

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This Prospectus does not constitute a public offering of securities.*

## PROSPECTUS

Non-Offering Prospectus

June 20, 2019

### BEVCANNA ENTERPRISES INC.

**No securities are being offered pursuant to this Prospectus.**

This non-offering preliminary Prospectus (the “**Prospectus**”) of BevCanna Enterprises Inc. (the “**Company**” or “**BevCanna**”) is being filed with the British Columbia Securities Commission (the “**BCSC**”) to comply with Policy 2 – *Qualifications for Listing of the Canadian Securities Exchange* of the Canadian Securities Exchange (the “**CSE**”) in order for the Company to meet one of the eligibility requirements for the listing of the Company’s common shares (the “**Common Shares**”) on the CSE by becoming a reporting issuer pursuant to applicable securities legislation in the Province of British Columbia. Upon the final receipt of this Prospectus by the BCSC, the Company will become a reporting issuer in British Columbia. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company from its general corporate funds.

The CSE has conditionally accepted the listing of the Common Shares. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE.

**There is no market through which the securities of the Company may be sold and holders of the Company’s securities may not be able to resell any such securities. This may affect the pricing of the Company’s securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See “Risk Factors.”**

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America (other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

**An investment in the securities of the Company is subject to a number of risks. Investors should carefully consider the risk factors described under the heading “Risk Factors” before purchasing any securities of the Company.**

**No underwriters or selling agents have been involved in the preparation of this Prospectus or performed any review or independent due diligence of its contents.**

No person has been authorized to provide any information or to make any representation not contained in this Prospectus and, if provided or made, such information or representation should not be relied upon. The information contained in this Prospectus is accurate only as of the date of this Prospectus.

**This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities.**

Unless otherwise noted all currency amounts in this Prospectus are stated in Canadian dollars.

**BEVCANNA ENTERPRISES INC.**  
Suite 200 – 1672 West 2nd Avenue  
Vancouver, B.C. V6J 1H4

This Prospectus describes the securities of an entity that is expected to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. The Company, or a United States (the “U.S.”) subsidiary of the Company, intends to directly participate in the recreational cannabis industry in the State of California where local state laws permit such activities.

Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* (the “CSA”) in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s financial performance.

On January 4, 2018, then-Attorney General Jeff Sessions issued a memorandum to U.S. district attorneys that rescinded previous guidance from the U.S. Department of Justice (the “DOJ”) specific to cannabis enforcement in the United States, including the Cole Memo (as defined herein). With the Cole Memo rescinded, U.S. federal prosecutors have been given discretion in determining whether to prosecute cannabis related violations of U.S. federal law. If the DOJ policy was to aggressively pursue financiers or equity owners of cannabis-related businesses, and U.S. district attorneys followed such DOJ policies through pursuing prosecutions, then (i) the Company could face seizure of its cash and other assets used to support or derived from its cannabis operations, and (ii) the Company’s employees, directors, officers, managers and investors could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.

As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Company in the United States. As such, there are a number of risks associated with the Company’s intended business and investments in the United States.

For the reasons set forth above, the Company’s intended interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. There are a number of risks associated with the business of the Company. See further descriptions of these risks under the heading “*Risk Factors.*”

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## GLOSSARY

The following is a glossary of certain defined terms used throughout this Prospectus. This is not an exhaustive list of defined terms used in this Prospectus and additional terms are defined throughout. Terms and abbreviations used in the financial statements of the Company are defined. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

**"2018 Farm Bill"** means the bill enacting the U.S. *Agriculture Improvement Act of 2018*, which was signed into law on December 20, 2018.

**"ACMPR"** means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA.

**"Amalgamation"** means the three-cornered amalgamation of the Company, Nutrivida Acquisition and BevCanna (pre-Amalco) that completed on September 13, 2018, whereby, among other things, BevCanna (pre-Amalco) and Nutrivida Acquisition amalgamated pursuant to the provisions of the BCBCA to form BevCanna Opco.

**"Amalgamation Agreement"** means the Amalgamation Agreement dated August 24, 2018 among the Company, BevCanna (pre-Amalco) and Nutrivida Acquisition which set out the terms and conditions of the Amalgamation.

**"Audit Committee"** means the Audit Committee of the Company in accordance with National Instrument 52-110 *Audit Committees*.

**"AUMA"** means the California *Adult Use of Marijuana Act*.

**"BCBCA"** means the *Business Corporations Act* (British Columbia).

**"BCSC"** means the British Columbia Securities Commission.

**"BevCanna (pre-Amalco)"** means BevCanna Enterprises Inc., a company incorporated under the laws of British Columbia on January 31, 2018, which amalgamated and continued with Nutrivida Acquisition into BevCanna Opco pursuant to the Amalgamation.

**"BevCanna (pre-Amalco) Shareholders"** means all of the holders of the BevCanna (pre-Amalco) Shares.

**"BevCanna (pre-Amalco) Shares"** means the 27,400,100 Class A common shares of BevCanna (pre-Amalco) and the 33,802,343 Class B common shares of BevCanna (pre-Amalco) that were exchanged by the BevCanna (pre-Amalco) Shareholders for Consideration Shares at the effective time of the Amalgamation.

**"BevCanna Opco"** means BevCanna Operating Corp., a wholly-owned subsidiary of the Company, that resulted from the Amalgamation.

**"Board of Directors"** or **"Board"** means the board of directors of the Company.

**"Brand Management Agreement"** means the management services agreement dated May 1, 2019 among the Company, the Brand Manager and the principal of the Brand Manager whereby the Brand Manager agreed to provide managerial services to the Company and act as the Company's brand and innovation manager.

**"Brand Manager"** means Axle Creative Design Ventures Incorporated, a company incorporated under the laws of British Columbia.

**"cannabis"** has the meaning given to such term in the *Cannabis Act*.

**"Cannabis Act"** means the *Cannabis Act*, SC 2018 c 16.

“**cannabis oil**” has the meaning given to such term in the *Cannabis Act*.

“**Canndelta Consulting Services Agreement**” means the consulting services agreement dated March 13, 2019 between the Company and Canndelta Inc. whereby Canndelta Inc. agreed to provide certain consulting services to the Company in connection with its application to Health Canada to become a Licensed Producer.

“**CBD**” means cannabidiol.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada).

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**Cole Memo**” means the August 29, 2013 DOJ memorandum drafted by former US Deputy Attorney General James Cole which gave federal enforcement agencies guidelines on the prosecution of marijuana-related offences in the United States.

“**Common Shares**” means the common shares in the capital of the Company. Unless otherwise indicated, all references to Common Shares presented in this Prospectus is on a pre-Consolidation basis.

“**Company**” means BevCanna Enterprises Inc., a company incorporated under the laws of British Columbia on July 13, 2017, and formerly known as Nutrivida Biotech Investments Inc.

“**Consideration Shares**” means the 61,202,443 Common Shares issued to the BevCanna (pre-Amalco) Shareholders in exchange for the BevCanna (pre-Amalco) Shares pursuant to the Amalgamation Agreement.

“**Consolidation**” means the 2 for 1 consolidation of the outstanding Common Shares that occurred on January 22, 2019.

“**Consulting Agreement**” means the Independent Consultant Agreement dated December 14, 2018 between the Company and IndigiCo.

“**CSA**” means the *Controlled Substances Act* (United States).

“**CSE**” means the Canadian Securities Exchange.

“**dried cannabis**” has the meaning given to the term “dried cannabis” in the *Cannabis Act*.

“**DOJ**” means the United States Department of Justice.

“**Escrow Agent**” means Odyssey Trust Company.

“**Escrow Agreement**” means the Escrow Agreement dated March 29, 2019 among the Company, the Escrow Agent and the Escrowed Securityholders.

“**Escrowed Securities**” means the 10,637,050 Common Shares that are subject to the Escrow Agreement.

“**Escrowed Securityholders**” means the securityholders of the Company whose Escrowed Securities are subject to the Escrow Agreement.

“**FDA**” means the U.S. Food and Drug Administration.

**“FDCA”** means the U.S. *Food, Drug and Cosmetics Act*.

**“Financial Statements”** has the meaning set out under *“Financial Statement Presentation In This Prospectus”*.

**“FinCEN”** means the US Financial Crimes Enforcement Network.

**“GF Joint Development Agreement”** means the Cannabis Beverage Joint Development Agreement dated April 1, 2019 between the Company and Greener Frontiers, pursuant to which Greener Frontiers agreed to conduct testing and development of the GF Technology and other formulations for ready-to-drink beverages for the Company and the Company was granted the option to acquire all of the intellectual property owned by Greener Frontiers related to a technology for water-soluble cannabis powder.

**“GF Technology”** means the proprietary technology being developed by Greener Frontiers for a water-soluble cannabis powder.

**“Greener Frontiers”** means Greener Frontiers Corporation, a company incorporated under the laws of the State of California.

**“Government”** means the Government of Canada.

**“IFRS”** means International Financial Reporting Standards.

**“IndigiCo”** means IndigiCo LP, a limited partnership formed under the laws of Manitoba.

**“Landlord”** means the lessors under the Lease, being Naturo and Naturo Springs.

**“Lease”** means the lease agreement dated June 12, 2018, and as amended August 24, 2018, among BevCanna Opco, as lessee, and Naturo and Naturo Springs, as lessor, granting BevCanna Opco use of the Premises.

**“Licences”** means the Sales Licence and the Production Licence.

**“Licensed Producer”** means the holder of a licence issued under section 62 of the Cannabis Act or, if issued prior to October 17, 2018, under section 35 of the ACMPR.

**“Listing”** means the listing of the Common Shares on the CSE.

**“Listing Date”** means the date the Common Shares become listed on the CSE or another stock exchange in North America.

**“Management”** means the management of the Company.

**“Manufacturing Agreement”** means the Manufacturing Agreement entered into between BevCanna Opco and Naturo for the manufacture of cannabis-infused beverages.

**“Marketing Consultant”** means Dossier Creative Inc., a company incorporated under the laws of British Columbia.

**“Marketing Services Agreement”** means the services agreement dated May 1, 2019 among the Company, the Marketing Consultant and the principal of the Marketing Consultant whereby the Marketing Consultant agreed to provide branding and marketing services to the Company.

**“marihuana”** has the meaning given to such term in the ACMPR.

**“MAUCRSA”** means the California *Medicinal and Adult-Use Cannabis Regulation and Safety Act*.

“**MCRSA**” means the California *Medical Cannabis Regulation and Safety Act*.

“**MD&A**” means Management’s Discussion and Analysis.

“**Minister**” means the Federal Minister of Health (Canada).

“**MI 51-105**” means Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets*.

“**Named Executive Officers**” or “**NEOs**” means the Company’s named executive officers as defined by National Instrument 51-102F6V *Statement of Executive Compensation*.

“**Naturo**” means Naturo Group Investments Inc., a company incorporated under the laws of British Columbia.

“**Naturo Springs**” means Naturo Springs Inc., formerly Miller Springs Ltd., a company incorporated under the laws of Canada, and majority-owned subsidiary of Naturo.

“**Nextleaf**” means Nextleaf Solutions Ltd., a company incorporated under the laws of British Columbia and listed on the CSE.

“**Nextleaf LOI**” means the non-binding letter of intent dated October 19, 2018 between the Company and Nextleaf whereby the parties agreed to negotiate in good faith to enter into the Nextleaf Supply Agreement and the Nextleaf R&D Agreement.

“**Nextleaf R&D Agreement**” means the agreement contemplated by the Nextleaf LOI to be entered into between the Company and Nextleaf whereby it is contemplated that Nextleaf will agree to research formulations for water soluble cannabinoids for the Company.

“**Nextleaf Supply Agreement**” means the agreement dated February 15, 2019 between the Company and Nextleaf whereby Nextleaf has agreed to supply water soluble cannabinoids to the Company.

“**NP 46-201**” means National Policy 46-201 *Escrow for Initial Public Offerings*.

“**NI 51-102**” means National Instrument 52-110 – *Audit Committees*, of the Canadian Securities Administrators.

“**NI 52-110**” means National Instrument 51-110 *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

“**NI 62-104**” means National Instrument 62-104 *Takeover Bids and Issuer Bids*.

“**NP 58-201**” means National Policy 58-201 *Corporate Governance Guidelines*.

“**Nutrivida Acquisition**” means Nutrivida Acquisition Inc., a company incorporated under the laws of British Columbia on July 19, 2018, which amalgamated and continued with BevCanna (pre-Amalco) into BevCanna Opco pursuant to the Amalgamation.

“**Premises**” means the portion of the lands and facility located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia that is subject to the Lease.

“**Production Facility**” means the 40,000 sq. ft. pasteurized bottling facility and warehouse located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia owned by Naturo and Naturo Springs as leased to the Company pursuant to the Lease.

**“Production Licence”** means the licence applied for by BevCanna Opco under the Cannabis Act that if and when issued by Health Canada, will designate BevCanna Opco as a Licensed Producer, allowing BevCanna Opco to cultivate and process cannabis on the Premises.

**“Regulations”** means the regulations issued pursuant to the Cannabis Act.

**“Sales Licence”** means the licence applied for by BevCanna Opco under the Cannabis Act that if and when issued by Health Canada, will designate BevCanna Opco as a Licensed Producer, allowing BevCanna Opco to sell cannabis produced on the Premises.

**“Staff Notice”** means the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* dated February 8, 2018.

**“Stock Options”** means options to purchase Common Shares.

**“THC”** means Delta-9-tetrahydrocannabinol.

**“United States”** or **“U.S.”** means the United States of America and its territories and possessions.

**“US NewCo”** means a wholly owned subsidiary of the Company to be incorporated under the laws of the State of California to carry on the Company’s business in California in connection with the GF Joint Development Agreement.

**“Voluntary Pooling Agent”** means Clark Wilson LLP.



## GENERAL MATTERS

No person has been authorized to provide any information or to make any representation not contained in this Prospectus, and, if provided or made, such information or representation should not be relied upon. You should assume that the information contained in this Prospectus is accurate only as of the date of this Prospectus. In the event that a material change occurs before the completion of the listing of the Common Shares on the CSE, the Company will file an amendment to this Prospectus as soon as practicable. No securities are being offered pursuant to this Prospectus.

The Company presents its financial statements in Canadian dollars. Amounts in this Prospectus are stated in Canadian dollars unless otherwise indicated.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results, and therefore are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “seeks”, “projects”, “intends”, “plans”, “may”, “will” or “should”, or their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions including the following:

- the intention to complete the listing of the Common Shares on the CSE and all transactions related thereto;
- the issuance of the Cultivation Licence and Sales Licence to BevCanna Opco by Health Canada;
- changes to the Cannabis Act and the regulations thereunder to permit the production and sale of food products, derivatives and beverages containing THC and CBD;
- changes to U.S. state and federal laws to permit the production and sale of cannabis and cannabis-derived products;
- the Company’s expectations regarding its consolidated revenue, expenses and operations;
- the Company’s anticipated cash requirements;
- the Company’s dependency on future financings on acceptable terms;
- the Company’s intention to develop its business and its operations;
- expectations with respect to future production costs and capacity;
- changes to municipal, provincial and federal laws regulating all aspects of the production, sale and consumption of cannabis and cannabis related products and derivatives;
- expectations with respect to the future growth of recreational cannabis products; and
- the Company’s competitive position and the regulatory environment in which the Company operates.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. In making the forward looking statements included in this Prospectus, the Company has made various material assumptions, including but not limited to:

- obtaining the necessary regulatory approvals from Health Canada under the Cannabis Act with respect to the Production Licence and the Sales Licence;
- the timely receipt of the required regulatory and CSE approvals and other necessary consents;

- that regulatory requirements will be maintained;
- general business and economic conditions;
- the Company's ability to successfully execute its plans and intentions;
- the availability of financing on reasonable terms;
- the Company's ability to attract and retain skilled staff;
- the Company's ability to successfully compete with market competition;
- the products and technology offered by the Company's competitors; and
- that our current good relationships with our service providers and other third parties will be maintained.

Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- the Company not being issued a Cultivation Licence and Sales Licence by Health Canada;
- Health Canada electing not to legalize and/or permit the production and sale of food products, derivatives and beverages containing THC and CBD;
- the FDA electing not to legalize and/or permit the production and sale of food products, derivatives and beverages containing CBD;
- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- uncertainty about the Company's ability to continue as a going concern;
- the risk the Company is unable to list its Common Shares on the CSE;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company is subject to the inherent risks associated with the agricultural business;
- the Company is vulnerable to rising energy costs;
- the Company is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Company's future business, financial condition and results of operations;
- the Company's intended business in the United States, the characterization, and consequences of that business under federal law, and the framework for the enforcement of cannabis and cannabis related offences in the United States;
- there is no assurance that the Company will turn a profit or generate revenues;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company currently has insurance coverage; however, because the Company's business is ancillary to the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the Company is currently reliant on a single location, and any adverse changes affecting the Production Facility could materially affect the Company's business and operations;
- the cultivation of cannabis involves a reliance on a third party cultivator and third party transportation which could result in supply delays, reliability of delivery and other related risks;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;

- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- the Company cannot assure you that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the control of the Company;
- the Company is subject to uncertainty regarding Canadian and United States legal and regulatory status and changes from all levels of government; and
- the Company does not anticipate paying cash dividends.

These factors should not be considered exhaustive. If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Information contained in forward-looking statements in this Prospectus is provided as of the date of this Prospectus, and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking statements or the information contained in those statements.

#### **TRADEMARKS AND TRADE NAMES**

This Prospectus includes trademarks and trade names, including "BevCanna," which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the trade-marks and trade names referred to in this Prospectus may appear without the ® symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, the Company's rights to these trademarks, and trade names. All other trademarks used in this Prospectus are the property of their respective owners.

#### **MARKET AND INDUSTRY DATA**

Unless otherwise indicated, information contained in this Prospectus concerning the Company's industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and knowledge of the cannabis market and economy, and include assumptions made by the Company which management believes to be reasonable based on their knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings "*Forward-Looking Statements*" and "*Risk Factors*."

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this Prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary".*

### **The Company**

The Company is a company incorporated under the BCBCA. The Company's head office is located at Suite 200 – 1672 West 2nd Avenue, Vancouver, B.C. V6J 1H4 and its registered and records office is located at 800 – 885 West Georgia Street, Vancouver, B.C. V6C 3H1.

BevCanna Opco is a wholly-owned subsidiary of the Company that was amalgamated and continued under the BCBCA pursuant to the Amalgamation.

Prior to the closing of the Amalgamation, the Company had not commenced material commercial operations other than entering into the Amalgamation Agreement. See "*Corporate Structure.*"

### **The Amalgamation**

The Company entered into the Amalgamation Agreement dated August 24, 2018 with BevCanna (pre-Amalco) and Nutrivida Acquisition. On September 13, 2018, the parties closed the Amalgamation Agreement, whereby the Company acquired all of the BevCanna (pre-Amalco) Shares held by the BevCanna (pre-Amalco) Shareholders in consideration for the issuance of the Consideration Shares. On the closing thereof, BevCanna (pre-Amalco) amalgamated and continued with Nutrivida Acquisition into BevCanna Opco as a wholly-owned subsidiary of the Company and the former business of BevCanna (pre-Amalco) became the business of the Company. See "*General Development of the Business.*" The closing of the Amalgamation Agreement constituted a reverse takeover of the Company as defined in NI 51-102.

### **Principal Business of the Company**

Prior to the closing of the Amalgamation Agreement, the Company did not, since incorporation, conduct any material commercial operations. Following completion of the Amalgamation, the principal business of the Company has been the development and expansion of the business carried on by its wholly-owned subsidiary BevCanna Opco. BevCanna Opco has applied for a Production Licence and Sales Licence for the cultivation and sale of Cannabis on the Premises. BevCanna Opco has passed the Security Clearance Stage and is currently at the Review Stage of the licensing process. The next stage is submission of a Site Evidence Package to Health Canada, which BevCanna Opco expects to complete within 50 to 90 days from the date of this Prospectus. The Company is also positioning itself for future growth in the event that Health Canada expands legalization of cannabis into derivative products and beverages. The Company has secured a long-term lease for 100 acres of land and a 40,000 sq. ft. turn-key bottling facility with access to an underground aquifer located in Bridesville, British Columbia. The Company has also entered into a joint development agreement with a California-based company to develop cannabis-based beverage formulations in California, where such products are permitted under state law. The agreement includes an option for the Company to acquire all of intellectual property owned by the California company related to water-soluble cannabis powders and all of the intellectual property developed under the agreement. The Company intends to incorporate a subsidiary under the laws of the State of California to carry out the Company's operations in California and has committed to inject \$1.5 million into this subsidiary following the exercise of its option. The Company is currently focusing on the development of its product branding, the identification and evaluation of potential joint venture and business opportunities in both Canada and the United States, and formalizing agreements in respect of such opportunities where the Company believes it to be appropriate. Once the Company has been granted the Licences, through its wholly-owned subsidiary BevCanna Opco, it will begin the business of growing, cultivating and processing cannabis, and when permitted in accordance with applicable laws and regulations, the processing, manufacturing and bottling of cannabis beverages and

related products. In the event that the Company is not granted the Licences as expected, or the grant of the Licences is delayed, the Company will focus on expanding its operations in the United States, as permitted by applicable state laws. For a detailed description of the business of the company see “*General Development of the Business of the Company*”.

