ 0.120	May 5, 2022	0.51
8,823,070	\$ 0.125	November 18, 2022	1.05
15,681,250	\$ 0.125	November 27, 2022	1.07
3,671,680	\$ 0.125	December 18, 2022	1.13
60,667,833			0.77

- (1) On June 11, 2021, the Company extended the expiry date on these warrants by one year to April 17, 2022.

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11. Share capital (continued)

Reserves

Reserves is comprised of the accumulated fair value of stock options recognized as share-based payments, the fair value of compensatory finders' warrants issued, and the residual value of warrants attached to unit private placements. Reserves is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the stock options or warrants expire or are exercised or cancelled.

	Warrants	Stock Options	Total
	\$	\$	\$
January 31, 2020	2,876,050	1,163,646	4,039,696
Options vesting	-	171,698	171,698
Options cancelled	-	(23,691)	(23,691)
Warrants expired	(1,755,100)	-	(1,755,100)
October 31, 2020	1,120,950	1,311,653	2,432,603
January 31, 2021	1,120,950	1,482,532	2,603,482
Options vesting	-	331,035	331,035
Options cancelled	-	(1,097,529)	(1,097,529)
Warrants expired	(379,039)	-	(379,039)
October 31, 2021	741,911	716,038	1,457,949

12. Supplemental cash flow information

The Company incurred non-cash financing and investing activities during the nine months ended October 31, 2021 and October 31, 2020, as follows:

	October 31, 2021	October 31, 2020
	\$	\$
Non-cash investing activities:		
Property and equipment additions included in trade and other payables	27,015	53,370
Property and equipment additions - right-of-use assets	-	910,300
Shares issued to acquire assets on business combination (Note 3)	7,328,735	-
Non-cash financing activities:		
Lease payments included in trade and other payables	-	40,875
Right-of-use asset additions	112,300	-
Reversal of subscriptions receivable	-	244,682
Shares issued in settlement of trade and other payables and lease liabilities	1,441,052	877,162
Reclassification of subscriptions received on issuance of shares for cash	79,200	-

13. Related party balances and transactions

Key management personnel include those persons having the authority and responsibility of planning, directing, and executing the activities of the Company. The Company has determined that its key management personnel consist of members of the Company's Board, and its Executive Officers.

As described below and throughout these financial statements, the Company engaged in several transactions during the comparative period with Cannabis Corp., a company jointly owned by the spouse of the former CEO, Director of the Company who resigned from the Company on July 31, 2020. Cannabis Corp. was determined to no longer be a related party to the Company effective December 31, 2020. On June 8, 2020, the Company entered into a Business Combination Agreement to acquire all the issued and outstanding common shares of Cannabis Corp. by way of a share exchange, which expired on December 31, 2020.

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13. Related party balances and transactions (continued)

Key management personnel compensation:

The net aggregate compensation paid or payable to key management during the nine months ended October 31, 2021 and October 31, 2020 was as follows:

	October 31, 2021	October 31, 2020
	\$	\$
(1) Management fees	284,750	557,776
Share-based payments	208,529	94,394
	493,279	652,170

(1) Management fees are paid to certain Officers of the Company, and until July 31, 2020, to an entity majority owned by a trust of which the former CEO of the Company is a beneficiary.

Other related party transactions:

The following transactions during the nine months ended October 31, 2021 and October 31, 2020 involved Cannabis Corp., as shown below. There were no transactions involving other related parties:

	October 31, 2021	October 31, 2020
	\$	\$
Lease and rental income	-	751,415
Net service income	-	33,264
Interest income on loans receivable	-	9,550
	-	794,229

Related party balances:

The following balances were payable to related parties as at October 31, 2021 and January 31, 2021:

	October 31, 2021	January 31, 2021
	\$	\$
(1) Trade and other payables	254,095	27,750

(1) Due to the Company's CFO, and two Directors for accrued management fees and expense reimbursements.

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14. Financial risk management

Fair value of financial instruments

Financial instruments measured at fair value on the condensed interim consolidated statements of financial position are summarized into the following fair value hierarchy levels:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

There were no transfers between levels during the periods presented.

Classification of financial instruments

Financial assets:	Classification:	Subsequent measurement:
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Leases receivable	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost

Financial liabilities:	Classification:	Subsequent measurement:
Trade and other payables	Amortized cost	Amortized cost
Lease liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Tenant deposits	Amortized cost	Amortized cost

The fair value of cash is measured using Level 1 inputs. The carrying values of receivables, leases receivable (current portion) loans receivable (current portion), deposits, trade and other payables, lease liabilities (current portion), loans payable, and tenant deposits approximate their respective fair values due to their short-term term to maturity or guaranteed cash value at maturity.