### No Proceeds Raised

No securities are being offered pursuant to this Prospectus. This Prospectus is being filed with the BCSC for the purpose of allowing the Company to become a reporting issuer in the jurisdiction of British Columbia and to enable the Company to develop an organized market for its Common Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Company.

### Funds Available and Use of Available Funds

As at May 31, 2019, the Company had working capital of approximately \$6,084,257. Until the Company is granted the Licences and commences operations, the Company will continue to fund its business using the proceeds from equity financings. The Company’s estimated use of funds for the next twelve months is as follows:

Use of Available Funds	Amount
Production Facility expenditures and Production Licence	\$1,800,000 <sup>(1)</sup>
Salaries and consulting fees	\$1,064,220 <sup>(2)</sup>
Production Facility operating costs	\$0 <sup>(3)</sup>
General and administrative costs	\$564,000 <sup>(4)</sup>
Product branding and marketing	\$650,000 <sup>(5)</sup>
Research and Development	\$506,695 <sup>(6)</sup>
Investor Relations	\$500,000 <sup>(7)</sup>
Unallocated working capital	\$999,342 <sup>(8)</sup>
<b>Total</b>	<b>\$6,084,257</b>

Notes:

- (1) Comprised of \$700,000 allocated for building interior of Production Facility, \$465,000 allocated for processing equipment, \$300,000 allocated for costs related to obtaining a production licence, \$250,000 allocated for security for the Premises, \$50,000 allocated for updates to exterior of Production Facility, and \$35,000 allocated for miscellaneous expenditures.
- (2) Comprised of \$260,720 allocated for the remuneration payable under the IndigiCo Consulting Agreement, \$240,000 allocated for the remuneration of the CFO, \$220,000 for a sales and marketing team, \$120,000 allocated for the remuneration of the Chief Commercialization Officer, \$60,000 allocated for the remuneration of the Corporate Strategy consultant, \$50,000 for an executive assistant, \$42,000 for an employee responsible for investor relations, \$41,500 for two finance and accounting maintenance consultants and \$30,000 allocated for the remuneration of the President.
- (3) Production Facility operating costs will be borne by Naturo Springs pursuant to the Manufacturing Agreement. See “*General Development of the Business of the Company – Manufacturing Agreement*”.
- (4) Comprised of anticipated costs of approximately \$300,000 for professional fees, approximately \$164,000 for sales, operating and office administration expenses and approximately \$100,000 for travel expenses.
- (5) Comprised of \$420,000 allocated for the remuneration of the Marketing Consultant, approximately \$100,000 allocated for strategic digital marketing for advertisements in connection with First Nations, \$96,000 allocated for the remuneration of the Brand Manager, which may be paid in cash, Common Shares or combination of cash and Common Shares and \$34,000 allocated for related miscellaneous expenditures.
- (6) Comprised of funding up to a maximum of USD\$300,000 payable pursuant to the GF Joint Development Agreement and USD\$76,515 allocated for anticipated expenses related to market research and operations in the State of California (based on the exchange rate of CAD\$1.35 = USD\$1.00 on April 1, 2019).
- (7) Comprised of \$385,000 allocated for lead generation services and \$115,000 allocated for agency and other associated fees.
- (8) Comprised of anticipated costs of approximately \$375,000 for working capital for product launch in Canada, approximately \$374,342 for Selling, General and Administrative expenses, approximately \$175,000 for additional compliance, legal and accounting fees and approximately \$75,000 related to listing the Company on the CSE.

The Company has negative cash flow from operations in its most recently completed financial year. The Company intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The amounts set forth above

may increase if the Company is required to carry out due diligence investigations in regards to any prospective investment or business opportunity or if the costs of the Prospectus or Listing, or negotiating an applicable transaction, are greater than anticipated. See *"Use of Available Funds"*.

### **The Listing**

The CSE has conditionally accepted the listing of the Common Shares.] Listing is subject to the Company fulfilling all of the listing requirements of the CSE, including, without limitation, the distribution of the Common Shares to a minimum number of public shareholders and the Company meeting the minimum listing requirements.

### **Risk Factors**

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. Readers should carefully consider all such risks. Risk factors include, but are not limited to, the ability of the Company to obtain the Licences, regulatory changes regarding the cultivation, sale and consumption of cannabis and cannabis related products from all levels of government in Canada and the United States, limited operating history, uncertainty of future legislation relating to the regulation of cannabis for recreational use in Canada and the United States, uncertainty over whether the production and sale of cannabis beverages and related products will be permitted, the difficulty in estimating the size of the Company's target market, additional capital requirements, reliance on management, and competition. For a detailed description of these and other risks see *"Risk Factors"*.

### **Summary of Financial Information**

The following selected financial information has been derived from and is qualified in its entirety by the financial statements of the Company (including its predecessor corporation and subsidiary) and notes thereto. The selected should be read in conjunction with:

- the Company's audited financial statements for the period from incorporation on July 13, 2017 to and as at December 31, 2017 included in Schedule E to this Prospectus, along with the MD&A relating thereto included in Schedule F to this Prospectus;
- the Company's unaudited financial statements as at and for the 6 months ended June 30, 2018 included in Schedule G to this Prospectus, and with the MD&A related thereto included in Schedule H to this Prospectus;
- BevCanna Opco's audited financial statements for the period from incorporation on January 31, 2018 to and as at December 31, 2018 included in Schedule A to this Prospectus, and with the MD&A related thereto included in Schedule B to this Prospectus; and
- BevCanna Opco's unaudited financial statements as at and for the 3 months ended March 31, 2019 included in Schedule C to this Prospectus, and with the MD&A related thereto included in Schedule D to this Prospectus;

All financial statements of the Company have been prepared in accordance with IFRS.

	<b>Company - Period from incorporation (July 13, 2017) to and as at December 31, 2017 (audited) (\$)</b>	<b>Company - As at and for the 6 month period ended June 30, 2018 (unaudited) (\$)</b>	<b>BevCanna Opco - Period from incorporation (January 31, 2018) to and as at December 31, 2018 (audited) (\$)</b>	<b>BevCanna Opco - As at and for the 3 month period ended March 31, 2019 (unaudited) (\$)</b>
Revenue	Nil	Nil	Nil	Nil
Total expenses	65,329	120,053	6,972,280	2,027,727
Net loss	190,779	120,053	6,972,280	2,027,727
Current assets	1,253,655	1,630,735	6,786,813	6,537,525
Total assets	1,253,655	1,630,735	18,517,100	18,014,638
Current liabilities	39,576	48,224	373,410	324,620
Total liabilities	39,576	48,224	373,410	324,620
Shareholders' equity (deficiency)	1,214,079	1,582,511	18,143,690	17,690,018

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was incorporated under the BCBCA as “Nutrivida Biotech Investments Inc.” on July 13, 2017 and changed its name to “BevCanna Enterprises Inc.” on September 14, 2018 following the Amalgamation. The Company’s registered and records office is located at 800 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1, and its head office is located at Suite 200 - 1672 West 2nd Avenue, Vancouver, British Columbia, V6J 1H4.

The Company has one wholly-owned subsidiary, BevCanna Opco, which was amalgamated and continued under the BCBCA pursuant to the Amalgamation on September 13, 2018.

### Corporate History of the Company

The Company entered into the Amalgamation Agreement dated August 24, 2018 with BevCanna (pre-Amalco) and Nutrivida Acquisition. On September 13, 2018, the parties closed the Amalgamation Agreement, whereby the Company acquired all of the BevCanna (pre-Amalco) Shares held by the BevCanna (pre-Amalco) Shareholders in consideration for the issuance of the Consideration Shares. On the closing thereof, BevCanna (pre-Amalco) amalgamated and continued with Nutrivida Acquisition into BevCanna Opco as a wholly-owned subsidiary of the Company and the former business of BevCanna (pre-Amalco) became the business of the Company. See “*General Development of the Business*”. The closing of the Amalgamation Agreement constituted a reverse takeover of the Company as defined in NI 51-102.

Prior to the Amalgamation, the Company did not carry on any active business or operations. Its principal business was to identify and evaluate businesses and assets with a view to completing a going public transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation in the selected opportunities. Following the closing of the Amalgamation, the Company has focused on the development of its product branding, the identification and evaluation of potential joint venture and business opportunities, and formalizing agreements in respect of such opportunities where the Company believes it to be appropriate.

## GENERAL DEVELOPMENT OF THE BUSINESS OF THE COMPANY

### Business of the Company

The Company is engaged in the cannabis industry as a late stage applicant for a Cultivation Licence and Sales Licence for cannabis production on its leased lands located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia. The Company is positioning itself for future growth in the event that Health Canada expands legalization of cannabis into derivative products and beverages by leasing a production ready bottling facility and underground aquifer located on the same property. The Company is also working jointly with another company based in California to develop and commercialize cannabis beverage formulations for sale in California and elsewhere in the United States, where permitted by state laws. Additionally, the Company continues to identify and evaluate other potential joint venture and business opportunities in both Canada and the United States, and looks to formalize agreements in respect of such opportunities where the Company believes it to be appropriate.

Since incorporation, BevCanna (pre-Amalco) has been engaged in preparing and filing its application to Health Canada to become a Licensed Producer under the *Access to Cannabis for Medical Purposes Regulations* (Canada) (previously defined as “**ACMPR**”). As of October 17, 2018, the licensing process formerly conducted under the ACMPR is now conducted under the Cannabis Act in substantially the same manner. The Cannabis Act licensing process includes the following six stages:

- Intake and Initial Screening
- Detailed Review and Initiation of Security Clearance Process
- Issuance of a Licence to cultivate and process cannabis (previously defined as the “**Production Licence**”)



- Introductory Inspection
- Pre-Sales Inspection
- Issuance of Licence to Sell (previously defined as the “**Sales Licence**” and collectively with the Production Licence, the “**Licences**”).

If the Company is issued the Licences, management of the Company anticipates that the Production Facility will serve not only as the Company’s initial production facility for growing, cultivating and processing cannabis, but also as the Company’s principal distribution centre.

On September 21, 2018, the Company received confirmation from Health Canada that its application was at the Review and Security Clearance Stage. As of the date of this Prospectus, the Company has passed the Security Clearance Stage and is currently at the Review Stage of the licensing process. On June 4, 2019, Health Canada issued a status letter to the Company indicating it had completed a preliminary and high-level review of its application, and had no critical concerns at this time. The next stage is submission of a Site Evidence Package to Health Canada, which the Company expects to complete within 50 to 90 days from the date of this Prospectus. Management has estimated that it could be issued the Production Licence and the Sales Licence in summer 2019. In the event that the Company is not granted the Licences as expected, or the grant of the Licences is delayed, the Company will focus on expanding its operations in the United States, as permitted by applicable state laws. See “*Risk Factors*” and “*General Development of the Business of the Company – Cannabis Beverage Joint Development Agreement with Greener Frontiers.*”

The Company has applied for licences for processing and research under the Cannabis Act and a hemp cultivation licence under the Industrial Hemp Regulations in addition to the originally applied for Production Licence and Sales Licence. In May 2019, Health Canada issued the hemp cultivation licence to the Company. The Company is currently evaluating potential joint venture or hemp crop sharing arrangements with other licensed producers of cannabis, as permitted by its hemp cultivation licence. For additional information see “*Risk Factors*” and “*General Development of the Business of the Company – Regulatory Framework.*”

The Company has engaged Canndelta Inc. to provide consulting services in connection with the Company’s application to Health Canada to become a Licensed Producer. In connection with same, the Company and Canndelta Inc. entered into a Canndelta Consulting Services Agreement dated March 13, 2019. Key services to be provided by Canndelta Inc. pursuant to the Canndelta Consulting Services Agreement include:

- provide expert review and gap analysis of the Company’s existing Licence applications, including all supporting materials;
- identify necessary content needed in the Company’s Licence applications to meet the regulatory compliance requirements for the intended licensing activities under the Cannabis Act and the Regulations thereunder;
- manage the submission of the submitted Licence applications up until issuance of the Production Licence and the Sales Licence, including preparing responses to Health Canada to address any comments regarding the application package submission;
- offer assistance preparing the Site Evidence Package to demonstrate the Company’s confirmation of readiness;
- on request of the Company, conduct a site inspection (a) upon initiation of the project outlined in the Canndelta Consulting Services Agreement and/or (2) prior to the submission the Site Evidence Package to Health Canada for licence issuance to assess readiness; and
- provide continuous regulatory support for the duration of the application process.

Once permitted by applicable law, the Company intends to position itself as a white label producer of premium, bottled, infused cannabis beverages and related products in Canada and the United States, and to formulate, develop and launch infused beverage brands through a Manufacturing Agreement entered into with Naturo (previously defined as the “**Manufacturing Agreement**”), a Cannabis Beverage Joint Development Agreement (previously defined as the “**GF Joint Development Agreement**”) with Greener Frontiers Corporation (previously defined as “**Greener Frontiers**”) and other licensing agreements. The Company has identified the infused edible

and consumable cannabis product market as one of the highest margin segments of the cannabis industry, and intends to position itself as a producer in this market specifically.

In anticipation of the grant of the Licences and the commencement of operations in the United States, the Company has commenced branding and marketing initiatives, and entered into joint ventures and other business opportunities in furtherance of the Company's business objectives.

### **Agreements with Naturo and Naturo Springs**

Prior to entry into the Amalgamation Agreement, BevCanna (pre-Amalco) entered into several material agreements with Naturo and Naturo Springs. Naturo is a private company incorporated under the BCBCA and Naturo Springs is a private Canadian corporation and majority-owned subsidiary of Naturo. Naturo Springs owns the facility and has rights to an underground aquifer and Naturo owns the lands on ALR land. Naturo and Naturo Springs agreed to license a portion of the facility to BevCanna and lease 100 acres of the surrounding land for the cannabis business while it concentrates on the water and trace mineral beverage industry. Naturo is principally controlled by Marcello Leone, a director and officer of BevCanna. Martino Ciambrelli is also a common director and officer to all companies. The decision to lease a large portion of the lands and the facility and grant an exclusive licence for cannabis products was conditional upon an independent valuation report on the fair market value of the exclusive licence granted under the Manufacturing Agreement (the "**Valuation Report**") produced by Evans & Evans, Inc. The decision to proceed was expressed in a framework agreement which incorporated a Lease Agreement and Manufacturing Agreement.

#### *Framework Agreement*

On June 12, 2018, BevCanna Opco entered into a Framework Agreement with Naturo and Naturo Springs, whereby they agreed to enter into a Lease Agreement and a Manufacturing Agreement. In consideration for the entry into these agreements, BevCanna Opco paid Naturo gross consideration in the amount of \$12,400,000, consisting of \$6,200,000 in cash and 24,800,000 Class A common shares of BevCanna Opco at a deemed price of \$0.25 per Class A common share (which were later exchanged on a one for one basis for 24,800,000 Common Shares of BevCanna pursuant to the Amalgamation).

#### *Lease Agreement*

BevCanna Opco entered into a Lease Agreement dated June 12, 2018, as amended on August 24, 2018, BevCanna Opco with Naturo and Naturo Springs (together, previously defined as the "**Landlord**") for a portion of the lands and facility (previously defined as the "**Premises**") located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia, which is approximately 30 km east of Osoyoos British Columbia.

The Premises consist of:

- approximately 100 acres of land;
- water rights to an underground aquifer below the Premises with a capacity of 353.8 million liters;
- a 40,000 sq. ft. pasteurized bottling facility that is Hazard Analysis Critical Control Point (HACCP) approved and a warehouse (together, previously defined as the "**Production Facility**"), which is connected to the aquifer; and
- expansion rights authorized by the Agriculture Land Commission to increase the facility to a total of 170,000 sq. ft.

Key terms of the Lease include:

- commencement date of July 1, 2018;
- 10-year term with any renewals to be negotiated;
- monthly rent of 5% of gross sales of all cannabis cultivated on the premises plus all Landlord's costs related to the premises;

- the tenant is granted the non-exclusive licence to use such other parts of the Premises that are not subject to the lease as it reasonably requires for its business;
- the tenant may, in common with other the occupants of the Premises, utilize up to 125 million litres of water per year from the aquifer;
- that part of the Premises that is inside the Production Facility may be used for the purpose of cultivating, growing and processing cannabis, and when permitted in accordance with applicable laws and regulations, the processing, manufacturing and bottling of cannabis beverages and related products;
- that part of the Premises that is not in the Production Facility may be used for the cultivation of cannabis plants;
- the Landlord may not lease any part of the lands or the facility which is not occupied by the tenant to any other person for the purpose of the processing, manufacturing, or bottling of cannabis beverages or related products without the tenant's consent;
- the tenant is entitled to construct, at its cost, an addition of no more than 50,000 sq. ft. to the Production Facility, which will be deemed part of the Production Facility;
- the tenant may set off any amounts owed as percentage rent against monetary amounts paid for construction of the addition;
- the tenant must have the Landlord's consent to use pesticides and other contaminants; and
- in the event of any material damage to the premises which cannot be repaired within 10 days, the Landlord may terminate the lease.

### *Manufacturing Agreement*

Naturo is in the business of manufacturing and packaging water and trace mineral infused beverages and providing related services. On June 12, 2018 (as amended on August 24, 2018), BevCanna Opco entered into the Manufacturing Agreement with Naturo whereby Naturo agreed to provide certain manufacturing and quality assurance services for manufacturing water-based cannabis beverages in the Production Facility.

Key terms of the Manufacturing Agreement include:

- 10-year term with two automatic 10-year renewals if not terminated by either party;
- the agreement may be terminated by either party without cause after 10 years by providing 24 months' notice;
- Naturo shall be the manufacturer of packaged, water-based cannabis beverages that are ready for sale to consumers;
- Naturo shall label the finished products with the printed materials supplied by BevCanna Opco;
- Naturo grants BevCanna Opco the exclusive right and licence to use certain parts of Naturo's confidential information to market similar products;
- Naturo and BevCanna Opco will enter into a Quality Assurance Agreement;
- Naturo will make the finished products available to BevCanna Opco at the Production Facility following completion of the manufacturing; and
- BevCanna Opco shall pay Naturo the cost of the bottles and related materials plus a 50% profit margin for all finished products (to be adjusted annually for changes in costs).

### **Agreements with Nextleaf**

On October 19, 2018, the Company and Nextleaf Solutions Ltd. (previously defined as "Nextleaf") executed a non-binding letter of intent (previously defined as the "Nextleaf LOI") whereby the parties agreed to negotiate in good faith to enter into the Nextleaf Supply Agreement and the Nextleaf R&D Agreement.

On February 15, 2019, the Company and Nextleaf executed the Nextleaf Supply Agreement, the key terms of which include:

- initial term of 3 years beginning from the federal legalization of the sale of beverages containing CBD and/or THC in Canada, and a 5-year renewal term;
- BevCanna will purchase CBD and/or THC cannabis distillate products in water soluble form exclusively from Nextleaf at market rates, with exact pricing and quantities to be negotiated upon both parties holding the appropriate Health Canada licences;
- upon Nextleaf's receipt of an appropriate licence issued by Health Canada, Nextleaf shall perform research and development on the stability and solubility of the products at no cost to BevCanna;
- Nextleaf shall grant BevCanna an exclusive, North America wide, licence to use the developed intellectual property for its own brand production as well as for co-developed and white label production for third parties;
- BevCanna shall pay a licensing fee of 6.5% of gross revenue from products derived from the intellectual property developed by Nextleaf;
- if BevCanna does not achieve the following performance milestones, Nextleaf may terminate the agreement:
  - BevCanna must have commercialized and launched at least one product within the first year of the initial term, or make a \$100,000 payment to Nextleaf;
  - the total licensing fee paid by BevCanna to Nextleaf in the initial term is at least \$780,000; and
  - the total licensing fee paid by BevCanna to Nextleaf in the initial term and renewal term combined is at least \$4,680,000; and
- BevCanna and Nextleaf will use commercially reasonable efforts to execute a quality agreement with respect to the quality requirements for the products prior to the federal legalization of the sale of beverages containing CBD and/or THC in Canada.

Key terms of the Nextleaf R&D Agreement are expected to include:

- initial term of 10 years, and a 5-year renewal term at the option of BevCanna;
- Nextleaf shall engage in research to develop and deliver formulations for water soluble cannabinoids to BevCanna which meet designated specifications and in accordance with specified timelines, at no cost to BevCanna;
- Nextleaf shall assign the intellectual property developed as a result of this research to BevCanna;
- either party may terminate the Nextleaf R&D Agreement at any time with 30 days' notice; and
- if BevCanna terminates the Nextleaf R&D Agreement, except for because of an event of default by Nextleaf, BevCanna shall pay Nextleaf all reasonable expenses incurred in relation to the project.

On March 18, 2019, the Company subscribed for 714,286 units of Nextleaf (each, a "**Nextleaf Unit**") at a price of \$0.35 per Nextleaf Unit for a total investment of \$250,000. Each Nextleaf Unit is comprised of one common share in the capital of Nextleaf (each, a "**Nextleaf Share**") and one common share purchase warrant (each, a "**Nextleaf Warrant**"). Each Nextleaf Warrant entitles the holder thereof to acquire one Nextleaf Share (each, a "**Nextleaf Warrant Share**") at an exercise price of \$0.70 per Nextleaf Warrant Share until March 18, 2021, subject to an acceleration right, whereby the expiry of the Nextleaf Warrants may be accelerated in the event the closing price of the Nextleaf Shares is at a price greater than \$1.25 per Nextleaf Share for a period of 20 consecutive trading days, while listed on the CSE, or any other stock exchange on which the Nextleaf Shares are listed, and Nextleaf provides notice by news release to the holders of the Nextleaf Warrants.

#### **Strategic Partnership with IndigiCo LP**

On December 14, 2018, the Company formed a strategic relationship with IndigiCo Limited Partnership (previously defined as "**IndigiCo**") to further the business of the Company (previously defined as the "**IndigiCo Transaction**"). IndigiCo will use its unique position to provide assistance to the Company in furthering its business in the Indigenous market in Canada, including assistance in securing a final strategic relationship agreement with a First Nation and negotiating a letter of intent to construct a cannabis extraction facility. As part of this strategic relationship, the Company:

- issued 2,535,850 Common Shares in a private placement to IndigiCo at a price of \$0.50 per share for gross proceeds of \$1,267,925 pursuant to a subscription agreement between the Company and IndigiCo (the “**IndigiCo Subscription Agreement**”) dated December 14, 2018;
- entered into an independent consultant agreement (previously defined as the “**IndigiCo Consulting Agreement**”) with IndigiCo;
- granted to IndigiCo the right to nominate one member to the Board of Directors, for a period of two years from December 14, 2018, or until IndigiCo ceases to own at least 2% of the issued and outstanding Common Shares on a non-diluted basis, pursuant to the IndigiCo Subscription Agreement; and
- granted IndigiCo certain information rights respecting the delivery of financial statements of the Company while the Company is not a reporting issuer pursuant to an investor rights agreement between the Company and IndigiCo (the “**IndigiCo Investor Rights Agreement**”) dated December 14, 2018.

In connection with this strategic relationship, IndigiCo acquired a further 2,000,000 Common Shares of the Company from Naturo in a share transfer transaction.

#### *IndigiCo Consulting Agreement*

On December 14, 2018, as part of the IndigiCo Transaction, the Company entered into the IndigiCo Consulting Agreement with IndigiCo. Key terms of the IndigiCo Consulting Agreement are as follows:

- an initial term of 12 months, with options to renew for subsequent terms by mutual agreement of the parties;
- IndigiCo will provide consulting services to the Company as an independent contractor, including assistance in
  - furthering the brand and business of the Company in the Indigenous market in Canada,
  - securing a letter of intent for the purchase or construction of a cannabis extraction facility or other major infrastructure project,
  - securing a final strategic relationship agreement with a First Nation,
  - creating a national strategy for distribution of the Company’s products, with the potential for a First Nations enabled solution,
  - negotiating and securing opportunities for regional expansion of extraction facilities,
  - negotiating and securing opportunities the outdoor cultivation of cannabis, and
  - general consulting services on other initiatives as agreed to by the parties;
- the Company will pay a cash fee of \$25,000.00 per month to IndigiCo or its nominee for the seven month period from January 2019 to June 2019 in connection with consulting services provided with respect to providing assistance in securing a letter of intent for the purchase or construction of a cannabis extraction facility or other major infrastructure project;
- the Company will pay a cash fee of \$26,340.00 per month to IndigiCo or its nominee for the 12 month period from January 2019 to December 2019 in connection with consulting services provided with respect to all other initiatives listed above other than securing a letter of intent for the purchase or construction of a cannabis extraction facility or other major infrastructure project;
- the Company issued 3,000,000 share purchase warrants to IndigiCo, with each warrant exercisable into one Common Share at an exercise price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following any change of control of the Company, the Common Shares being listed on a recognized stock exchange, or the Company approving a strategy to market its products in the United States;
- the Company issued 1,000,000 share purchase warrants to IndigiCo, with each warrant exercisable into one Common Share at an exercise price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following the Company entering into a letter of intent, memorandum of understanding or definitive agreement to construct or purchase a cannabis extraction facility or other major infrastructure project, where IndigiCo plays a key role in securing the agreement; and
- the certificates representing the aggregate of 4,000,000 non-transferable common share purchase warrants issued by the Company to IndigiCo contain a provision such that the number of Common Shares

that may be acquired by IndigiCo upon the exercise of the warrants is limited to ensure that, following such exercise, the total number of Common Shares then beneficially owned by IndigiCo and its affiliates and any other persons whose beneficial ownership of Common Shares would be aggregated with IndigiCo's for the purposes of NI 62-104 does not exceed 9.9% of the total number of issued and outstanding Common Shares issued by the Company.

Phil Fontaine, a director of the Company, indirectly holds a partnership interest in IndigiCo. Phil Fontaine is the CEO, Chairman and a director of IndigiCo Inc., the general partner of IndigiCo. A trust and a First Nation each hold 10 Class A Common shares in the capital of IndigiCo Inc., which are all of the issued and outstanding shares of IndigiCo Inc. The limited partners of IndigiCo are the same trust and First Nation. The trust holds a 40% interest in IndigiCo, represented by 15,000 Voting Units. The First Nation holds a 60% interest in IndigiCo, represented by 22,500 Units of IndigiCo (comprised of 15,000 Voting Units and 7,500 Non-Voting Units). The trust has three trustees and the beneficial interests in the trust are discretionary. Accordingly, no individual, including Phil Fontaine, controls the shares of IndigiCo Inc. held by the trust or in turn, the partnership interest in IndigiCo held by the trust. Further, no individual, including Phil Fontaine, has a fixed interest as a beneficiary in the trust and therefore no individual has a fixed interest in the assets of the trust, which includes the 40% interest in IndigiCo. See *"Interests of Management and Others in Material Transactions."*

### **Cannabis Beverage Joint Development Agreement with Greener Frontiers**

On February 17, 2019, the Company executed a non-binding letter of intent with Greener Frontiers whereby the parties agreed to negotiate in good faith to enter into a definitive agreement to develop ready-to-drink cannabis-infused beverages using the proprietary technology being developed by Greener Frontiers for water-soluble cannabis powder (previously defined as the **"GF Technology"**) and other formulations. Following those negotiations, on April 1, 2019, the Company and Greener Frontiers executed the GF Joint Development Agreement. The Company expects to incorporate a wholly owned subsidiary (previously defined as **"US NewCo"**) under the laws of the State of California to carry on the Company's business in California in connection with the GF Joint Development Agreement.

Key terms of the GF Joint Development Agreement include:

- the Company and Greener Frontiers will work together to develop and improve the functionality, flavors, formulations, and taste profiles of cannabis infused beverages using the GF Technology and other formulations;
- BevCanna will provide up to a maximum of USD\$500,000 in furtherance of the product development, process development and product analysis for use in a finished cannabis beverage product of the Company;
- any pre-existing intellectual property of either company will remain the property of that company, and any intellectual property developed shall be deemed to be jointly owned by BevCanna/NewCo and Greener Frontiers;
- in the event that Greener Frontiers commercializes any or all of the jointly developed intellectual property under the GF Joint Development Agreement, Greener Frontiers will pay a royalty to the Company at the rate of 5% of all gross revenue received per calendar quarter until the Company recovers twice the amount of funds expended by the Company in furtherance of the joint development pursuant to the GF Joint Development Agreement;
- BevCanna or US NewCo is granted an option to acquire of all the intellectual property of Greener Frontiers related to a technology for water-soluble cannabis powder;
- each party will obtain, pay for, and maintain commercial general liability and professional liability insurance in commercially reasonable and appropriate amounts, and in any event, of not less than USD\$1,000,000;
- the option will be exercisable into common shares of BevCanna at a deemed price of USD\$0.38, and released on performance milestones being met as follows:
  - USD\$1 million on the launch of a powdered drink line by US NewCo within 3 months,
  - USD\$1 million on the launch of a line of water drinks by US NewCo within 9 months,

- USD\$1.4 million on the attainment of USD\$7.5 million in revenues and/or USD\$3.6 million in EBITDA by US NewCo by 2020, and
- USD\$1.4 million on the attainment of USD\$16.5 million in revenues and/or USD\$9.9 million in EBITDA by US NewCo by 2021;
- simultaneous with the option exercise, BevCanna will commit to inject USD 1.5 million into US NewCo to support its working capital needs over the following 9 months; and
- prior to the option exercise, the current management and technical team of Greener Frontiers will be required to enter into 3-year employment agreements with US NewCo.

Greener Frontiers has identified a potentially suitable licensed research facility site in Berkeley, California, and is working to finalize a temporary working agreement for the use of this facility. Following the execution of a working agreement for this facility, or another suitable site, the Company intends to employ a research team to work with the Greener Frontiers research team and begin testing and developing the GF Technology and other formulations. Following the development of viable finished products utilizing the GF Technology, in the second stage of the GF Joint Development Agreement, the Company and Greener Frontiers have agreed to work towards locating a bottling plant to begin commercial production.

### **New Product Development**

The Company will employ its patented molecular distillation technology to extract distillates with up to a 98% cannabinoid concentration. These nano-emulsified concentrates are then flash pasteurized giving them a minimum one year shelf stability, and can later be infused into water. The result is a tasteless, odorless, translucent product with 100% optical clarity and a superior mouthfeel with no texture or residue.

The Company intends to be a supplier in the medicinal, therapeutic/wellness, and adult use recreational markets. Once the Company has received the Licences, it intends to position itself as a vertically integrated white label manufacturing partner and supplier of premium alkaline spring water for infused cannabis beverages. The Company will formulate, develop and launch infused beverage brands through licensing agreements and joint ventures with other Licensed Producers and entities with expertise in desired areas, including the agreements with Naturo Springs and Nextleaf. The Company also intends to launch its own house brands infused with CBD and having a health and wellness focus. The Company's brands will include:

- Unison CBD+ – high protein, flavoured nutritional drinks infused with CBD;
- Lev – flavoured spring water beverages infused with CBD as a dietary and exercise supplement; and
- Reo – flavoured spring water beverages infused with THC for adult recreational use.

All of the Company's products are in the development stage and the Company currently does not have any products commercially available as of the date of this Prospectus.

On October 17, 2018, the *Cannabis Act* came into force legalizing the recreational use of cannabis in Canada. The *Cannabis Act* provides a licensing regime, which replaces the ACMPR, for the production, testing, packaging, labeling, sending, delivery, transportation, sale, advertising and marketing, possession and disposal of recreational cannabis, to be implemented by regulations (previously defined as the “**Regulations**”) made under the *Cannabis Act*. Provincial legislation enacted in each province implements measures authorizing the sale of recreational cannabis by a person authorized under the *Cannabis Act* to produce cannabis for commercial purposes. The transitional provisions of the *Cannabis Act* provide that every licence issued under section 35 of the ACMPR that is in force immediately before the day on which the *Cannabis Act* came into force is deemed to be a licence issued under the *Cannabis Act*, and that such licence will continue in force until it is revoked or expires.

The Regulations provide for the issuance of licences required for cultivating and processing cannabis, the sale of cannabis for medical and recreational purposes and analytical testing and research in relation to cannabis. These licences will be subject to various general requirements as well as conditions specific to the activities and sub-activities they authorize. The Regulations also allow licence and permit holders to import and export cannabis for scientific or medical purposes.

Although the *Cannabis Act* came into force on October 17, 2018 permitting the sale and distribution of recreational adult-use cannabis, the Government of Canada (previously defined as the “**Government**”) did not include any provision for the legalization of the sale and distribution of cannabis infused edibles and concentrates, which includes the cannabis infused beverages to be developed by the Company. The Government has indicated it will launch consultations later in 2018 and 2019 to develop regulations to support the sale and distribution of edibles and concentrates, and intends such regulations to come into force on October 17, 2019.

The Company’s products will not be commercially available until it has received the Licences and the products are permitted to be distributed and sold under the Regulations.

## **Competition**

As of May 10, 2019 there were 177 Licensed Producers in Canada, 40 of which are in British Columbia. There are over 500 applications currently under consideration by Health Canada with more expected in the future. We expect that there may be as many as 200 to 300 Licensed Producers operating by the time we receive our Production Licence approvals, if at all. As of May 25, 2017, Health Canada reported it had received 1,665 applications. 265 of those applications have been refused, 428 applications are in progress, 69 have been withdrawn, and 858 were incomplete or have been returned. It is estimated that three applicants are rejected for every one applicant who is successful in obtaining a licence.

The Company will face intense competition from other Licensed Producers and retailers in the legal recreational cannabis market, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Company. Increased competition by numerous independent dispensaries and larger and better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Company. Because of the preliminary stage of the potential recreational cannabis market in which the Company intends to operate, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and operating results of the Company.

Moreover, the Company will face intense competition from current producers and retailers of medical cannabis, some of which have been operating for several years. Such producers and retailers possess established cannabis supply sources, supply chain frameworks, retail outlets and consumer bases. Additionally, current producers and retailers of medical cannabis have experience in complying with current applicable federal regulatory frameworks, which the Company does not possess.

To-date, the Company is aware of the following other established and development stage companies that are also positioning for future growth in the event that Health Canada expands legalization of cannabis to include beverages:

- Canopy Growth Corporation (TSX: WEED, NYSE: CGC) and Constellation Brands, Inc. (NYSE: STZ and STZ.B) are in a collaboration to develop cannabis -based beverages;
- HEXO Corp. and Molson Coors Canada, the Canadian business unit of Molson Coors Brewing Company (NYSE: TAP; TSX: TPX) have established a joint venture to pursue opportunities to develop non-alcoholic cannabis-infused beverages;
- Tilray, Inc. (NASDAQ: TLRY) and AB InBev (NYSE: ABEV) have entered in to a partnership to research the production of THC and CBD infused non-alcoholic beverages;
- Province Brands of Canada, an early stage, privately held company, is developing new enzymes and fermentation techniques to brew beer-like beverages through a \$50 million facility that it intends to build;
- Weed MD (TSXV: WMD) and Phivida Holdings Inc. (CSE: VIDA; OTCQX: PHVAF) have entered in to a joint venture, Cannabis Beverages Inc., to develop, manufacture and distribute cannabis-infused beverages in Canada and also for export to licensed international markets; and



- Sproutly Canada Inc. (CSE: SPR; OTC: SRUTF), a Cannabis oil extraction company, has recently announced a joint venture with Moosehead Breweries to develop a line of cannabis infused beverages using their water-soluble cannabinoids.

BevCanna's principal competitive advantage with the majority of the above potential competitors lies in its collective experience as an existing water based beverage producer and marketer seeking simply to add infusion as opposed to being a cannabis cultivator or liquor/beer producer seeking to enter the same space with an inherently high learning curve and capital expenditure requirement.

## **Branding and Marketing**

### *Agreement with Axle Creative Design Ventures Incorporated*

On May 1, 2019, the Company, Axle Creative Design Ventures Incorporated (previously defined as the "**Brand Manager**") and the principal of the Brand Manager executed a management services agreement (previously defined as the "**Brand Management Agreement**"), the key terms of which include:

- the Brand Manager will provide managerial services to the Company and act as the Company's chief brand and innovation manager;
- the term for the provision of services by the Manager to the Company commenced on May 1, 2019 and will continue for one year unless terminated earlier in accordance with its terms; and
- for services rendered by the Brand Manager, the Company agreed to pay the Brand Manager:
  - upon execution and delivery of the Brand Management Agreement, a one-time payment in the amount of \$100,000, in consideration for branding and marketing management services provided to the Company prior to the date of execution, payable by the allotment and issuance of 100,000 Common Shares to the Brand Manager at a deemed price of \$1.00 per Share; and
  - a monthly fee of CDN \$8,000 plus the GST, payable quarterly in arrears and at the option of the Company, in its sole discretion, in the form of : (i) cash; (ii) in Common Shares at a deemed price per Common Share equivalent to the current Common Share price as of the applicable date, as determined by the Company in its sole discretion, acting reasonably, subject to compliance with applicable securities laws, or (iii) any combination of (i) and (ii) as aforementioned.

### *Agreement with Dossier Creative Inc.*

On May 1, 2019, the Company, Dossier Creative Inc. (previously defined as the "**Marketing Consultant**") and the principal of the Marketing Consultant executed a services agreement (previously defined as the "**Marketing Services Agreement**"), the key terms of which include:

- the Marketing Consultant will provide branding and marketing services related to, among other things:
  - development of beverage concepts and intellectual property;
  - strategies and leadership consulting services; and
  - studio services for creation of, among other things, visual designs, marketing and sales materials, digital properties design and content messaging;
- the term for the provision of services by the Marketing Consultant to the Company commenced on May 1, 2019 and will continue for twelve (12) months; and
- for services rendered by the Marketing Consultant, the Company agreed to:
  - pay the Marketing Consultant a monthly fee based on \$35,000 per month to be allocated as follows:
    - Strategy and Leadership Consulting Services: \$275 per hour with an anticipated maximum of 40 hours per month; and
    - Studio Services: \$180 per hour for strategy, design and build services with an anticipated maximum of 100 hours per month and \$165 per hour for project management services with anticipated maximum of 35 hours per month); and

- o upon execution and delivery of the Marketing Services Agreement, allot and issue 300,000 Common Shares to the Marketing Consultant at a deemed price of \$1.00 per Common Share.

## Regulatory Framework

### *Federal Regulatory Environment*

Prior to October 17, 2018, the cultivation, distribution and sale of cannabis was governed in Canada under the federal CDSA, the Narcotics Controls Regulations and the ACMPR. The Cannabis Act came into force on October 17, 2018, legalizing recreational adult-use cannabis across Canada. After October 17, 2018, cannabis ceased to be governed under the CDSA and the ACMPR. In their place, cannabis became federally regulated by the Cannabis Act and the Regulations.

The Cannabis Act and Regulations creates six classes of licences (cultivation, processing, analytical testing, sale, research and cannabis drug licences) and several sub-licences. Licence holders may hold more than one licence. The Regulations only outline the rights of a licence to grow, distribute and sell cannabis for medical purposes. Recreational sales of cannabis are not addressed in the Regulations and are instead the domain of provincial regulators.

Holders of licences issued under the ACMPR are deemed to have licences under the Regulations as follows:

Former ACMPR Licence	New <i>Cannabis Act</i> Licence Class	Possible Subclass (if conditions of Regulations met)
Licence authorizing the production of fresh or dried marihuana, or marihuana plants or seeds	Licence for cultivation	Licence for standard cultivation Licence for micro-cultivation Licence for a nursery
Licence authorizing the production of cannabis oil or cannabis resin	Licence for processing	Licence for standard processing Licence for micro-processing
Licence authorizing sale or provision of cannabis to medical practitioners or registered persons	Licence for sale	Licence for sale for medical purposes

### *The Licensing Process*

Prior to October 17, 2018, the licensing process was managed by Health Canada pursuant to the ACMPR. It includes provisions regulating the licensing of producers, the access to medical cannabis, and the production, processing, and labeling of cannabis to ensure the quality, safety, and standardization of all available product. Applications submitted under the ACMPR prior to October 17, 2018 are automatically deemed to be applications under the *Cannabis Act* after October 17, 2018.

Under the *Cannabis Act*, a business that wishes to commercially produce and/or distribute cannabis must obtain a licence to operate as a Licensed Producer. In order to obtain such a licence, the applicant must successfully complete a six-stage review process described by Health Canada as follows:

#### 1. Intake and Initial Screening

Health Canada screens initial applications for their completeness prior to issuing an application number. The initial required application material includes:

- the business plan of proposed business;
- Security Clearance application form; and
- supporting documents such as standard opening procedures, inventory and destruction methods, and record keeping methods related to security.

If an application is incomplete, Health Canada will request additional information be provided before issuing an application number to an applicant. They will also confirm that the applicant has obtained approval from or provided written notice to the local government, the local fire authority, the local police force, or the Royal Canadian Mounted Police in the area in which its production site is located.

## 2. Detailed Review and Security Clearance Process

At this stage, Health Canada reviews the information received from an applicant to:

- the results of the pre-sale inspection;
- information submitted in the amendment application to add the activity of sale to the licence; and
- any other relevant information.

While the application is in the detailed review stage, the security clearance forms for key personnel is sent for processing. As of the date of this Prospectus, the Company has passed the Security Clearance Stage and is currently at the Review Stage of the licensing process with Health Canada.