The non-current portions of leases receivable, loans receivable, and lease liabilities also approximate fair value as they bear market rates of interest.

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14. Financial risk management (continued)

Financial instruments - risk

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk (including interest rate risk, price risk, and currency risk), credit risk, and liquidity risk.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are impacted by interest rate risk, price risk, and currency risk.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not exposed to significant interest rate risk as there are no financial instruments bearing variable rates of interest.

Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk with respect to cash, receivables, and trade and other payables denominated in Canadian dollars. A 10% change in the foreign exchange rate between the U.S. dollar and Canadian dollar would have had an insignificant impact on profit or loss for the nine months ended October 31, 2021.

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14. Financial risk management (continued)

Financial instruments – risk (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk for the Company arises from cash, receivables, leases receivable, loans receivable, and deposits. The carrying amount of these financial assets represents the maximum credit exposure as at October 31, 2021 and January 31, 2021.

Cash is deposited in a bank account held with a major Canadian bank, and one bank in Colorado. Cash is redeemable on demand and each bank has reputable credit quality. Accordingly, the credit risk exposure on cash is limited and management considers the risk to be minimal for its cash deposits. The Company has sales tax recoverable which is due from the Canadian Government and management considers the credit risk to be moderate as the refund claim is under review.

The Company is exposed to credit risk inherent in its trade receivables which include credit exposures to customers and their outstanding trade receivable balances. As noted above, a significant portion of trade receivables were reclassified to non-current assets as the Company negotiates structure and timing of payment on these amounts.

Credit risk relating to Cannabis Corp.

Credit risk relating to the balances due from Cannabis Corp. (trade receivables, leases receivable, and loans receivable) is subject to the outcome of the Notice of Claim served by the Company against Cannabis Corp. on March 23, 2021 (Note 17). The Company has filed several counterclaims in the Cannabis Corp. action targeted to include the contracts associated with the accounts receivable balances that, if successful in litigating several of the most significant claims, potentially represent damages in amounts that are several multiples more than the account receivables balances currently due from Cannabis Corp.

Currently, there have been no loss allowances recognized on these amounts. Cannabis Corp.'s ability to repay all amounts due to the Company in full, is dependent on either Cannabis Corp. generating profitable and cash flow positive operations. The balances due from Cannabis Corp. as at October 31, 2021 total \$2,780,850 (January 31, 2021 - \$2,869,170) comprising the following:

- Trade receivables: \$628,583 (January 31, 2021 - \$545,025)
- Leases receivable: \$2,021,477 (January 31, 2021 - \$2,202,869)
- Loans receivable: \$130,790 (January 31, 2021 - \$121,276)

There has been no loss provision or allowance recorded against any of the amounts owed to the Company by Cannabis Corp. as at October 31, 2021 or January 31, 2021.

Impairment of financial assets

The Company has these types of financial assets that are subject to the expected credit loss model:

- Trade receivables;
- Leases receivable;
- Loans receivable; and
- Deposits.

While cash is also subject to the impairment requirements of IFRS 9, the risk is insignificant. The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and leases receivable. The Company applies the general approach using practical expedients to loans receivable which involves recognition at each reporting date of a loss allowance based on a 12-month expected credit loss model without the requirement to re-assess whether any significant increases in credit risk have occurred at each reporting date.

To measure the expected credit losses, trade receivables and leases receivable have been respectively grouped based on specific credit risk characteristics, debtor circumstances, and the days past due. The Company has five debtors in these respective categories. The expected loss amounts are based on historical payment profiles, and the corresponding historical credit losses experienced within this period for these debtors. The historical loss rates, if any, are considered and adjusted in respect of aged trade receivables to reflect current and forward-looking information on factors specific to the customers' ability to settle the receivables.

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14. Financial risk management (continued)

Financial instruments – risk (continued)

(b) Credit risk (continued)

As at October 31, 2021 and January 31, 2021, the Company's accumulated loss allowances recognized as a reduction to the related assets were as follows:

As at October 31, 2021	Accumulated loss allowances \$
Trade receivables	293,315
Trade receivables (non-current)	325,000
Loans receivable	20,906
Total	639,221

As at January 31, 2021	Accumulated loss allowances \$
Trade receivables	293,315
Trade receivables (non-current)	325,000
Loans receivable	20,906
Total	639,221

During the nine months ended October 31, 2021, the Company did not recognize any additional loss provisions or changes in accumulated loss allowances (2020 - \$42,291). During the year ended January 31, 2021, the Company recognized an additional loss allowance/provision in aggregate on trade receivables of \$749,114.