On May 8, 2019 Health Canada introduced new changes to the review process. Effective as of this date, in addition to meeting all of the previous criteria, Health Canada requires new applicants for Licences to have a fully built site that meets all the requirements of the *Cannabis Regulations* at the time of their application. With respect to existing applications, Health Canada will complete a high-level review of applications currently in the queue. If the application passes this review, the Department will provide a status update letter to the applicant, indicating that it has no concerns with what is proposed in the application. Once the applicant has a completed site that meets the regulatory requirements, Health Canada will review the application in detail, in priority based on the original application date.

On June 4, 2019, Health Canada issued a status letter to the Company indicating it had completed a preliminary and high-level review of its application, and had no critical concerns at this time. Health Canada has requested additional information to continue with its detailed review. Although the Company believes this process is going well, there is no guarantee that the Company will be issued the Licences.

## 3. Issuance of Licence to Produce

Once Health Canada confirms that the requirements of the *Cannabis Act* have been met, and the application successfully completes the Detailed Review and Security Clearance stage, a licence to produce will be issued.

## 4. Introductory Inspection

Once a Licensed Producer has begun cultivation, it is required to notify Health Canada. Health Canada will then schedule an initial inspection to confirm the requirements of the *Cannabis Act* are being met and the activities of the Licensed Producer fall within those indicated on their licence.

## 5. Pre-Sales Inspection

Before a Licensed Producer is allowed to sell, it must undergo a pre-sale inspection by Health Canada to verify that they are in full compliance with all requirements of the *Cannabis Act* and following good production practices.

## 6. Issuance of Licence to Sell

Prior to issuing a licence to sell, Health Canada undertakes one last review for compliance under the *Cannabis Act* and establishes that the sale of cannabis products is not likely to create a risk to public health, safety, or security. In order to confirm that there are no other grounds for refusing the amendment application, the following information is reviewed:

- the results of the pre-sale inspection;
- information submitted in the amendment application to add the activity of sale to the licence; and
- any other relevant information.

When the review is completed, a Sales Licence is issued to the Licensed Producer. The Licensed Producer may now begin supplying cannabis products to the adult-use recreational market.

### *Security Clearances*

Under the former ACMPR licensing regime, select personnel (including individuals occupying a “key position,” directors, officers and individuals identified by the Minister) associated with certain licences issued under the ACMPR were obliged to hold a valid security clearance issued by the Minister. The Regulations expanded the ACMPR security clearance requirements to include:

- any “responsible person”, “head of security”, “master grower”, “quality assurance person”, or alternates for these positions;
- any partners of a partnership that hold a licence; and
- any individuals who exercise, or are in a position to exercise, direct control over a corporate or cooperative licence holder, including all:
  - directors and officers of the individual, if a corporation;
  - partners of the individual, if a partnership; and
  - directors and officers of the individual if it is a corporate partner in a partnership.

The Regulations enable the Minister to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. Health Canada acknowledges in the Regulations that there are individuals who may have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister would be authorized to grant security clearances to any individual on a case-by-case basis.

### *Cannabis Tracking System*

Under the *Cannabis Act*, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Regulations provide the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

### *Cannabis Products*

The Regulations permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. Although the *Cannabis Act* came into force on October 17, 2018 permitting the sale and distribution of recreational adult-use cannabis, the Government did not include any provision for the legalization of the sale and distribution of cannabis infused edibles and concentrates, which includes the cannabis infused beverages to be developed by the Company. The Government has indicated it will launch consultations later in 2018 and 2019 to develop regulations to support the sale and distribution of edibles and concentrates, and intends

such regulations to come into force sometime in 2019. Health Canada plans to consult broadly on these regulations with the provinces and territories, industry, the public health community and other interested stakeholders.

### *Packaging and Labelling*

The Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Regulations require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant. These requirements will also apply to cannabis accessories, such as rolling paper and gel capsules that contain cannabis.

Marketing recreational cannabis under the *Cannabis Act* is equally restrictive. The Regulations require plain packaging, with strict controls over how and where the product is displayed for sale. The legislation permits information-type promotion. Licensed Producers can inform the public about their cannabis products (ingredients, THC and CBD levels, etc.) and tell them the difference between brands. All of these types of promotions are only allowed where they cannot be seen by youths. The *Cannabis Act* includes restrictions on several types of promotional activities such as:

- promotion considered appealing to youth;
- promotion that includes false, misleading, or deceptive information;
- promotion through sponsorship, testimonials, or endorsements; and
- promotion using the depictions of persons, celebrities, characters, or animals.

**The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.**

### *Cannabis for Medical Purposes*

The medical access regulatory framework remains substantively the same as it existed under the ACMPR, with adjustments to create consistency with rules for non-medical use, improved patient access, and reduced risk of abuse within the medical access system.

### *British Columbia Regulatory Environment*

On May 31, 2018, the British Columbia government passed the *Cannabis Control and Licensing Act* (British Columbia), the *Cannabis Distribution Act* (British Columbia), and issued the Private Retail Licensing Guide to regulate the recreational cannabis industry in the province. The Province's Liquor Distribution Branch will be the only wholesale distributor of recreational cannabis and will operate cannabis retail stores. They will also be responsible for licensing and monitoring private, non-medical cannabis stores. In addition to public retail outlets operated by the Liquor Distribution Branch, the Province plans to issue licences to operate private retail stores. Adults are allowed to use cannabis in places where tobacco smoking and vaping are permitted, but are banned from smoking and vaping in areas frequented by children including beaches, parks and playgrounds, and the use of cannabis in any form is banned for all occupants in vehicles. British Columbia allows personal cultivation of up to four cannabis plants per household, but the province will allow landlords to prohibit home cultivation.

Provincial and territorial legislation enacted for the purpose of regulating recreational cannabis are in infant stages and subject to change as governments adapt to this new regulatory environment. There is no assurances that any such changes would be conducive to the Company's business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, increased supply costs, or the Company's business model being prohibited or financially unfeasible in one or more jurisdictions. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the Company's cannabis retail model. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical

area, or restrict the geographical locations wherein such retail outlets may be opened. There is no assurance that if and when provincial, territorial, regional and municipal regulatory frameworks are enacted, the Company will be able to navigate such regulatory frameworks or conduct its intended business thereunder.

**The Company is subject to changes in provincial and territorial laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.**

#### *United States Operations*

On October 16, 2017, as revised on February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 *Issuers with U.S. Marijuana-Related Activities* (previously defined as the “**Staff Notice**”) which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state’s regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

The Company has executed the GF Joint Development Agreement with Greener Frontiers. At this time, the Company’s involvement in the U.S. cannabis industry is limited. The Company may be considered to have “material ancillary involvement” in cannabis activities under Staff Notice 51-352 as a result of the GF Joint Development Agreement with Greener Frontiers, which has ancillary involvement in U.S. marijuana related activities.

**The following table is intended to assist readers in identifying those parts of this Prospectus that address the disclosure expectations outlined in the Staff Notice:**

<b>Industry Involvement</b>	<b>Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties</b>	<b>Prospectus Cross Reference</b>
<b>All Issuers with U.S. Marijuana-Related Activities</b>	Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	General Development of the Business of the Company – GF Joint Development Agreement with Greener Frontiers
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	Cover Page (disclosure in bold typeface)
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities.	General Development of the Business of the Company – United States Industry Background and Trends – United States Regulatory Environment
	Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S.	Risk Factors – Service Providers
	Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.	Risk Factors – Additional Financing Risk Factors – Anti-Money Laundering Laws and Regulations

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross Reference
<b>All Issuers with U.S. Marijuana-Related Activities (continued)</b>	Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana related activities.	Not applicable
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	General Development of the Business of the Company – Compliance with Applicable State and Federal Laws in the United States  General Development of the Business of the Company – United States Industry Background and Trends
<b>U.S. Marijuana Issuers with material ancillary involvement</b>	Provide reasonable assurance, through either positive or negative statements that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	General Development of the Business of the Company – Compliance with Applicable State and Federal Laws in the United States

*Compliance with Applicable State and Federal Laws in the United States*

The Company has not obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from U.S. federal laws as they relate to the cannabis industry. For each of the Company’s subsidiaries, investee companies and partners involved in the U.S. cannabis industry, to the best of Company’s knowledge, the Company is not aware of any non-compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state for any of its indirect operations, holdings and ventures. The Company is not aware of: (i) any non-compliance by the Company, its subsidiaries, investee companies or partners with respect to marijuana-related activities or (ii) any notices of violation with respect to any marijuana-related activities of the Company, its subsidiaries, investee companies or partners by its respective regulatory authorities

*United States Industry Background and Trends*

In accordance with Staff Notice 51-352, below is a discussion of the federal and State-level U.S. regulatory regimes in those jurisdictions where the Company may be considered to have “material ancillary involvement” in cannabis activities. The Company may be considered to have “material ancillary involvement” in cannabis activities in the State of California. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have a material impact on the Company’s business activities or operations will be promptly disclosed by the Company.

## United States Regulatory Environment

In the United States, as of November 7, 2018 thirty-three states and Washington D.C. have legalized medical marijuana, while ten states and Washington, D.C. have legalized recreational marijuana. Cannabis currently remains a Schedule I drug under the CSA and is, therefore, illegal under federal law. Even in those states in which the use of cannabis has been legalized pursuant to state law, its use, possession or cultivation remains a violation of federal law. A Schedule I controlled substance is defined as one that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The DOJ defines Schedule I controlled substances as the most dangerous drugs of all the drug schedules with potentially severe psychological or physical dependence. If the United States federal government decides to enforce the CSA, persons that are charged with distributing, possessing with intent to distribute or growing cannabis could be subject to large fines and/or terms of imprisonment. This is the case even if a business is operating legally under state law.

The U.S. Department of Justice under the former Obama administration previously issued a series of memoranda, including, among others, *“Policy Statement Regarding Marijuana Issues in Indian Country,”* issued by then-Director of the Executive Office for U.S. Attorneys Monty Wilkinson and a memoranda issued by then-Deputy Attorney General James Cole, on August 29, 2013 (previously defined as the **“Cole Memo”**), which generally directed the U.S. Attorneys’ offices (U.S. federal prosecutors) that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law.

However, on January 4, 2018, then-Attorney General Jeff Sessions issued a new memorandum *“Marijuana Enforcement”* then rescinded the previous guidance memoranda, including the Cole Memorandum. Under the new guidance, then-Attorney General Sessions directs all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to marijuana activities. The DOJ asserts this return to the rule of law is also a return of trust and local control to federal prosecutors who know where and how to deploy Justice Department resources most effectively to reduce violent crime, stem the tide of the drug crisis, and dismantle criminal gangs. Therefore, the prosecution of individuals and businesses under the CSA that are engaging in cannabis-related activities in compliance with state law is now at the discretion of local U.S. Attorneys.

Despite this, the Sessions memorandum, being only a statement of DOJ enforcement policy, did not affect the Rohrabacher-Blumenauer amendment which prohibits the DOJ from using federal funds to interfere with state-legal medical marijuana programs. While that amendment is still in effect, it is subject to periodic extensions by Congress, the most recent being a February 15, 2019 extension through to September 30, 2019. The amendment does not cover activities under state recreational marijuana laws.

CBD is a product that often is derived from hemp, which contains only trace amounts of THC, the psychoactive substance found in marijuana. On December 20, 2018, President Trump signed a bill enacting the *Agriculture Improvement Act of 2018* (previously defined as the **“2018 Farm Bill”**) into law. Until the 2018 Farm Bill became law, hemp and products derived from it, such as CBD, fell within the definition of “marijuana” under the CSA and hemp was classified as a Schedule I controlled substance because hemp is part of the cannabis plant.

The 2018 Farm Bill defines hemp as the plant *Cannabis sativa L.* and any part of the plant with a delta-9 THC concentration of not more than 0.3 percent by dry weight, and removes hemp from the CSA. The 2018 Farm Bill also allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program and otherwise meets the definition of hemp removed from the CSA.

While the 2018 Farm Bill removed hemp from Schedule I of the CSA, the law did not change U.S. Food and Drug Administration’s (previously defined as the **“FDA”**) authorities with respect to food or drugs. As of the date of this Prospectus, the FDA has not made a determination that the use of hemp extract in food is safe. The FDA has



evaluated Generally Recognized as Safe (GRAS) notices for three hemp seed-derived food ingredients and determined that the agency has no questions that those ingredients are GRAS under their intended conditions of use.

Under U.S. federal law it is highly likely a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering and other violations of organized crime statutes for providing services to a cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, conspiracy and other federal crimes.

In 2014, the Financial Crimes Enforcement Network (previously defined as “**FinCEN**”), in coordination with the DOJ, issued guidelines for financial institutions serving marijuana businesses. The FinCEN guidance is singularly focused on ways to meet Bank Secrecy Act/anti-money-laundering (BSA/AML) obligations while serving the state-legal marijuana sector. It does not authorize financial institutions to serve that sector; rather, it provides a roadmap for BSA/AML compliance for institutions that choose to do so or that otherwise encounter transactions involving marijuana. The FinCEN Guidance requires that banks engaged in banking marijuana businesses file special-purpose SARs that distinguished among: (a) marijuana businesses lawfully operating in a state (requiring the filing of a “marijuana limited” SAR); (b) marijuana businesses that arguably may not be operating in a manner compliant with state laws (requiring the filing of a “marijuana priority” SAR); and (c) marijuana businesses for which the bank has concluded that a cannabis business was operating in violation of one or more red-flags identified in the Cole Memorandum (requiring the filing of a “marijuana termination” SAR). Despite the recent memorandum by then-Attorney General Jeff Sessions, FinCEN has subsequently re-affirmed its guidance. In the U.S., on several occasions, bills have been introduced in Congress to grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. These bills have not been passed and there can be no assurance that any will be passed. In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes to help reduce these challenges would eliminate these challenges for companies in the cannabis space, and would improve the efficiency of both significant and minor financial transactions.

Despite the legal, regulatory, and political obstacles the marijuana industry currently faces, the industry has continued to grow.

### California Regulatory Environment

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the Compassionate Use Act of 1996. This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine, or any other illness for which marijuana provides relief.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as the Medical Cannabis Regulation and Safety Act (previously defined as “**MCRSA**”). The MCRSA established a licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However in November 2016, voters in California overwhelmingly passed Proposition 64, the Adult Use of Marijuana Act (previously defined as “**AUMA**”) creating an adult-use marijuana program for adults 21 years of age

or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as Medicinal and Adult-Use Cannabis Regulation and Safety Act (previously defined as “**MAUCRSA**”), which amalgamates MCRSA and AUMA to provide a set of regulations to govern a medical and adult-use licensing regime for cannabis businesses in the State of California. The four agencies that regulate marijuana at the state level are the Bureau of Cannabis Control, California Department of Food and Agriculture, California Department of Public Health, and California Department of Tax and Fee Administration. MAUCRSA went into effect on January 1, 2018.

To legally operate a medical or adult-use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in cities with marijuana licensing programs. Therefore, cities in California are allowed to determine the number of licenses they will issue to marijuana operators, or can choose to outright ban marijuana.

A medicinal retailer license permits the sale of medicinal cannabis and cannabis products to a medicinal cannabis patient in California who possesses a physician's recommendation. Only certified physicians may provide medicinal marijuana recommendations. An adult-use retailer license permits the sale of cannabis and cannabis products to any individual age 21 years of age or older who does not possess a physician's recommendation.

An adult-use or medicinal cultivation license permits cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licenses further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

An adult-use or medical manufacturing license permits the manufacturing of cannabis products. Manufacturing includes the compounding, blending, extracting, infusion, packaging or repackaging, labeling or relabeling, or other preparation of a cannabis product.

In the state of California, only cannabis that is grown in the state can be sold in the state. Although California is not a vertically-integrated system, the state allows licensees to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the state.

Holders of marijuana licenses in California are subject to a detailed regulatory scheme encompassing: security, staffing, sales, manufacturing standards, inspections, inventory, advertising and marketing, product packaging and labeling, records and reporting, and more. As with all jurisdictions, the full regulations, as promulgated by each applicable state agency, should be consulted for further information about any particular operational area.

### **Economic Dependence**

The Company's activities and resources are focused in its Production Facility in Bridesville, British Columbia and are expected to continue to be focused in this facility for the foreseeable future. Adverse changes or developments affecting the existing Production Facility, the Lease or the Manufacturing Agreement could have a material and adverse effect on the Company's ability to grow, cultivate and process cannabis, its business, financial condition and prospects.

### **Business Cycle**

The recreational cannabis industry is in a preliminary stage in Canada, and predictable business cycles have not yet been established. The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources.

### **Intellectual Property Protection**

The following is a complete list of trademarks of the Company that have been applied for and/or are registered with the Registrar of Trade-marks in Canada:

Marks	Application/Registration No.	Application/Registration Date
BEVCANNA	Application Number: 1887536	Application Date: March 12, 2018

## Employees

As of the date of this Prospectus, the Company had 2 employees who perform administrative and marketing functions. All of the Company's senior officers and consultants are independent contractors.

## Experience and Expertise

The Company entered into a Manufacturing Agreement with Naturo, whereby Naturo agreed to provide certain manufacturing and quality assurance services for manufacturing water-based cannabis beverages in the Production Facility. Naturo is in the business of manufacturing and packaging water and trace mineral infused beverages and providing related services and is principally controlled by Marcello Leone, a director and officer of BevCanna. Martino Ciambrelli is also a director and officer of the Naturo.

The Company and Nextleaf executed the Nextleaf LOI whereby the parties agreed to negotiate in good faith to enter into the Nextleaf Supply Agreement and the Nextleaf R&D Agreement. On February 15, 2019, the Company and Nextleaf executed the Nextleaf Supply Agreement. Nextleaf holds multiple U.S. issued and pending patents for the process of producing cannabinoid distillate, the precursor for cannabis infused products, and is in the business of delivering its patented cannabis processing and extraction solutions to its clients.

The Company anticipates engaging a third-party with the necessary experience and expertise to grow and cultivate cannabis as planned for the 100-acre land on the Premises leased from Naturo. The Company believes that a number of suitable third-parties are available in British Columbia.

## USE OF AVAILABLE FUNDS

### Available Funds and Principal Purposes

This is a non-offering Prospectus. The Company is not raising any funds in conjunction with this Prospectus and, accordingly, there are no proceeds to be raised by the Company pursuant to this Prospectus.

***The Company is not yet operational. As a result, as at December 31, 2018, the Company had negative cash flows from operations.***

Our average current cash burn rate in 2019 is approximately \$280,747 per month, which includes a one-time payment of \$208,690 in March 2019 for research and development.

The Company had approximately \$6,084,257 in working capital as at May 31, 2019, approximately \$5,896,192 in working capital as at April 30, 2019, approximately \$6,249,414 in working capital as at March 31, 2019 and approximately \$6,368,675 in working capital as at February 28, 2019.

The principal changes to the working capital as at March 31, 2019 compared to as at February 28, 2019 are due to: with respect to the current assets, a decrease in cash from \$6,338,698 as at February 28, 2019 to \$5,987,394 as at March 31, 2019; an increase in GST receivable from \$30,214 as at February 28, 2019 to \$47,096 as at March 31, 2019; an increase in marketable securities from nil as at February 28, 2019 to \$396,294 as at March 31, 2019; and an increase in prepaid amounts from nil as at February 28, 2019 to \$103,392 as at March 31, 2019, and with respect to current liabilities, an increase in trade payable and accrued liabilities from \$92,986 as at February 28, 2019 to \$244,289 as at March 31, 2019 and an increase in amount due to related parties from \$16,164 as at February 28, 2019 to \$40,473 as at March 31, 2019.

The principal changes to the working capital as at April 30, 2019 compared to as at March 31, 2019 are due to: with respect to the current assets, a decrease in cash from \$5,987,394 as at March 31, 2019 to \$5,396,946 as at April 30, 2019; an increase in GST receivable from \$47,096 as at March 31, 2019 to \$54,298 as at April 30, 2019; and an increase in prepaid amounts from \$103,392 as at March 31, 2019 to \$302,041 as at April 30, 2019, and with respect to current liabilities, a decrease in trade payable and accrued liabilities from \$244,289 as at March 31, 2019 to \$213,698 as at April 30, 2019 and a decrease in amount due to related parties from \$40,473 as at March 31, 2019 to \$39,689 as at April 30, 2019.

The principal changes to the working capital as at May 31, 2019 compared to as at April 30, 2019 are due to: with respect to the current assets, a decrease in cash from \$5,396,946 as at April 30, 2019 to \$5,197,340 as at May 31, 2019; a decrease in GST receivable from \$54,298 as at April 30, 2019 to \$29,885 as at May 31, 2019; an increase in marketable securities from \$396,294 as at April 30, 2019 to \$478,921 as at May 31, 2019 and an increase in prepaid amounts from \$302,041 as at April 30, 2019 to \$659,825 as at May 31, 2019, and with respect to current liabilities, an increase in trade payable and accrued liabilities from \$213,698 as at April 30, 2019 to \$227,746 as at May 31, 2019 and an increase in amount due to related parties from \$39,689 as at April 30, 2019 to \$53,968 as at May 31, 2019.

The Company intends to allocate the foregoing funds as follows, however it reserves discretion to allocate to other strategic, operational or other demands as and when they arise:

Use of Available Funds	Amount
Production Facility expenditures and Production Licence	\$1,800,000 <sup>(1)</sup>
Salaries and consulting fees	\$1,064,220 <sup>(2)</sup>
Production Facility operating costs	\$0 <sup>(3)</sup>
General and administrative costs	\$564,000 <sup>(4)</sup>
Product branding and marketing	\$650,000 <sup>(5)</sup>
Research and Development	\$506,695 <sup>(6)</sup>
Investor Relations	\$500,000 <sup>(7)</sup>
Unallocated working capital	\$999,342 <sup>(8)</sup>
<b>Total</b>	<b>\$6,084,257</b>

Notes:

- (1) Comprised of \$700,000 allocated for building interior of Production Facility, \$465,000 allocated for processing equipment, \$300,000 allocated for costs related to obtaining a production licence, \$250,000 allocated for security for the Premises, \$50,000 allocated for updates to exterior of Production Facility, and \$35,000 allocated for miscellaneous expenditures.
- (2) Comprised of \$260,720 allocated for the remuneration payable under the IndigiCo Consulting Agreement, \$240,000 allocated for the remuneration of the CFO, \$220,000 for a sales and marketing team, \$120,000 allocated for the remuneration of the Chief Commercialization Officer, \$60,000 allocated for the remuneration of the Corporate Strategy consultant, \$50,000 for an executive assistant, \$42,000 for an employee responsible for investor relations, \$41,500 for two finance and accounting maintenance consultants and \$30,000 allocated for the remuneration of the President.
- (3) Production Facility operating costs will be borne by Naturo Springs pursuant to the Manufacturing Agreement. See "*General Development of the Business of the Company – Manufacturing Agreement*".
- (4) Comprised of anticipated costs of approximately \$300,000 for professional fees, approximately \$164,000 for sales, operating and office administration expenses and approximately \$100,000 for travel expenses.
- (5) Comprised of \$420,000 allocated for the remuneration of the Marketing Consultant, approximately \$100,000 allocated for strategic digital marketing for advertisements in connection with First Nations, \$96,000 allocated for the remuneration of the Brand Manager, which may be paid in cash, Common Shares or combination of cash and Common Shares and \$34,000 allocated for related miscellaneous expenditures.
- (6) Comprised of funding up to a maximum of USD\$300,000 payable pursuant to the GF Joint Development Agreement and USD\$76,515 allocated for anticipated expenses related to market research and operations in the State of California (based on the exchange rate of CAD\$1.35 = USD\$1.00 on April 1, 2019).
- (7) Comprised of \$385,000 allocated for lead generation services and \$115,000 allocated for agency and other associated fees.
- (8) Comprised of anticipated costs of approximately \$375,000 for working capital for product launch in Canada, approximately \$374,342 for Selling, General and Administrative expenses, approximately \$175,000 for additional compliance, legal and accounting fees and approximately \$75,000 related to listing the Company on the CSE.

It is anticipated that the available funds will be sufficient to achieve the Company's objectives over the next 12 months.

## **Business Objectives and Milestones**

The primary business objectives for the Company over the next 12 months are:

1. leasehold improvements to the Production Facility and bottling line (anticipated in fall 2019 for an estimated cost of \$1,800,000);
2. obtain a Production Licence (anticipated in fall 2019, estimated cost included in improvements to Production Facility);
3. enter into a rental agreement with a Licensed Producer permitting it to grow cannabis on the Premises in consideration for 20% of gross sales; and
4. create a joint research team with Greener Frontiers in California begin the testing and development of formulations for cannabis-based beverages and other related activities in accordance with the GF Joint Development Agreement (anticipated in fall 2019 for an estimated cost of \$500,000).

Significant events that need to occur for the business objectives to be accomplished:

1. successfully complete the Pre-licence Inspection to obtain the Production Licence;
2. successfully harvest required crops and complete all other requirements required by Health Canada to obtain the Sales Licence in order to be allowed to sell cannabis;
3. identification of a suitable Licensed Producer for a rental agreement; and
4. the Company and Greener Frontiers must finalize a working agreement for a suitable temporary or permanent research facility in California.

## **DIVIDEND POLICY**

We have not declared dividends on any of our shares in the past and we do not intend to pay any in the foreseeable future.

There are no restrictions in the Company's articles or elsewhere, other than customary general solvency requirements, which would prevent the Company from paying dividends. All of the Common Shares are entitled to an equal share in any dividends declared and paid on such Common Shares. It is anticipated that all available funds will be invested to finance the growth of the Company's business and accordingly it is not contemplated that any dividends will be paid on the Common Shares in the immediate or foreseeable future.

Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

BevCanna Opco's MD&A provides an analysis of BevCanna Opco's financial results for the period from incorporation on January 31, 2018 to December 31, 2018, and should be read in conjunction with the financial statements of BevCanna Opco for such period, and the notes thereto respectively. BevCanna Opco's MD&A for the period from incorporation on January 31, 2018 to December 31, 2018 is attached to this Prospectus as Schedule B.

BevCanna Opco's MD&A provides an analysis of BevCanna Opco's financial results for the three month period ended March 31, 2019, and should be read in conjunction with the financial statements of BevCanna Opco for such period, and the notes thereto respectively. BevCanna Opco's MD&A is attached to this Prospectus as Schedule D.

The Company's MD&A provides an analysis of the Company's financial results for the period from incorporation on July 13, 2017 to December 31, 2017, and should be read in conjunction with the financial statements of the Company for such period, and the notes thereto respectively. The Company's MD&A for the period from incorporation on July 13, 2017 to December 31, 2017 is attached to this Prospectus as Schedule F.

The Company's MD&A provides an analysis of the Company's financial results for the six month period ended June 30, 2018, and should be read in conjunction with the financial statements of the Company for such period, and the notes thereto respectively. The Company's MD&A is attached to this Prospectus as Schedule H.

Certain information included in the Company's MD&As is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Cautionary Statement Regarding Forward-Looking Statements*" for further detail.

## **DESCRIPTION OF SHARE CAPITAL**

### *Common Shares*

The authorized capital of the Company consists of an unlimited number of Common Shares without par value. As of the date of this Prospectus, there are 45,510,750 post-Consolidation Common Shares of the Company issued and outstanding.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board of Directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

### *Warrants*

As of the date of this Prospectus, the Company has issued 3,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following any change of control of the Company, the Common Shares being listed on a recognized stock exchange, or the Company approving a strategy to market its products in the United States. The Company has also issued 1,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following the Company entering into a letter of intent, memorandum of understanding or definitive agreement to construct or purchase a cannabis extraction facility or other major infrastructure project, where IndigiCo plays a key role in securing the agreement. The certificates representing the aggregate of 4,000,000 non-transferable common share purchase warrants issued by the Company contain a provision such that the number of Common Shares that may be acquired by the warrant holder upon the exercise of the warrants is limited to ensure that, following such exercise, the total number of Common Shares then beneficially owned by the holder and its affiliates and any other persons whose beneficial ownership of Common Shares would be aggregated with the warrant holder's for the purposes of NI 62-104 does not exceed 9.9% of the total number of issued and outstanding Common Shares issued by the Company. See "*General Development of the Business of the Company – Strategic Partnership with IndigiCo LP.*"

## Options

As of the date of this Prospectus, the Company has 1,250,000 Stock Options outstanding. See “Options to Purchase Securities.”

### CONSOLIDATED CAPITALIZATION

The following table sets forth the share capital of the Company as at the date of this Prospectus. The table should be read in conjunction with, and is qualified in its entirety by, BevCanna Opco’s audited consolidated financial statements as at and for the year ended December 31, 2018 and the accompanying notes.

Description	Outstanding as at December 31, 2018	Outstanding as at the date of this Prospectus
Common Shares	44,518,750 <sup>(1)</sup>	45,510,750 <sup>(1)</sup>
Warrants	4,000,000 <sup>(1)</sup>	4,000,000 <sup>(1)</sup>
Stock options	Nil	1,250,000 <sup>(1)</sup>

Notes:

(1) On a post-Consolidation basis.

### OPTIONS TO PURCHASE SECURITIES

#### Warrants

As of the date of this Prospectus, the Company has issued 3,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following any change of control of the Company, the Common Shares being listed on a recognized stock exchange, or the Company approving a strategy to market its products in the United States. The Company has also issued 1,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following the Company entering into a letter of intent, memorandum of understanding or definitive agreement to construct or purchase a cannabis extraction facility or other major infrastructure project, where IndigiCo plays a key role in securing the agreement. The certificates representing the aggregate of 4,000,000 non-transferable common share purchase warrants issued by the Company contain a provision such that the number of Common Shares that may be acquired by the warrant holder upon the exercise of the warrants is limited to ensure that, following such exercise, the total number of Common Shares then beneficially owned by the holder and its affiliates and any other persons whose beneficial ownership of Common Shares would be aggregated with the warrant holder’s for the purposes of NI 62-104 does not exceed 9.9% of the total number of issued and outstanding Common Shares issued by the Company. See “General Development of the Business of the Company – Strategic Partnership with IndigiCo LP.”

#### Options

The Board of Directors has adopted a stock option plan under which options may be granted to the Company’s directors, officers, employees and consultants. See “Executive Compensation – Elements of Compensation Program – Stock Option Plan.”

As of the date of this Prospectus, there are 1,250,000 options issued and outstanding on a post-Consolidation basis under the Stock Option Plan. The following table provides information with respect to options granted to all past and present executive officers, directors, employees, and consultants of the Company, as well as any other person granted options by the Company as at the date of this prospectus:

Persons who will receive Stock Options (as a group)	Number of Stock Options	Exercise Price	Expiry Date	Estimated Market Value <sup>(1)</sup>
All executive officers of the Company (3 people) <sup>(2)</sup>	1,250,000 <sup>(3)(4)</sup>	\$0.50	February 28, 2024	\$1,250,000.00
<b>Total</b>	<b>1,250,000</b>			<b>\$1,250,000.00</b>

(1) The estimated market value has been calculated by multiplying the number of Stock Options by the purchase price of \$1.00 per Common Share in the Company's most recent private placement on March 25, 2019.

(2) Consists of Marcello Leone, John Campbell and Martino Ciambrelli.

(3) On the date of grant, 100% of the Stock Options granted to officers and directors of the Company vested immediately.

(4) Some Stock Options are escrowed under the Escrow Agreement. See "Escrowed Securities" for more information.

### PRIOR SALES

During the 12 months preceding the date of this Prospectus, BevCanna (pre-Amalco) issued the following distributions of its securities:

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
June 12, 2018	Framework Agreement – Class A Common Shares <sup>(1)</sup>	\$0.25	24,800,000
June 13, 2018	Private Placement – Class B Common Shares	\$0.25	8,574,000
June 29, 2018	Private Placement – Class B Common Shares	\$0.25	1,200,000
July 4, 2018	Private Placement – Class B Common Shares	\$0.25	2,000,000
July 11, 2018	Private Placement – Class B Common Shares	\$0.25	4,582,292
July 12, 2018	Private Placement – Class B Common Shares	\$0.25	4,155,000
July 31, 2018	Private Placement – Class B Common Shares	\$0.25	699,051
August 10, 2018	Private Placement – Class B Common Shares	\$0.25	200,000

Notes:

(1) On June 12, 2018, BevCanna (pre-Amalco) issued 24,800,000 Class A Common Shares at a deemed price of \$0.25 per Class B Common share to Naturo pursuant to the Framework Agreement. See "General Development of the Business of the Company – Agreements with Naturo and Naturo Springs."

During the 12 months preceding the date of this Prospectus, BevCanna issued the following distributions of its securities:

Date of Issuance	Description of Transaction	Price per Security	Number of Securities
September 13, 2018	Share Exchange – Common Shares <sup>(1)</sup>	\$0.25	27,400,100
September 13, 2018	Share Exchange – Common Shares <sup>(1)</sup>	\$0.25	33,802,343
September 20, 2018	Private Placement – Common Shares	\$0.50	1,000,000
September 26, 2018	Private Placement – Common Shares	\$0.50	4,992,240
September 28, 2018	Private Placement – Common Shares	\$0.50	1,557,400
October 11, 2018	Private Placement – Common Shares	\$0.50	265,000
October 31, 2018	Private Placement – Common Shares	\$0.50	2,275,067
December 14, 2018	Private Placement – Common Shares	\$0.50	2,535,850
December 14, 2018	Private Placement – Warrants <sup>(2)</sup>	\$0.50	3,000,000
December 14, 2018	Private Placement – Warrants <sup>(3)</sup>	\$0.50	1,000,000
January 16, 2019	Debt Settlement – Common Shares <sup>(4)</sup>	\$0.25	68,000



Date of Issuance	Description of Transaction	Price per Security	Number of Securities
January 16, 2019	Debt Settlement – Common Shares <sup>(5)</sup>	\$0.50	36,000
February 28, 2019	Grant of Stock Options <sup>(6)</sup>	\$0.50	1,250,000
March 25, 2019	Debt Settlement – Common Shares <sup>(7)</sup>	\$1.00	40,000
March 25, 2019	Private Placement – Common Shares <sup>(8)</sup>	\$1.00	500,000
May 9, 2019	Compensation – Common Shares <sup>(9)</sup>	\$1.00	100,000
May 9, 2019	Compensation – Common Shares <sup>(10)</sup>	\$1.00	300,000

Notes:

- (1) On September 13, 2018, pursuant to the Amalgamation, the Company issued 27,400,100 Common Shares in exchange for 27,400,100 Class A Common Shares of BevCanna (pre-Amalg), and the Company issued 33,802,343 Common Shares in exchange for 33,802,343 Class B Common Shares of BevCanna (pre-Amalg).
- (2) On December 14, 2018, pursuant to the Consulting Agreement, the Company issued 3,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following any change of control of the Company, the Common Shares being listed on a recognized stock exchange, or the Company approving a strategy to market its products in the United States.
- (3) On December 14, 2018, pursuant to the Consulting Agreement, the Company issued 1,000,000 non-transferable common share purchase warrants of the Company exercisable at a price of \$0.50 per Common Share, on a post-Consolidation basis, until December 14, 2023 following the Company entering into a letter of intent, memorandum of understanding or definitive agreement to construct or purchase a cannabis extraction facility or other major infrastructure project, where IndigiCo plays a key role in securing the agreement.
- (4) Issued to the Chief Financial Officer of the Company at a deemed price of \$0.25 per Common Share for management services performed from June 1, 2018 to September 12, 2018.
- (5) Issued to the Chief Financial Officer of the Company at a deemed price of \$0.50 per Common Share for management services performed from September 13, 2018 to December 31, 2018.
- (6) On February 28, 2019, the Company granted 1,250,000 Stock Options on a post-Consolidation, which vested immediately, to certain directors and officers of the Company pursuant to the Company's Stock Option Plan.
- (7) Issued to a consultant of the Company at a deemed price of \$1.00 per Common Share, on a post-Consolidation basis, pursuant to a consulting services agreement dated January 1, 2019.
- (8) Common Shares issued on a post-Consolidation basis.
- (9) On May 9, 2019, pursuant to the Brand Management Agreement, the Company issued 100,000 Common Shares to the Brand Manager at a deemed price of \$1.00 per Common Share.
- (10) On May 9, 2019, pursuant to the Marketing Services Agreement, the Company issued 300,000 Common Shares to the Marketing Consultant at a deemed price of \$1.00 per Common Share.

#### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As of the date of this Prospectus, 10,797,550 post-Consolidation Common Shares of the Company are subject to a Voluntary Pooling Agreement dated September 13, 2018 among the Company, BevCanna Opco, the Voluntary Pooling Agent and certain shareholders of the Company that was entered into in connection with the Amalgamation Agreement.

The table below sets out the number of shares held by principals and certain other shareholders of the Company that are held in escrow subject to the Voluntary Pooling Agreement:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common Shares of the Company	10,797,550 <sup>(1)</sup>	23.73%

Notes:

- (1) On a post-Consolidation basis.

The above-noted shares are subject to the Voluntary Pooling Agreement. The Voluntary Pooling Agreement provides, among other things, that all subject shares are deposited into escrow with the Voluntary Pooling Agent to be released from escrow as follows:

- (a) 10% on the date of listing on the CSE or other stock exchange in North America (previously defined as the “**Listing Date**”);
- (b) 15% on that date that is six months from the Listing Date;
- (c) 15% on that date that is 12 months from the Listing Date;
- (d) 15% on that date that is 18 months from the Listing Date;
- (e) 15% on that date that is 24 months from the Listing Date;
- (f) 15% on that date that is 30 months from the Listing Date; and
- (g) all remaining pooled shares on the date that is 36 months from the Listing Date.

In accordance with National Policy 46-201 - *Escrow for Initial Public Offerings* (previously defined as “**NP 46-201**”), all shares of an issuer owned or controlled by its principals are required to be placed in escrow at the time of the issuer’s initial public offering, unless the shares held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the voting rights attaching to the total issued and outstanding securities of the issuer after giving effect to the initial public offering. Upon completion of the listing on the CSE, the Company is expected to be an “emerging issuer” as defined in NP 46-201.

The following securities of the Company (previously defined as the “**Escrowed Securities**”) are held by, and are subject to the terms of an escrow agreement dated March 29, 2019 (previously defined as the “**Escrow Agreement**”), among the Company, Odyssey Trust Company (previously defined as the “**Escrow Agent**”), and the holders of the Escrowed Securities, being Naturo Group Investments Inc., Marcello Leone, Alberto Luca Leone and John Campbell (previously defined as the “**Escrowed Securityholders**”):

Name	Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer <sup>(1)</sup>	Percentage of class
Naturo Group Investments Inc.	Common Shares	8,260,000	18.15%
Marcello Leone	Common Shares	1,500,050	3.30%
Alberto Luca Leone	Common Shares	225,000	0.49%
John Campbell <sup>(2)</sup>	Common Shares	652,000	1.43%

Notes:

- (1) On a post-Consolidation basis.
- (2) Mr. Campbell’s Common Shares are registered jointly with his spouse.

As the Company anticipates being an “emerging issuer” as defined in NP 46-201, the following automatic timed releases will apply to the Common Shares held by its principals who are subject to escrow:

- (a) 10% of the Escrowed Securities on the Listing Date;
- (b) 15% of the Escrowed Securities on that date that is six months from the Listing Date;
- (c) 15% of the Escrowed Securities on that date that is 12 months from the Listing Date;
- (d) 15% of the Escrowed Securities on that date that is 18 months from the Listing Date;
- (e) 15% of the Escrowed Securities on that date that is 24 months from the Listing Date;

- (f) 15% of the Escrowed Securities on that date that is 30 months from the Listing Date; and
- (g) all remaining Escrowed Securities on the date that is 36 months from the Listing Date.

#### PRINCIPAL SHAREHOLDERS

As of the date of this Prospectus, to the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares, except for the following:

Name	Type of Ownership	Number of Common Shares Owned	Percentage of Outstanding Shares <sup>(1)</sup>
Naturo Group Investments Inc. <sup>(2)</sup>	Direct	8,260,000	18.15%

Notes:

- (1) Based on 45,510,750 Common Shares issued and outstanding as at the date of this Prospectus on a post-Consolidation basis. The percentage of securities held by Naturo Group Investments Inc. on a fully-diluted basis is 16.27% based on 50,760,750 Common Shares issued and outstanding.
- (2) Martino Ciambrelli is the President and a Director of Naturo Group Investments Inc. Marcello Leone is the Chief Executive Officer and a Director of Naturo Group Investments Inc.

#### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, age, province or state and country of residence, position with us, principal occupation and, if a director, the date on which the person became a director. Our directors are expected to hold office until our next annual general meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 10,424,550 Common Shares, representing 22.91% of the Common Shares outstanding.

Name, Province/State and Country of Residence, and Age	Position with the Company	Director Since	If Director, expiry of term of office	Common Shares Held <sup>(1)</sup>	Percentage of Securities Held
Marcello Leone <sup>(2)</sup> , BC, Canada, 52	Director, CEO and Chairman of the Company	September 13, 2018	At next Annual General Meeting	1,500,050 <sup>(5)</sup>	3.30%
John Campbell <sup>(3)(4)</sup> , BC, Canada, 65	Director and Chief Financial Officer	September 13, 2018	At next Annual General Meeting	652,000	1.43%
Martino Ciambrelli, BC, Canada, 56	Director and President	November 14, 2018	At next Annual General Meeting	0	0.00%
Phil Fontaine <sup>(3)</sup> , Alberta, Canada 74	Director	December 14, 2018	At next Annual General Meeting	0	0.00%
Matthew Christopherson <sup>(3)</sup> , BC, Canada, 37	Director	January 22, 2019	At next Annual General Meeting	0	0.00%
Emma Andrews, BC, Canada, 33	Chief Commercialization Officer	N/A	N/A	12,500	0.03%

Notes:

- (1) On a post-Consolidation basis.
- (2) Chairman of the Board.
- (3) Audit committee member.
- (4) Audit committee chair.
- (5) Naturo, a company principally controlled by Marcello Leone, holds 8,260,000 Common Shares, which represents 18.15% of the issued and outstanding Common Shares of the Company based on 45,510,750 Common Shares issued and outstanding as at the date of this Prospectus on a post-Consolidation basis.