Trade receivables, leases receivable, and loans receivable are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan with the Company, the issuance by the Company of a Notice of Default, or a Court Order for Possession. Impairment losses are presented as loss provisions within profit or loss. Subsequent recoveries of amounts previously written-off are credited as a reversal against the same line item.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by forecasting cash flows from operations and anticipating any investing and financing activities. The following table summarizes the Company's contractual maturities for its financial liabilities, including both principal and interest payments:

As at October 31, 2021	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-3 years \$	3-5 years \$	More than 5 years \$
Trade and other payables	2,435,483	2,435,483	2,435,483	-	-	-
Lease liabilities	3,705,798	5,086,605	887,847	1,842,630	1,110,982	1,245,146
Loans payable	832,381	832,381	832,381	-	-	-
Tenant deposits	165,000	165,000	165,000	-	-	-
Total	7,138,662	8,519,469	4,320,711	1,842,630	1,110,982	1,245,146

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15. Economic dependence

Receivables:

Receivables consists of the following:

	October 31,	January 31,
	2021	2021
	\$	\$
Current		
Trade receivables	904,974	618,105
Sales tax recoverable	125,003	104,042
	1,029,977	722,147
Non-current		
Trade receivables (arm's length customers)	500,000	500,000
	500,000	500,000

As at October 31, 2021, current trade receivables were comprised of amounts due from three customers, one of which is Cannabis Corp. totalling \$628,583 (Note 14(b)), (January 31, 2021 - \$545,025). The Company commenced litigation against Cannabis Corp. on March 23, 2021 (Note 17), by way of serving a Notice of Claim. The Company expects full collection of this receivable as proceedings are initiating.

As at October 31, 2021 and January 31, 2021, non-current receivables represent trade receivables from one customer for which the Company is negotiating refinancing with the debtor in the form of an interest bearing, secured promissory note of approximately \$500,000 (January 31, 2021 - \$500,000).

Revenue:

During the nine months ended October 31, 2021, the Company derived 38% (2020 – 88%) of its revenues from Cannabis Corp. Additionally, during the nine months ended October 31, 2021, Cannabis Corp. and two other customers each individually represented more than 10% of revenue for an aggregate of 57% with a third customer representing the remaining 5% of revenue for the period then ended.

16. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The Company can attempt to raise new capital or settle existing obligations through additional equity issuances. The Company is not exposed to any externally imposed capital requirements, nor were there changes in the Company's approach to capital management during the nine months ended October 31, 2021.

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17. Contingencies

The Company is Defendant to all the following legal proceedings, unless otherwise noted.

Strainz, Inc. (“Strainz”) & Bronnor Corp. (“Bronnor”) (Company is Plaintiff and Defendant in a consolidated proceeding)

In December 2018, the Company filed a claim against Bronnor for breach of contract pursuant to the Materials Purchases Agreement entered into on August 2, 2018, with the Company seeking repossession of inventory which was pledged as security for the funds advanced, and monetary damages of approximately \$130,000 against Bronnor. On January 29, 2019, Strainz and Bronnor filed a counter claim against the Company claiming breach of contract, breach of implied covenant of good faith and fair dealing, misappropriation of trade secrets, and fraudulent misrepresentation and concealment. On June 4, 2019, the Motion to Consolidate the Company’s claim against Bronnor with the related lawsuit filed by Strainz and Bronnor against the Company, was granted by the court in favour of the Company.

Subsequent to a non-binding mediation and before the scheduled arbitration commenced, the parties entered into a comprehensive Settlement Agreement conditioned upon the completion of an associated Asset Purchase Agreement dated February 26, 2021 (the “APA”) (Note 3). Specifically, Strainz, Bronnor and the Company agreed to dismiss all legal claims upon closing of the APA which occurred on June 14, 2021.

As at October 31, 2021, the matters with Strainz and Bronnor had been settled.

Grid Property Management LLC

In February 2020, an order for default judgment was entered by the Circuit Court in the State of Oregon against the Company for approximately \$174,000 payable to Grid Property Management LLC (“Grid”). This judgment is related to two facility leases that the Company entered into with Grid in Oregon to facilitate the ongoing operations of Honu. In January 2021, the default judgment, attorneys’ fees, penalties, and other interest in the amount of \$462,177 was certified by the Circuit Court in the State of Oregon.