## **Biographies**

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

### **Marcello Leone, Director, Chief Executive Officer and Chairman of the Company**

Since December 2014, Mr. Leone has been a director and CEO of RYU Apparel Inc. Since March 2013, Mr. Leone has been a director and CEO of Naturo Group Investments Inc., a private British Columbia corporation that holds the Trace and Blackwater brands of nutritional water beverages. Mr. Leone is also the founder of Naturo Group Investments Inc. From 2009 to 2015, Mr. Leone served as VP Operations and President with Leone International Marketing Inc., which owns and operates the LEONE Luxury Fashions store.

Mr. Leone expects to devote 25% of his time to the affairs of the Company.

### **John Campbell, Director and Chief Financial Officer**

Since September 2018, Mr. Campbell has served as the Chief Financial Officer of the Company. Since 2011, Mr. Campbell has been the Chairman and Chief Financial Officer of Triview Capital Ltd. Since July 2016, Mr. Campbell has served as a director of Sixty North Gold Mining Ltd., a company listed on the CSE. From August 2013 until December 2014, Mr. Campbell served as the Managing Director of Second City Capital Partners. Mr. Campbell is a member of the Chartered Professional Accountants of British Columbia, a certified public accountant (Illinois – non - practicing), and a Chartered Financial Analyst (Illinois – non – practicing). Mr. Campbell has over 30 years of investment management experience as a securities analyst, investment banker, M&A specialist, and money manager with Camlin Asset Management Ltd., CWC Capital Ltd., Pemberton Securities and The Jim Pattison Group. He was also an adjunct professor of Simon Fraser University teaching the MBA entrepreneurial program.

Mr. Campbell is an independent contractor who devotes approximately 80% of his time to the affairs of the Company.

### **Martino Ciambrelli, Director and President**

Since 2013, Mr. Ciambrelli has been a director and the President of Naturo Group Investments Inc. Mr. Ciambrelli has 35 years of experience in sales development and management of consumer brands with a focus on the food and beverage industry. From July 2011 to February 2013, he served as Director of Business Development, Pacific at AirSprint Inc. From March 2001 to July 2011, he served as Regional Manager of Western Canada at Johnvince Foods. His experience includes work with Pepsi Co, Hostess/Frito Lay, Chupa Chups, Lindt, Ricola and JVF Planters. Mr. Ciambrelli has been an Independent Director of RYU Apparel Inc. since December 2014.

Mr. Ciambrelli expects to devote 35% of his time to the affairs of the Company.

### **Phil Fontaine, Director**

Mr. Fontaine (O.C. O.M.) is the former National Chief of the Assembly of First Nations. He is the longest serving National Chief in the Assembly's history and the only one to be elected for three terms. He was instrumental in negotiating the Indian Residential Schools Settlement agreement, which is the largest class action settlement in

Canadian history. He is a citizen of the Sagkeeng First Nation in Manitoba. Mr. Fontaine holds honorary doctorate degrees from Brock University, the University of Windsor, Lakehead University, the University of Winnipeg, the Royal Military College of Canada, the University of Manitoba, Brandon University, the University of Calgary, Guelph University, the University of New Brunswick, Niagara University of New York State, the University of Western Ontario, Ryerson University, Queen's University and Laurentian University. Mr. Fontaine also acts as a Senior Advisor to the Royal Bank of Canada.

Mr. Fontaine expects to devote 10% of his time to the affairs of the Company.

Matthew Christopherson, Director

Mr. Christopherson is the founder, President and CEO of Higharchy Cannabis Group, a company which provides strategic capital and bench strength to high-growth retail brands and companies in the Canadian cannabis sector. Mr. Christopherson has over a decade of experience within the cannabis space, most recently as a partner and VP Business Development with Keirton Inc., a company that made a name for itself by providing growers with the world's fastest and most dependable medical cannabis harvesting machines under the brand "Twister Trimmer". In addition, Mr. Christopherson is also a co-founder of Lift & Co, Canada's largest cannabis education and tech platform powered by the industry's largest database of medical marijuana and strain reviews left by real medical cannabis patients. Mr. Christopherson is also a director of a non-profit organization, Ruben's Shoes.

Mr. Christopherson expects to devote 10% of his time to the affairs of the Company.

Emma Andrews, Chief Commercialization Officer

(BA/RHN/NPDP) Ms. Andrews's 10+ year career in the natural products industry has given her an intimate understanding of health, science, formulation, and go-to-market strategy. Ms. Andrews led product innovation, and consumer and retail education programs at Vega, from September 2010 to September 2014, the category leader in plant-based nutrition, through the final 4 years before its acquisition by White Wave Foods. From September 2014 to August 2018, Ms. Andrews was a Partner, and Co-Founder of a multi-national strategic consulting company, Pineapple Collective. Ms. Andrews holds a Bachelor of Arts from the University of Calgary, and is a Registered Holistic Nutritionist and New Product Development Professional.

Ms. Andrews is an independent contractor who devotes approximately 50% of her time to the Company.

Other than John Campbell, none of the executive officers and directors of the Company have entered into non-competition agreements with the Company. Other than John Campbell and Phil Fontaine, none of the executive officers and directors of the Company have entered into confidentiality agreements with the Company.

### **Corporate Cease Trade Orders**

Except as disclosed below, none of our directors or executive officers have, within the 10 years prior to the date of this Prospectus, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the Company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Matthew Christopherson, a director of the Company, served as President, Chief Executive Officer and a director of Global Stevia Corp., a company quoted on the OTC, from June 2012 to October 2012. On September 14, 2012, the BCSC issued a cease trade order against Global Stevia Corp. for failure to file the disclosure documents on SEDAR as required by MI 51-105.

## Corporate Bankruptcies

Except as disclosed below, none of our directors, executive officers or shareholders holding a sufficient number of securities to affect materially the control of the Company, have, within the 10 years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Phil Fontaine, a director of the Company, served as a director of Chieftain Metals Corp. (“**CMC**”), a company listed on the NEX board of the TSXV from November 2009 to January 2017. CMC owned mining assets through its wholly-owned subsidiary Chieftain Metals Inc. (“**CMI**” and together with CMC, “**Chieftain**”). CMI was indebted to West Face Capital Inc. (“**WFC**”). WFC held a first-ranking secured charge on CMI’s assets, which was guaranteed on a secured basis by CMC. In September 2016, as result of CMI’s default on its loan from WFC, the Ontario Superior Court of Justice (Commercial List) appointed Grant Thornton Limited (“**GTL**”) as receiver and manager of all of the assets, undertakings and properties of Chieftain. In June 2017, GTL was authorized to file a proposal under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, C. B-3, as amended, in respect of Chieftain and was authorized to act as proposal trustee in connection with any such proposal. In August 2017, GTL filed an amended proposal extinguishing all claims of default by CMI of subordinate creditors of CMI. WFC, through GTL, controlled CMI and its mining assets.

## Penalties or Sanctions

No director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## Conflicts of Interest

Members of the Company’s Management are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the officers and directors are engaged in other business activities, the Company anticipates they will devote an important amount of time to our affairs.

The Company’s officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to the Company’s. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, the Company does not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

Presently, Marcello Leone serves as the Chief Executive Officer and is a director of Naturo, and Martino Ciambrelli serves as the President and is a director of Naturo. Becanna Opco has entered into material contracts with Naturo. See “*Interests of Management and Others in Material Transactions.*”

The Company's officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to the Company and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If the Company or the companies with which the officers and directors are affiliated both desire to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if the Company should decline to do so. Except as set forth above, the Company has not adopted any other conflict of interest policy with respect to such transactions.

## **EXECUTIVE COMPENSATION**

### **Introduction**

The following discussion describes the significant elements of our executive compensation program, with particular emphasis on the process for determining compensation payable to the Company's named executive officers (previously defined as "NEOs") as defined in National Instrument 51-102F6V *Statement of Executive Compensation*. The Company anticipates that the NEOs of the Company will be:

Marcello Leone, Director, Chief Executive Officer and Chairman

John Campbell, Director and Chief Financial Officer

### **Overview**

Our Board of Directors makes decisions regarding all forms of compensation, including salaries, bonuses and equity incentive compensation for our CEO, CFO and other executive officers, as well as approves corporate goals and objectives relevant to their compensation. The Board of Directors also administers employee incentive compensation, including the Stock Option Plan.

### **Compensation Objectives**

Our compensation practices are designed to retain, motivate and reward our executive officers for their performance and contribution to our long-term success. The Board of Directors seeks to compensate executive officers by combining short-term and long-term cash and equity incentives. It also seeks to reward the achievement of corporate and individual performance objectives and to align executive officers' incentives with the Company's performance. The Company seeks to tie individual goals to the area of the senior executive officer's primary responsibility. These goals may include the achievement of specific financial or business development goals. Corporate performance goals are based on our financial performance during the applicable financial year.

In order to achieve our growth objectives, attracting and retaining the right team members is critical. A key part of this is a well-thought out compensation plan that attracts high performers and compensates them for continued achievements. Many of the Company's team members may participate in the Stock Option Plan, driving retention and ownership. Communicating clear and concrete criteria and process for merit-based increases and bonuses will also motivate the entire team to achieve individual and corporate goals.

### **Elements of Compensation Program**

The significant elements of compensation for the Company's NEOs will be the Common Shares that have been previously issued. There is no policy or target regarding allocation between cash and non-cash elements of the Company's compensation program. The Board of Directors reviews annually the total compensation package of each of the Company's executives on an individual basis. The Company does not presently have a long-term incentive plan for its NEOs with the exception of its CFO – See *Executive Compensation – Management Services Agreement – John Campbell*.

### *Stock Option Plan*

The Company currently has in place a Stock Option Plan with 1,250,000 options currently outstanding under the Stock Option Plan. Our Board of Directors will be responsible for administering the Stock Option Plan.

The purpose of the Stock Option Plan is to attract and retain directors, officers, employees and consultants and to motivate them to advance the interests of the Company by affording them with the opportunity acquire an equity interest in the Company through Options granted under this Stock Option Plan.

The Stock Option Plan provides that unless authorized by the shareholders in accordance with applicable securities laws, the aggregate number of Common Shares reserved for issuance under this Plan, together with all of the Company's other previously established or proposed stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Common Shares, is subject to the restrictions imposed under applicable securities laws.

The Company's Stock Option Plan is intended to emphasize management's commitment to the growth of the Company. The grant of Stock Options, as a key component of the executive compensation package, enables the Company to attract and retain qualified executives. Stock Option grants are based on the total of Stock Options available under the Stock Option Plan. In granting Stock Options, the Board of Directors reviews the total of Stock Options available under the Stock Option Plan and recommends grants to newly retained executive officers at the time of their appointment, and considers recommending further grants to executive officers from time to time thereafter. The amount and terms of outstanding options held by an executive are taken into account when determining whether and how new option grants should be made to the executive. The exercise periods are to be set at the date of grant. Options granted under the Stock Option Plan will have an exercise price of not less than the minimum prevailing price of the Company's Common Shares permitted by the CSE on the day prior to the date of the grant.

### **Employee Agreements**

#### *Management Services Agreement – John Campbell*

BevCanna Opco and John Campbell entered into a management services agreement (previously defined as the "**Management Services Agreement**") on June 1, 2018, as amended on November 1, 2018, whereby John Campbell agreed to act as Chief Financial Officer for BevCanna Opco. On January 16, 2019, BevCanna Opco assigned its rights and obligations under the Management Services Agreement to the Company. Key provisions include:

- \$20,000 monthly salary, payable as \$15,000 cash and \$5,000 in Common Shares of the Company, while the Company is not a reporting issuer;
- One year term with automatic renewals, unless terminated by either party;
- termination without cause with 30 days' notice, with fees payable to the 30th day from the notice of termination;
- non-competition agreement in the Province of British Columbia for a period of 12 months from the termination of the Agreement; and
- non-solicitation agreement for a period of 12 months from the termination of the Agreement.

### **Summary Compensation Table**

Other than John Campbell's Management Services Agreement, the Company currently does not have a standard arrangement pursuant to which directors and NEOs are compensated. All directors are reimbursed for their respective out of pocket expenses in relation to their attendance at Board of Directors meetings and committee meetings. The Company has not provided compensation to members of the board of the directors at any time and does not intend to provide compensation to any director in the near term.



The following table sets forth all compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company, or any subsidiary of the Company, to each NEO and each director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and for services to be provided, directly or indirectly, to the Company or any subsidiary of the Company for the period from inception on July 13, 2017 to December 31, 2018, other than Stock Options and other compensation securities.

Name and Principal Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	All Other Compensation (\$)	Total Compensation (\$)
Marcello Leone Chief Executive Officer, Chairman and Director	From the date of inception on July 13, 2017 to December 31, 2018	nil	nil	nil	nil	nil	nil
John Campbell Chief Financial Officer and Director	From the date of inception on July 13, 2017 to December 31, 2018	90,000	nil	nil	nil	28,800	118,800
Martino Ciambrelli President and Director	From the date of inception on July 13, 2017 to December 31, 2018	85,800	nil	nil	nil	nil	85,800
James Bordian <sup>(1)</sup>	From the date of inception on July 13, 2017 to September 12, 2018	62,000	nil	nil	nil	nil	62,000

Note:

<sup>(1)</sup> President of the Company prior to the Amalgamation.

### Stock Options and Compensation Securities

None of the Company's directors or NEOs owned any compensation securities as at the date of the Company's most recently completed financial year on December 31, 2018. No director or NEO has exercised any compensation securities during the most recently completed financial year.

### Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to NEOs at, following, or in connection with retirement.

### Termination and Change of Control Benefits

There are no management or consulting agreements with any directors or officers of the Company that provide for payments to an officer or director, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the company or a change in a director's or officer's responsibilities.

## Proposed Compensation to be paid to Executive Officers

The Company has allocated \$1,064,220 for salaries and contractors for the next twelve months, of which approximately \$240,000 is allocated for the remuneration of the CFO of the Company and \$120,000 is allocated for the remuneration of the Chief Commercialization Officer of the Company. See “Use of Available Funds”. As of the date of this Prospectus, the Company does not have any intention to make any material changes to the compensation of the Company’s directors

## INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS

None of the Company’s directors or officers or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company.

## AUDIT COMMITTEE

### Audit Committee Charter, Composition and Relevant Education and Experience

The Company’s Audit Committee is governed by its charter that is attached as Schedule I to this Prospectus.

National Instrument 52-110 – *Audit Committees* (previously defined as “**NI 52-110**”) requires the Company, as a venture issuer, to disclose annually certain information concerning the constitution of its audit committee (previously defined as the “**Audit Committee**”) and its relationship with its independent auditor, as set forth in the following.

### Composition of the Audit Committee

The following are the members of the Audit Committee of the Company:

John Campbell <sup>(1)</sup>	Not-Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>
Phil Fontaine	Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>
Matthew Christopherson	Independent <sup>(2)</sup>	Financially literate <sup>(2)</sup>

Note:

(1) Audit committee chair.

(2) As defined by NI 52-110.

### Relevant Education and Experience

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.

Each member of the Company’s present Audit Committee has adequate education and experience that is relevant to their performance as an Audit Committee member and, in particular, the requisite education and experience that have provided the member with:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions;

- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found under the heading "Biographies".

#### **Audit Committee Oversight**

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

#### **Reliance on Certain Exemptions**

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

#### **Exemption for Venture Issuers**

The Company is a "venture issuer" as defined in NI 52-110 and is relying on Part 5 (Reporting Obligations) of NI 52-110.

#### **Pre-Approval Policies and Procedures**

The Audit Committee has authority to engage and communicate with advisors and professionals for non-audit services.

#### **External Auditors Service Fees**

The aggregate fees billed by the Company's external auditors for the financial period ended December 31, 2017 and the financial year ended December 31, 2018 for audit fees are as follows:

	<b>Period from incorporation of July 13, 2017 to December 31, 2017 (\$)</b>	<b>Financial year ended December 31, 2018 (\$)</b>
Audit Fees <sup>(1)</sup>	2,531	35,427
Audit-Related Fees <sup>(2)</sup>	2,500	Nil
Tax Fees <sup>(3)</sup>	Nil	Nil
All Other Fees <sup>(4)</sup>	Nil	Nil

Notes:

<sup>(1)</sup> "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

<sup>(2)</sup> "Audit-Related Fees" are fees for assurance and related services related to the performance of the audit or review of the annual financial statements that are not reported under "Audit Fees". These include due diligence for business acquisitions, audit and accounting consultations regarding business acquisitions, and other attest services not required by statute.

- <sup>(3)</sup> "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- <sup>(4)</sup> "All Other Fees" include the aggregate fees billed for products and services provided by the Company's external auditor, other than "Audit Fees", "Audit-Related Fees" and "Tax Fees" above.

## CORPORATE GOVERNANCE

National Policy 58-201—*Corporate Governance Guidelines* (previously defined as "NP 58-201") establishes corporate governance guidelines which apply to all public companies. The Company has reviewed its own corporate governance practices in light of these guidelines. National Instrument 58-101 - Disclosure of Corporate Governance Practices (previously defined as "NI 58-101") mandates disclosure of corporate governance practices which disclosure is set out below.

### Board of Directors

The board of directors consists of five (5) persons, two of whom the Company believes to be independent based upon the tests for independence set forth in NI 52-110— Audit Committees. Phil Fontaine and Matthew Christopherson are independent directors. Marcello Leone, John Campbell and Martino Ciambrelli are not independent directors as they also serve as officers of the Company.

NP 58-201 suggests that the board of directors of reporting issuers should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who has no direct or indirect material relationship with the Company. A material relationship is a relationship that could, in the view of the board of directors, reasonably interfere with the exercise of a director's independent judgment. In addition, the independent judgment of the Board in carrying out its responsibilities is the responsibility of all directors. The Board facilitates independent supervision of management through meetings of the Board and through frequent informal discussions among independent members of the Board and management. In addition, the Board has access to the Company's external auditors, legal counsel and to any of the Company's officers.

The Board recommends nominees to the shareholders for election as directors, and immediately following each annual general meeting appoints an Audit Committee.

The Board exercises its independent supervision over management by its policies that (a) periodic meetings of the Board be held to obtain an update on significant corporate activities and plans; and (b) all material transactions of the Company are subject to prior approval of the Board. To facilitate open and candid discussion among its independent directors, such directors are encouraged to communicate with each other directly to discuss ongoing issues pertaining to the Company.

### Participation of Directors in Other Reporting Issuers

Marcello Leone has been a director of RYU Apparel Inc., a company listed on the TSX Venture Exchange, since March 2012.

John Campbell has been a director of Enterprise Group, Inc., a company listed on the Toronto Stock Exchange, since June 2014. Mr. Campbell has also been a director of Sixty North Gold Mining Ltd., a company listed on the CSE, since July 2016.

Martino Ciambrelli has been a director of RYU Apparel Inc., a company listed on the TSX Venture Exchange, since December 2014.

Matthew Christopherson has been a director of Top Strike Resources Corp., a company listed on the CSE, since September 2018.

## **Orientation and Continuing Education**

While the Company does not have formal orientation and training programs, orientation of new members of the Board is conducted by informal meetings with members of the Board, briefings by management, and the provision of copies of or access to the Company's documents.

The Company has not adopted formal policies respecting continuing education for Board members. Board members are encouraged to communicate with management, legal counsel, auditors and consultants, to keep themselves current with industry trends and developments and changes in legislation with management's assistance, and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

## **Ethical Business Conduct**

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, and the restrictions placed by the BCBCA on an individual director's participation in decisions of the Board in which the director has an interest have helped to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, if a director of the Company also serves as a director or officer of another company engaged in similar business activities to the Company, that director must comply with the conflict of interest provisions of the BCBCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors that evoke such a conflict.

## **Nomination of Directors**

The Company does not have a stand-alone nomination committee. The full Board has responsibility for identifying potential Board candidates. The Board assesses potential Board candidates to fill perceived needs on the Board for required skills, expertise, independence and other factors. Members of the Board and representatives of the industry are consulted for possible candidates.

The Company granted a right to IndigiCo to nominate one member to the Board for a period of two years from December 14, 2018, or until IndigiCo ceases to own at least 2% of the issued and outstanding Common Shares on a non-diluted basis.

## **Compensation**

The Company has not provided compensation to members of the Board or the Company's Chairman at any time and does not intend to provide compensation to any director or the Chairman in the near term other than through awards of Stock Options pursuant to the Company's Stock Option Plan. See "*Executive Compensation*."

## **Other Board Committees**

The Board of Directors has no other committees other than the Audit Committee.

## **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board and committees. On an ongoing annual basis,

the Board assesses the performance of the Board as a whole, each of the individual directors and each committee of the Board in order to satisfy itself that each is functioning effectively.

## **RISK FACTORS**

The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus. These risks and uncertainties are not the only ones the Company is facing. Additional risks and uncertainties not presently known to the Company, or that it currently deems immaterial, may also impair its operations. If any such risks actually occur, the business, financial condition, liquidity and results of the Company's operations could be materially adversely affected. The risk factors described below should be carefully considered by readers, including investors considering a purchase of securities of BevCanna, along with all other information set forth in this Prospectus.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment.

### *The Company is Not a Licensed Producer under the Cannabis Act*

The Company has applied to Health Canada to become a Licensed Producer under the ACMPR (such application is now being considered pursuant to the Cannabis Act) that would enable it to cultivate and sell cannabis for adult recreational use across Canada. The Company has not yet received the Licences and there is no guarantee that it will become a Licensed Producer. Health Canada has received many applications and only a small fraction have been approved to date. Furthermore, the timing and success of the Company at the various steps in the licensing process is beyond its control and the sole discretion thereof lies with Health Canada. The Company's ability to grow, store and sell cannabis in Canada is dependent on receiving the Production Licence and the Sales Licence from Health Canada and there can be no assurance that the Company will obtain such Licences.

Even if the Company is successful in obtaining the Production Licence and the Sales Licence, such Licences will be subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the Licences or any failure to maintain the Licences would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements of the Cannabis Act and the Regulations, there can be no guarantee that Health Canada will grant these Licences. Should Health Canada not grant the Licences, the business, financial condition and operating results of the Company would be materially adversely affected. To the extent such Licences are not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis or from proceeding with the development of its operations in Canada as currently proposed. In the event that the Company is not granted the Licences, or the grant of the Licences is delayed, the Company will focus on expanding its operations in the United States, as permitted by applicable state laws.

### *Regulatory Risks*

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's

operations uneconomical. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Successful execution of the Company's strategy is contingent, in part, upon compliance with regulatory requirements and obtaining all regulatory approvals, where necessary, for the sale of the Company's products and other products expected to be distributed by the Company.

#### *No Existing Market and Uncertain Regulatory Framework*

Although the *Cannabis Act* came into force on October 17, 2018 permitting the sale and distribution of recreational adult-use cannabis, the Government has not included any provision for the legalization of the sale and distribution of cannabis infused edibles and concentrates, which includes the cannabis infused beverages to be developed by the Company. The Government has indicated it will launch consultations later in 2018 and 2019 to develop regulations to support the sale and distribution of edibles and concentrates. There is no guarantee the sale of cannabis infused edibles and concentrates will become legal in Canada, and in the event the sale of cannabis infused edibles and concentrates does become legal in Canada, there is no guarantee the Company will be permitted or able to participate in any market resulting thereof.

The Company endeavours to comply with all relevant laws, regulations and guidelines. To the Company's knowledge, it is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this Prospectus.

#### *Political Risks*

The legalization of recreational cannabis in Canada was politically driven by the Federal Liberal Government, and there is no assurance that other political parties, if elected to government, will not reverse the measures implemented by the Liberal Government to legalize recreational cannabis or impose more stringent and prohibitive regulatory frameworks. Such actions could have a material adverse effect on the proposed business or financial condition of the Company, or the viability of its prospective business model. Furthermore, future changes in provincial or municipal governments may also result in similar unfavourable changes to laws, regulations and guidelines pertaining to recreational cannabis.

#### *Risk Factors Related to Cannabis-related Activities in the United States*

The Company intends to directly participate in the recreational cannabis market in the State of California. In the U.S. cannabis remains a Schedule I substance under the CSA. Therefore, while numerous states and the District of Columbia has passed laws permitting possession and use of marijuana for medical or recreational purposes, it remains illegal on the federal level and individuals and businesses engaged in the marijuana industry have ongoing risk of prosecution for felony crimes under federal laws.

On January 4, 2018, a memorandum from then-Attorney General Jeff Sessions was issued to U.S. District Attorneys, effectively rescinding previous guidance from the DOJ specific to cannabis enforcement in the U.S., including the Cole Memo. U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion on prosecuting cannabis related violations of U.S. federal law. Following this decision, the Canadian Securities Administrators issued a statement on February 8, 2018, that Canadian public companies with U.S. Marijuana Related Activities are required additional disclosures. These disclosures and additional expectations that apply to all issuers with U.S. marijuana-related activities, including those with direct and indirect involvement in the cultivation and distribution of marijuana, as well as issuers that provide goods and services to third parties involved in the U.S. marijuana industry. Issuers are expected to provide these disclosures in prospectus filings and other required documents, such as their Annual Information Form and Management's Discussion and Analysis.

With the Cole Memo rescinded, U.S. federal prosecutors no longer have guidance relating to the exercise of their discretion in determining whether to prosecute cannabis related violations of U.S. federal law. It is possible that further developments could significantly adversely affect the business, financial condition and results of businesses involved in U.S. marijuana- related activities and in the cannabis industry generally. Such potential proceedings

could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

The U.S. Congress has passed appropriations bills since 2015 which have not appropriated funds to the DOJ for prosecution of cannabis offenses for individuals who are in compliance with state level medical cannabis laws. This prohibition is, however, subject to ongoing extension/approval by Congress and could be rescinded. Courts have interpreted these appropriations bills to the effectively to prevent the federal government from prosecuting individuals when those individuals comply with state law. This conduct continues to violate federal law, and US courts have observed that should Congress at any time choose to appropriate funds to fully prosecute under the CSA, any individual or business, (despite fully complying with state laws) could be prosecuted for violations of federal law. If Congress ever restores funding, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations. Further, the prohibition on the use of funds relates solely to medical marijuana state laws and does not prevent the DOJ from spending funds to prosecute individuals and businesses operating under state recreational marijuana laws.

There are currently 33 States and the District of Columbia which have laws broadly legalizing marijuana in some form or another. Ten of which, have adopted expansive laws legalizing marijuana for recreational use. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the U.S.

Violations of any federal regulations and laws could result in administrative sanctions, penalties, fines, criminal charges and convictions which may result in diminished profit, cessation of business activities or divestiture losses. These violations can also have a material adverse effect on the Company, including its brand, reputation and ability to conduct business, financial position, ability to raise additional capital, operating results, profitability or liquidity. It is difficult for the Company to estimate the resources and time needed for the investigation of any such matters or its final resolution.

#### *Risk Factors Related to the use of Hemp in the United States*

If the Company produces, markets and/or sells beverages infused with hemp, as defined under the 2018 Farm Bill, we will be subject to a myriad of different U.S. laws and regulations governing the use of hemp in food and beverages and if we are unable to comply with such laws in a cost-effective manner, our business could be adversely affected.

Despite the 2018 Farm Bill being signed into law on December 20, 2018, which exempts hemp and hemp-derived products, including hemp-derived CBD, from the CSA, Congress has explicitly preserved the FDA's authority to regulate products containing cannabis or cannabis-derived compounds under the *Food, Drug and Cosmetics Act* (previously defined as "**FDCA**"), regardless of whether they are derived from cannabis or hemp. As of the date of this Prospectus, the FDA has not made a determination that the use of hemp in food is safe. Under the FDCA, it is a prohibited act to introduce or deliver for introduction into interstate commerce any food (which the FDCA defines to include beverages) that is adulterated. The FDCA therefore prohibits the introduction or delivery for introduction of a food that contains CBD, because the FDCA deems a food to be adulterated if it bears or contains any food additive that is unsafe and CBD is presently an unsafe food additive under the FDCA and FDA regulations.

Congress may decide to amend the FDCA to permit the use of hemp-derived CBD in food. The FDA may also decide to issue regulations or guidance that address the use of hemp-derived CBD in food or use its enforcement discretion with respect to hemp-derived CBD products. On February 27, 2019, the FDA Commissioner stated that the agency is interested in hearing from Congress and stakeholders with respect to a regulatory framework for CBD products. On May 31, 2019, the FDA held a first hearing where it heard testimony with respect to the use of CBD in food products, and the regulators expressed concern over the lack of scientific data available. The hearing ended without a consensus on how the FDA would move forward, but advised it would take public comments



through July 2, 2019 and encouraged the submission of more data. Any legislative or regulatory action could take years to implement or finalize and may not include provisions that would enable the Company to produce, market and/or sell hemp beverages that contain hemp-derived CBD. We risk becoming subject to adverse publicity and costly federal enforcement actions should we decide to produce, market and/or sell beverages infused with hemp-derived CBD in the United States. We may be required to expend significant resources in defending our company from such actions which could adversely affect our business and results of operations and divert the attention of management. We may also incur the risk of sustaining considerable damage to our reputation and brand should we become party to federal enforcement actions resulting from the production, marketing or sale of hemp-derived CBD infused beverages.

*The FDA could Force the Removal of our Products from the U.S. Market.*

The FDA has broad authority over the regulation of our products in the United States. The FDA could, among other things, force us to remove our products from the U.S. market, levy fines or change their regulations on advertising. Any adverse action by the FDA could have a material adverse impact on our business.

*Risk of Civil Asset Forfeiture*

Because the recreational cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

*Anti-Money Laundering Laws and Regulations*

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

Banks often refuse to provide banking services to businesses involved in the marijuana industry due to the present state of the laws and regulations governing financial institutions in the United States. The lack of banking and financial services presents unique and significant challenges to businesses in the marijuana industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services.

The FinCEN guidance provides instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN guidance states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. While the FinCEN guidance has not been rescinded by the DOJ at this time, it remains unclear whether the current administration will follow its guidelines. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the *Bank Secrecy Act*, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons, including a change in the opinions of the President of the United States or the United States Attorney General. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time).

#### *U.S. Border Officials Could Deny Entry into the U.S. to Employees of, or Investors in Companies with Cannabis Operations in the United States*

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. however, if a traveler is found to be coming to the U.S. for reasons related to the cannabis industry, they may be deemed inadmissible.

#### *Heightened Scrutiny by Regulatory Authorities*

For the reasons set forth above, the Company's existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those restrictions described herein. It had been reported in Canada that the Canadian Depository for Securities Limited was considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. (previously defined as "**CDS**"), refuse to settle trades for cannabis issuers that have activities in the United States. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding with the CSE, the Aequitas NEO Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers.

As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares or other securities of the Company are listed on the CSE or another stock exchange, it would have a material adverse effect on the ability of holders of Common Shares or such other securities to make and settle trades. In particular, the Common Shares or such other securities would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares or such other securities through the facilities of the applicable stock exchange.

#### *Limited Operating History*

The Company was incorporated on July 13, 2017 and is not yet operational. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the preliminary stage of operations.

#### *History of Net Losses*

The Company has incurred operating losses since incorporation. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses into the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

#### *Negative Operating Cash Flow*

The Company did not generate operating revenue and historically has had negative cash flow from operating activities. It is anticipated that the Company will continue to have negative cash flows in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- Limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating costs and other general corporate requirements; and
- limited the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

#### *Reliance on a Single Facility*

The Company's activities and resources are focused in its Production Facility in Bridesville, British Columbia and are expected to continue to be focused in this facility for the foreseeable future. Adverse changes or developments affecting the existing Production Facility could have a material and adverse effect on the Company's ability to grow, cultivate and process cannabis, its business, financial condition and prospects.

#### *Reliance on Management*

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management, including Marcello Leone, John Campbell and Martino Ciambrelli. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all.

### *Additional financing*

There is no guarantee that the Company will be able to execute on its strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

### *Competition*

The Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

To date, the Health Canada has only issued a limited number of licences under the ACMPR and *Cannabis Act* to produce and sell cannabis. The number of licences granted could have an impact on the business, financial condition and operating results of the Company. Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, as of May 10, 2019 there were 177 Licensed Producers as the date of this Prospectus. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and operating results of the Company.

### *Service Providers*

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of cannabis or otherwise, third party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

### *Transportation Risks*

Due to the perishable and premium nature of the Company's potential products, the Company will depend on fast and efficient third party transportation services to distribute its product. Any prolonged disruption of third party transportation services could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the third party transportation services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably. Due to the nature of the Company's potential products, security of the product during transportation to and from the Company's stores and facilities is of the utmost concern. A breach of security during transport or delivery could

have a material and adverse effect on the proposed business, financial condition and operating results of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with potential future regulations and requirements with respect thereof, could also have an impact on the Company's ability to continue operating.

#### *Risks Inherent in an Agricultural Business*

The Company's business will involve the growing, cultivating and processing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. The Company proposes to grow its proposed products both indoors and outdoors. Although the Company proposes to grow some of its proposed products indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

#### *Shelf Life Inventory*

The Company intends to hold finished goods in inventory and such inventory will have a shelf life. Even though it is the intention of the Company's management to review the amount of inventory on hand in the future, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's proposed business, financial condition, and results of operations.

#### *Unfavorable Publicity or Consumer Perception*

Management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

#### *Product Liability*

Due to the proposed operations of the Company, a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its proposed products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the proposed products produced by the Company caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the

Company could result in increased costs, could adversely affect the Company's reputation with consumers generally, and could have a material adverse effect on the business, financial condition and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of proposed products.

#### *Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's proposed products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Although the Company intends to have detailed procedures in place for testing proposed finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's proposed products were subject to recall, the image of that product and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by the Company and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations of the Company by Health Canada or other regulatory agencies, requiring further Management attention and potential legal fees and other expenses.

#### *Difficulty to Forecast*

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this preliminary stage of the recreational cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the proposed business, results of operations and financial condition of the Company.

#### *Vulnerability to Rising Energy Costs*

The Company's proposed cannabis growing, cultivating and processing operations will consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

#### *Operating Risk and Insurance Coverage*

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

### *Management of Growth*

The Company may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### *Conflicts of Interest*

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

### *Environmental Regulations and Risks*

The Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of recreational cannabis or from proceeding with the development of its operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

### *Reputation Loss*

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

### *Litigation*

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company's brand.

## **PROMOTERS**

Each of Messrs. Leone, Campbell and Ciambrelli is a promoter of the Company within the meaning of applicable securities laws, each respectively controlling 3.30%, 1.43% and none of the outstanding Common Shares of the Company.

Other than the lease of the Production Facility, which was acquired by BevCanna from companies controlled in part by Mr. Leone and Mr. Ciambrelli, no other asset has been acquired by the Company from a promoter of the Company.

On June 12, 2018, BevCanna Opco entered into a Framework Agreement with Naturo and Naturo Springs, companies controlled in part by Marcello Leone and Martino Ciambrelli, whereby the companies agreed to enter into a Lease Agreement and a Manufacturing Agreement. In consideration for the entry into these agreements, BevCanna Opco paid Naturo and Naturo Springs \$6,200,000 in cash and \$6,200,000 in common shares of BevCanna Opco (which were later exchanged for Common Shares of BevCanna pursuant to the Amalgamation). Consideration for entering into this agreement was determined by reference to an independent third party valuation report by Evans & Evans, Inc., which concluded a midpoint valuation of \$12,400,000 for the exclusive licence granted under the Manufacturing Agreement. The amount of the consideration was approved by disinterested members of the board of directors of BevCanna.

No promoter of the Company has, within 10 years prior to the date of this Prospectus, been a director, chief executive officer, or chief financial officer of any person or company, that was subject to an order that was issued while the promoter was acting in such capacity, or was subject to an order that was issued after the promoter ceased to act in such capacity and which resulted from an event that occurred while the promoter was acting in such capacity.

No promoter of the Company is, as at the date of this Prospectus, or has been within the 10 years prior to the date of this Prospectus, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.



No promoter of the Company has, within the 10 years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

We are from time to time involved in legal proceedings of a nature considered normal to our business. We are not currently involved in any litigation, and we believe that none of the litigation that we have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition or results of operations.

#### **Legal Proceedings**

There are no legal proceedings the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the most recently completed financial year for which financial statements of the Company are included in this Prospectus.

#### **Regulatory Actions**

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as described herein, no insider, director or executive officer of the Company and no associate of any director, executive officer, or insider has any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company. See *"Executive Compensation"*.

On June 1, 2018, BevCanna Opco entered into a Framework Agreement and a Lease Agreement with Naturo and Naturo Springs, and entered into a Manufacturing Agreement with Naturo. Marcello Leone has served as the Chief Executive Officer and a director of Naturo since March 2012. Martino Ciambrelli has served as the President and a director of Naturo since March 2013. See *"General Development of the Business of the Company – Agreements with Naturo and Naturo Springs."*

On December 14, 2018, the Company entered into a Consulting Agreement with IndigiCo, and on that date, Phil Fontaine was appointed as a director of the Company. Phil Fontaine, a director of the Company, indirectly holds a partnership interest in IndigiCo. Phil Fontaine is the CEO, Chairman and a director of IndigiCo Inc., the general partner of IndigiCo. A trust and a First Nation each hold 10 Class A Common shares in the capital of IndigiCo Inc., which are all of the issued and outstanding shares of IndigiCo Inc. The limited partners of IndigiCo are the same trust and First Nation. The trust holds a 40% interest in IndigiCo, represented by 15,000 Voting Units. The First Nation holds a 60% interest in IndigiCo, represented by 22,500 Units of IndigiCo (comprised of 15,000 Voting Units and 7,500 Non-Voting Units). The trust has three trustees and the beneficial interests in the trust are discretionary. Accordingly, no individual, including Phil Fontaine, controls the shares of IndigiCo Inc. held by the trust or in turn, the partnership interest in IndigiCo held by the trust. Further, no individual, including Phil Fontaine, has a fixed interest as a beneficiary in the trust and therefore no individual has a fixed interest in the assets of the trust, which includes the 40 percent interest in IndigiCo. See *"General Development of the Business of the Company – Strategic Partnership with IndigiCo LP."*

## AUDITORS, TRANSFER AGENT AND REGISTRAR

### Auditors

BevCanna's auditor is Dale Matheson Carr-Hilton Labonte LLP, and its principal office is located at 1140 West Pender Street, Suite #1500, Vancouver BC, V6E 4G1.

### Transfer Agent and Registrar

The transfer agent and registrar for the Common Shares is Odyssey Trust Company, and its principal office is located at 835 – 409 Granville Street, Vancouver, BC, V6C 1T2.

## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company or BevCanna Opco to the date hereof which are currently in effect and considered to be material:

1. Management Services Agreement dated June 1, 2018, as amended on November 1, 2018, between BevCanna Opco and John Campbell. See *"Executive Compensation - Employee Agreements and Termination and Change of Control Benefits."*
2. Assignment and Amendment Agreement to Management Services Agreement dated January 16, 2019 among the Company, BevCanna Opco and John Campbell. See *"Executive Compensation - Employee Agreements and Termination and Change of Control Benefits."*
3. Framework Agreement dated June 12, 2018 among BevCanna Opco, Naturo and Naturo Springs. See *"General Development of the Business of the Company – Agreements with Naturo and Naturo Springs."*
4. Lease Agreement dated June 12, 2018, as amended on August 24, 2018, among BevCanna Opco, Naturo and Naturo Springs. See *"General Development of the Business of the Company – Agreements with Naturo and Naturo Springs."*
5. Manufacturing Agreement dated June 12, 2018, as amended on August 24, 2018, between the Company and Naturo. See *"General Development of the Business of the Company – Agreements with Naturo and Naturo Springs."*
6. Stock Option Plan adopted September 13, 2018. See *"Executive Compensation – Elements of Compensation Program."*
7. Voluntary Pooling Agreement dated September 13, 2018 among BevCanna, BevCanna Opco, Clark Wilson LLP, and the Subject Shareholders. See *"Escrowed Securities and Securities Subject to Contractual Restriction on Transfer."*
8. Supply Agreement dated February 15, 2019 between the Company and Nextleaf. See *"General Development of the Business of the Company – Joint Venture with Nextleaf."*
9. IndigiCo Consulting Agreement dated December 14, 2018 between the Company and IndigiCo. See *"General Development of the Business of the Company – Strategic Partnership with IndigiCo LP."*
10. IndigiCo Subscription Agreement dated December 14, 2018 between the Company and IndigiCo. See *"General Development of the Business of the Company – Strategic Partnership with IndigiCo LP."*

11. IndigiCo Investor Rights Agreement dated December 14, 2018 between the Company and IndigiCo. See *“General Development of the Business of the Company – Strategic Partnership with IndigiCo LP.”*
12. Transfer Agent Agreement dated November 27, 2018 between the Company and Odyssey Trust Company.
13. Consulting Service Agreement dated March 13, 2019 between the Company and Canndelta Inc. See *“General Development of the Business of the Company – Business of the Company.”*
14. Escrow Agreement dated March 29, 2019 among the Company, the Escrow Agent, and the Escrowed Securityholders. See *“Escrowed Securities and Securities Subject to Contractual Restriction on Transfer.”*
15. GF Joint Development Agreement dated April 1, 2019 between the Company and Greener Frontiers. See *“General Development of the Business of the Company – Cannabis Beverage Joint Development Agreement with Greener Frontiers.”*
16. Brand Management Agreement dated May 1, 2019 among the Company, Axle Creative Design Ventures Incorporated (previously defined as the Brand Manager) and the principal of the Brand Manager. See *“General Development of the Business of the Company – Business of the Company.”*
17. Marketing Services Agreement dated May 1, 2019 among the Company, Dossier Creative Inc. (previously defined as the Marketing Consultant) and the principal of the Marketing Consultant. See *“General Development of the Business of the Company – Business of the Company.”*

Copies of the above material contracts can be inspected at our head office during regular business hours for a period of 30 days after a final receipt is issued for this Prospectus and are also available electronically at [www.sedar.com](http://www.sedar.com).