On April 29, 2021, the parties entered into a comprehensive Settlement Agreement that provided for a mutual release of all claims in exchange for consideration including 2,000,000 Class B SVS Shares of the Company to Grid (and to members of its ownership group) in two instalments which in aggregate were issued at a fair value of \$1,058,888 (CAD \$1,300,000) (Note 11) in full settlement of the judgment and related Settlement Agreement. During the nine months ended October 31, 2021, prior to settlement of this claim, the Company recognized a loss provision totaling \$595,853. As at January 31, 2021, \$462,177 was accrued and included in trade and other payables.

As at October 31, 2021, the matter with Grid had been settled, and there are no further amounts accrued and outstanding.

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17. Contingencies (continued)

Cannabis Corp.

The Company and Cannabis Corp. entered into a definitive Business Combination Agreement (the “BCA”) on June 8, 2020 intending to merge the two entities. Many conditions precedent to the merger were not satisfied by both parties so the merger was not consummated, and the BCA was not extended by the parties before the expiration on December 31, 2020. The BCA was formally terminated by written notice from Cannabis Corp. on January 13, 2021.

On February 24, 2021, Cannabis Corp. initiated a Complaint for Declaratory Relief, Breach of Contract and Unjust Enrichment against the Company in the Colorado District Court in Denver, including claims against the intellectual property of the Company previously acquired from Cannabis Corp., for breach of the BCA and for expenses allegedly paid by Cannabis Corp. for the benefit of the Company. The total damages alleged by Cannabis Corp. are estimated to be under \$3,000,000 but these claims are still being reviewed to determine merit and once finalized, an appropriate loss provision will be established if appropriate. As of the date of these financial statements, Cannabis Corp. continues to satisfy its obligations under the facility subleases held by the Company (Note 4).

On March 23, 2021, the Company filed its Joint Answer and Counterclaims to Cannabis Corp.’s complaint. The Company included a total of 17 counterclaims to the Cannabis Corp. action primarily focused on the various contracts established during the previous business relationship between the parties. Additional counterclaims may be added by the Company if the court governing this matter approves the Company’s recent motion filed to add certain newly discovered claims. The Company’s counterclaims already include multiple breaches by Cannabis Corp. of several agreements including promissory notes, the equipment leases and the tenancy subleases that are generally associated with the Company’s revenues and accounts receivable balances. Other counterclaims address the rescission and restitution regarding the enforcement of contracts between the parties for the benefit of the Company and the unjust enrichment of Cannabis Corp. from improper use of proceeds from the Company’s PPP loan. Both parties have amended their respective claims and counterclaims with the approval of the court to reflect additional damages potentially owed between the parties if appropriate and proven in court.

The total damages alleged by the Company against Cannabis Corp. are estimated to be in excess of \$10,000,000 but all claims are still being assessed before determining appropriate accounting treatment. As of this date, Cannabis Corp. is no longer satisfying its obligations to the Company under the terms of the equipment leases between the parties (Note 4) but these revenues have now largely been replaced by recurring contractual payments from other customers of the Company.

In addition to the Cannabis Corp. litigation outlined above, the Company is also proceeding in court with various more immediate legal remedies, including foreclosure and replevin actions, to reclaim its leased properties, equipment, and other assets from Cannabis Corp. The Company is also in the process of initiating arbitration actions as appropriate against Cannabis Corp. with the American Arbitration Association (“AAA”) to address certain additional damages claims that contractually require a resolution through arbitration rather than through court action.

Summary Table

A summary of the total loss provision included within trade and other payables as at October 31, 2021 and January 31, 2021, is as follows:

	October 31, 2021	January 31, 2021
Litigation involving the Company as Defendant	\$	\$
Allan and Brooks Builders LLC	-	26,000
Grid Property Management LLC	-	462,775
RLM Public Relations, Inc.	33,750	33,750
	33,750	522,525

During the nine months ended October 31, 2021, the Company recognized \$595,853 in loss provisions (2020 - \$250,000).

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18. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance. All the Company's long-lived assets are located in the United States. All revenues were generated in the United States.

The Company operates in one segment which is the provision of facilities and licensing of brands to licensed cannabis businesses in the United States. The Company currently generates revenue through subleasing facilities and licensing brand names.

The Company is in the process of acquiring the appropriate licensing through its recent Strainz and Bronnor business combination (Note 3) to expand into manufacturing of cannabis extracts.