#### **EXPERTS**

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- Dale Matheson Carr-Hilton Labonte LLP has confirmed that it is independent of BevCanna within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.
- Evans & Evans, Inc., the author of the Valuation Report has confirmed that it is independent of BevCanna.

As of the date hereof, no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this Prospectus as having prepared or certified a part of this Prospectus, or a report, valuation, statement or opinion described in this Prospectus, has received or shall receive a direct or indirect interest in any securities or other property of the Company or any associate or affiliate of the Company.

Certain legal matters in connection with this Prospectus will be passed upon by Clark Wilson LLP. As at the date hereof, the partners and associates of Clark Wilson LLP, as a group, beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Company.

**SCHEDULE A**

**BEVCANNA OPCO'S AUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION ON  
JANUARY 31, 2018 TO DECEMBER 31, 2018**

**BEVCANNA ENTERPRISES INC.**  
**(formerly Nutrivida Biotech Investments Inc.)**

Consolidated financial statements

Period from incorporation on January 31, 2018 to December 31, 2018

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

### Opinion

We have audited the consolidated financial statements of BevCanna Enterprises Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation on January 31, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from incorporation on January 31, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes

our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

*DMCL*

**DALE MATHESON CARR-HILTON LABONTE LLP**  
**CHARTERED PROFESSIONAL ACCOUNTANTS**  
Vancouver, BC

*June 20, 2019*

## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2018
<b>Assets</b>		\$
<b>Current</b>		
Cash		6,647,305
GST receivable		22,426
Prepays	4	117,082
		6,786,813
<b>Property and equipment</b>	5	16,064
<b>Licence</b>	6,9	11,714,223
		18,517,100
<b>Liabilities</b>		
<b>Current</b>		
Trade payable and accrued liabilities	7,8	347,538
Due to related parties	8	25,872
		373,410
<b>Shareholders' equity</b>		
Share capital	9	22,632,865
Reserve for share-based compensation	9	2,483,105
Deficit		(6,972,280)
		18,143,690
		18,517,100

Nature of operations	1
Commitments	10,15
Subsequent events	15

Approved and authorized for issue on behalf of the Board of Directors on June 20, 2019

"Marcello Leone"

Director

Marcello Leone

"John Campbell"

Director

John Campbell

*The accompanying notes are an integral part of these consolidated financial statements*



## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Consolidated Statement of comprehensive loss

(Expressed in Canadian dollars)

		Period from incorporation on January 31, 2018 to December 31,
	Notes	2018
		\$
<b>Administration expenses</b>		
Amortization	5,6	687,359
Staff		23,850
Listing		25,801
Interest		4,794
Management	9	150,000
Share-based compensation	9	2,483,105
Marketing		46,046
Office operations and facilities		41,021
Professional and consulting	9	696,745
Research and development		2,319
Travel		54,029
		4,215,069
<b>Other expenses (income):</b>		
Listing expense	3	2,761,916
Foreign exchange loss		(4,705)
<b>Loss and comprehensive loss</b>		<b>(6,972,280)</b>
<b>Loss per share (basic and diluted)</b>		<b>(0.32)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>		<b>21,885,434</b>

*The accompanying notes are an integral part of these consolidated financial statements*

## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Consolidated Statements of Changes in  
Shareholders' Equity

(Expressed in Canadian dollars)

	Common shares		Reserve for share- based compensation	Deficit	Total
	Amount	Value			
	#	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>	-	-	-	-	-
Shares issued for cash	24,532,750	12,572,115	-	-	12,572,115
Shares acquired on acquisition	6,600,000	3,793,000	-	-	3,793,000
Conversion of special warrants	986,000	493,000	-	-	493,000
Share issuance costs	-	(425,250)	-	-	(425,250)
Shares for license agreement	12,400,000	6,200,000	-	-	6,200,000
Share-based compensation	-	-	2,483,105	-	2,483,105
Net loss	-	-	-	(6,972,280)	(6,972,280)
<b>Balance, December 31, 2018</b>	<b>44,518,750</b>	<b>22,632,865</b>	<b>2,483,105</b>	<b>(6,972,280)</b>	<b>18,143,690</b>

*The accompanying notes are an integral part of these consolidated financial statements*

## BevCanna Enterprises Inc.

(Formerly Nutrividia Biotech Investments Inc.)

Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

	Period from incorporation on January 31, 2018 to December 31, 2018
	\$
<b>Operating activities</b>	
Net loss	(6,972,280)
Items not affecting cash:	
Purchase of BevCanna	2,761,916
Share-based compensation	2,483,105
Amortization	687,359
	(1,039,900)
Changes in non-cash working capital items:	
Other receivables	(18,628)
Prepays	(94,588)
Trade payable and accrued liabilities	347,538
Due to related parties	25,872
Cash used in operating activities	(779,706)
<b>Investing activities</b>	
Property and equipment	(17,646)
Cash from amalgamation with BevCanna Operations Licence Agreement	1,497,792
	(6,200,000)
Cash used in investing activities	(4,719,854)
<b>Financing activities</b>	
Private placements of shares	7,527,261
Subscriptions received	5,044,854
Share issue costs	(425,250)
Cash provided by financing activities	12,146,865
<b>Increase in cash</b>	6,647,305
Cash, beginning	-
<b>Cash, ending</b>	6,647,305

*The accompanying notes are an integral part of these consolidated financial statements*

## **1. Nature of operations**

BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The Company is planning to become a producer of cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) beverages. The head office of the Company is 1672 West 2nd Avenue, Vancouver, BC, V6J 1H4 and the registered record office of the Company is 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1.

On August 24, 2018 the Company entered into an Amalgamation Agreement with BevCanna Enterprises Inc. (“BevCanna Inc.”), a private British Columbia company incorporated on January 31, 2018, whereby the Company acquired all issued and outstanding common shares of BevCanna Inc. on one for one basis (the “Transaction”). The Transaction was structured as a three-way amalgamation pursuant to which BevCanna Inc. amalgamated with a wholly owned subsidiary of the Company, Nutrividia Acquisition Inc. to form an amalgamated entity, BevCanna Operating Corp. (Note 3).

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated common share for each two pre-consolidated common shares. The consolidated financial statements and all information relating to issued and outstanding common shares and special warrants have been restated to reflect the share consolidation for the period presented.

## **2. Summary of significant accounting policies**

### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### **(b) Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements were approved by the Board of Directors for issue on June 20, 2019.

### **(c) Functional and presentation currency**

The functional and presentation currency of the Company is the Canadian dollar.

### **(d) Consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Inter-company balances and transactions are eliminated on consolidation.

**2. Summary of significant accounting policies** (continued)

(d) Consolidation (continued)

<b>Name of Subsidiary</b>	<b>Principal Activity</b>	<b>Place of Incorporation</b>	<b>Ownership Interest</b>
Nutrivida Acquisition Inc.	Holding Company	Canada	100%
BevCanna Operating Corp.	CBD beverage producer	Canada	100%

Upon closing of the Transaction, Nutrivida Acquisition Inc. amalgamated with BevCanna Inc.

(e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include carrying value and recoverability of intangible asset and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(f) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement".

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

**2. Summary of significant accounting policies** (continued)

(f) Financial instruments (continued)

Impairment of financial assets

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables and due to related parties are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

(g) Intangible asset

The Company has a long-term license agreement for plant operations and quality service assurance. The license is recorded at cost less accumulated amortization and accumulated impairment losses. Amortization of the license is a straight-line basis over 10 years. The estimated useful life and amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment charges. The cost of repairment and maintenance is expensed as incurred. Depreciation is provided using the declining balance method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the property and equipment and any gain or loss is recorded to profit or loss.

**2. Summary of significant accounting policies** (continued)

(h) Property and equipment (continued)

The significant class of property and equipment is as follows:

Furniture and equipment	20%
Leaseholds improvements	10%
Computers	30%

Leasehold improvements are depreciated when it is ready in use.

(i) Impairment of assets

The Company performs impairment tests on its long-lived assets, including property and equipment and intangible asset, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is evaluated using fair value less costs to sell calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

(j) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**2. Summary of significant accounting policies** (continued)

(k) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to equity reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

(m) Loss per share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.



**2. Summary of significant accounting policies (continued)**

(n) Accounting Policies Not Yet Adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

*IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company does not expect the adoption of IFRS 16 to have a material impact on the Company's financial statements.

### 3. The Transaction

The Transaction is a reverse take-over of the Company by the shareholders of BevCanna Inc. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction is accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As BevCanna Inc. is deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of BevCanna Inc. up to the date of the Transaction.

On September 13, 2018, the Transaction was closed and the Company acquired, on one for one basis, all issued and outstanding shares of BevCanna Inc. in exchange for 30,601,222 common shares of the Company.

	\$
Consideration paid	3,793,000
Net assets acquired:	
Cash	1,497,792
GST Receivable	3,798
Interco/Payable BevCanna	(493,000)
Deposits	22,494
Total identifiable net assets	1,031,084
Consideration paid over net assets acquired	2,761,916
Listing expense	2,761,916
	\$
Consideration - shares	3,300,000
Fair value of special warrants	493,000
Net assets acquired	3,793,000

The fair value of 6,600,000 issued common shares of the Company was estimated to be \$0.50 per share using the price of a financing that was completed concurrently.

The fair value of 986,000 special warrants, each of which is to be automatically converted into 1 common share of the Company without further consideration, was estimated to be \$0.50 per warrant using the price of a financing that was completed concurrently.

### 4. Prepaids

	December 31, 2018
	\$
Facility improvement deposits	48,257
Consulting advances	25,660
Rental advances and deposits	43,165
Total	117,082

**BevCanna Enterprises Inc.**  
(formerly Nutrivida Biotech Investments Inc.)  
Notes to the consolidated financial statements  
December 31, 2018

**5. Property and equipment**

	Furniture and equipment	Leasehold improvements	Computers	Total
Cost	\$	\$	\$	\$
Additions	12,752	2,845	2,049	17,646
At December 31, 2018	12,752	2,845	2,049	17,646
Accumulated amortization	\$	\$	\$	\$
Amortization	(1,275)	-	(307)	(1,582)
At December 31, 2018	(1,275)	-	(307)	(1,582)
Net book value At December 31 2018	\$ 11,477	\$ 2,845	\$ 1,742	\$ 16,064

**6. Licence agreement**

On June 12, 2018, the Company entered into a 10-year licence agreement with two 10-year renewal options with Naturo Group Investments Inc. (“Naturo”) and Naturo Springs Ltd. (“Springs”), both related parties (the “Licence Agreement”), whereby Naturo will provide the Company with certain manufacturing and quality assurance services for manufacturing beverages in Naturo’s facility, and whereby the Company will enter into a lease agreement with Naturo and Springs to lease a portion of the land, aquifer and facilities controlled by Naturo and/or Springs in order to facilitate the development of the Company’s business. The agreement shall be automatically renewed for 2 successive terms of 10 years if not terminated by either party. The Company agreed to pay Naturo \$12,400,000 pursuant to the Licence Agreement, 50% of which was paid with by common shares and the remaining portion in cash. The carrying amount is being amortized over the 10 years of the Licence Agreement, with \$685,777 charged as amortization expense corresponding to the Licence Agreement for the period from incorporation on January 31, 2018 to December 31, 2018.

**7. Accounts payable and accrued liabilities**

	December 31, 2018
	\$
Trade payables	260,447
Accrued liabilities	87,091
Total	347,538

**8. Related party transactions and key management personnel**

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be executive and non-executive officers and directors of the Company. The following management and consulting fees were paid to key personnel and/or companies controlled by them:

	Period from incorporation on January 31, 2018 to December 31, 2018
	\$
President	85,800
Chief Financial Officer	90,000

In addition, the Company entered into the following transactions with related parties:

- \$35,000 to be paid in shares to the Chief Financial Officer of the Company and the balance is fully paid subsequent to December 31, 2018 (Note 15);
- included in share issuance costs are \$28,800 paid to the Chief Financial Officer of the Company as a private placement facilitation fee;
- the Licence Agreement (Note 6) was entered into with two affiliate companies related to the Chief Executive Officer of the Company.
- On November 1, 2018, the Company entered into an agreement with the Chief Financial Officer of the Company pursuant to which the Chief Financial Officer will also act as Chief Strategy Officer. The term of the agreement is one year, renewable annually, with a monthly fee of \$20,000. While the Company remains private, \$5,000 of the monthly fee will be paid in common shares of the Company at a price of \$0.50 per share.

At December 31, 2018, the following is included in accounts payable and accrued liabilities in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

- \$30,000 for services provided by the President of the Company.
- \$31,500 for services provided by the Chief Financial Officer of the Company.

At December 31, 2018, the following is included in due to related parties, which are non-interest bearing, unsecured and due on demand:

- \$25,872 from amounts owing for products and services provided by a company owned by the President and the Chief Executive Officer (“CEO”) of the Company.

**9. Share capital**

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated share for each two pre-consolidated shares issue and outstanding. The present consolidated financial statements disclose all share references on a post-consolidation basis.

The Company is authorized to issue an unlimited number of common shares without par value.

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company entered into the following share capital transactions:

- a. The Company issued 1,300,050 common shares at a price of \$0.10 per share to the Chief Executive Officer of the Company;
- b. Pursuant to a Licence Agreement, the Company issued 12,400,000 shares at \$0.50 per share to Naturo (Note 7);
- c. Pursuant to the Transaction, on September 13, 2018, the Company acquired an aggregate of 6,600,000 common shares with a value of \$3,300,000 (Note 1);
- d. The Company issued 986,000 common shares with a price of \$0.50 per share pursuant to the conversion of special warrants for proceeds of \$493,000 (Note 11); and
- e. The Company closed a series of private placements for cash as follows:

Number of shares	Price per share	Proceeds
#	\$	\$
50	0.02	1
7,150,000	0.10	715,000
11,051,172	0.50	5,525,586
6,331,529	1.00	6,331,529
<u>24,532,751</u>		<u>12,572,116</u>

**9. Share capital** (continued)

- f. On December 14, 2018, the Company issued 1,267,925 common shares for proceeds of \$1,267,925.

As a condition to completion of the offering, the Company entered into agreements with the subscriber for the ongoing advancement of certain strategic initiatives.

The compensation of the services includes:

- i. The issuance of 3,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.50 per warrant share. These warrants will vest and become exercisable the earliest of (a) the date on which the board of directors of the Company formally approves a strategy to market the Company's products for commercial sale in the United States of America, (b) the date on which any class of shares in the capital of the Company are listed on a recognized stock exchange in North America, or (c), the date of any change of control of the Company. The fair value of the warrants was \$2,483,105 and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 2.04%, expected life of 5 years, expected volatility of 100%, and dividend yield of nil.
- ii. The issuance of 1,000,000 warrants, each warrant will be exercisable into one common share at an exercise price of \$0.50 per warrant share. These warrants will vest the earlier of (a) the Company entering into a letter of intent, (b) a memorandum of understanding, or (c) a definitive agreement, with an unrelated third-party company or person which is at arm's length to both the Company and the subscriber to a project introduced and facilitated by a subscriber. At December 31, 2018, none of the above vesting conditions has been met and no value was recorded for these warrants.
- iii. \$25,000 per month for seven months starting December 2018.
- iv. \$26,340 per month for one year starting January 2019.

**10. Special warrants**

- a. Prior to the Transaction, the Company completed private placements in aggregate of 3,268,500 special warrants at a price of \$0.50 per special warrant, for gross proceeds of \$1,634,250. Share issue costs for the issuances amounted to \$46,532. Each special warrant was convertible into one common share of the Company, with a conversion price of \$0.50 per special warrant.
- b. Prior to the Transaction, an aggregate of 2,282,500 special warrants had been converted into common shares of the Company.
- c. During the period ended December 31, 2018, the Company issued 986,000 common shares on automatic conversion of the remaining special warrants mentioned in (a) and (b).

## **11. Stock Options**

The Company adopted an incentive stock option plan. The stock option plan provides that, all Options granted under the Plan will be evidenced by an Option Agreement in such form determined by the Board setting forth the number of Optioned Shares, the term of the Option, the vesting terms, if any, the Exercise Price and such other terms as determined by the Board. Expiry date for each option is determined by the board at the time such option is granted. All options under the stock option plan are non assignable, non transferrable and only exercisable by the optionee.

## **12. Financial instruments**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or models inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of the Company's financial assets and liabilities as at December 31, 2018 approximate their fair value due to their short terms to maturity.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

### *Currency Risk*

As at December 31, 2018, all of the Company's cash was held either in Canadian dollars or US dollars. At this stage of the Company's operations, management believes that the currency risks are minimal.

### *Interest rate credit risk*

The Company has cash and debt balances, and periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company is not exposed to interest rate risk at this stage.

### *Liquidity risk*

The Company will depend on its ability to conduct future financings. The liquidity risk relates to the low cash position and the dependence on these future finances.

### 13. Capital disclosures

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company's main source of funds is from its ability to raise public and/or private equity or loan financing.

The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash to include amounts held in banks. The Company places its cash with institutions of high credit worthiness.

The Company is not subject to any externally imposed capital requirements.

### 14. Income taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	Period from incorporation on January 31, 2018 to December 31, 2018
Net loss	\$ (6,972,280)
Statutory income tax rate	27.00%
Expected income tax (recovery)	\$ (1,883,000)
Change in foreign exchange rates and other	(140,000)
Permanent Difference	1,368,000
Share issue cost	23,000
Change in unrecognized deductible temporary differences and other	632,000
Total income tax recovery	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	Period from incorporation on January 31, 2018 to December 31, 2018
Deferred tax assets (liabilities)	
Property and equipment	\$ 16,007
Canadian eligible capital (CEC)	185,000
Share issue costs and other	(250,141)
	(49,134)
Unrecognized deferred tax assets	49,134
Net deferred tax assets	\$ -



## 15. Subsequent events

On January 1, 2019, the Company entered into an agreement with a consultant for a minimum of 4 months. The consultant will provide corporate advisory consulting services and charge a monthly fee of \$10,000. On March 25, 2019, the Company terminated the consulting agreement in exchange for 40,000 shares.

On January 2, 2019, the Company entered into a management services agreement for one year, renewable annually with a monthly fee of \$3,333 plus applicable taxes.

On January 16, 2019, the Company amended an agreement originally signed on Jun 1, 2018, whereby BevOp seeks to assign the management agreement to the Company. On the same date, the Company entered into a debt settlement and subscription agreement with the Chief Financial Officer. The Company issued 52,000 common shares.

On January 22, 2019, the Company completed a share consolidation on a basis of one post-consolidated share for each two pre-consolidated shares issued and outstanding.

On February 15, 2019, the Company entered into a supply agreement on a preliminary term until licenses granted by Health Canada to both parties. The Company will pay a monthly royalty at a fixed rate as a licensing fee to the third party plus the purchase price for the supplies.

On February 28, 2019, the Company granted options entitling its directors, officers and consultants to acquire 1,250,000 common shares. These options have an exercise price of \$0.50 and a term of five years from the date of grant with 100% vesting immediately.

On March 18, 2019, the Company subscribed to 714,286 common shares of a third party for \$250,000. Each common share consists of one warrant exercisable at \$0.70 per unit for 24 months.  
On March 25, 2019, the Company issued 500,000 common shares for \$500,000.

On April 1, 2019, the Company entered into a joint development agreement (“JD Agreement”) to develop cannabis infused beverages. The Company is committed to provide funding of up to US\$500,000. The Company has an irrevocable and exclusive right and option to purchase and acquire any or all of the right title and interest in and to other party of the JD Agreement and/or its assets and the other party’s intellectual property (“Option”). The option is exercisable through the issuance of common shares and released on performance milestones being met as follows:

- US\$1,000,000 on launch of a powdered drink line within 3 months
- US\$ 1,000,000 on launch of a line of water drinks within 9 months
- US\$1,400,000 on attainment of US\$7,500,000 in revenues
- US\$1,400,000 on attainment of US\$16,000,000 in revenue

Upon exercise of the option, the Company will commit to inject an additional US\$1,000,000 to support the working capital needs of the JD Agreement.

On May 1, 2019, the Company entered into a management services agreement with a company controlled by a director to act as the Company’s Chief Brand and Innovation Manager. The agreement is for one year, renewable annually with a monthly fee of \$8,000 and a one-time payment of \$100,000 paid by the issuance of 100,000 common shares.

On May 1, 2019, the Company entered into a services agreement with a company controlled by a director to develop branding, packing and other design materials. The term of the agreement is 1 year and will renew automatically for two one-year terms unless terminated. The Company will pay a monthly fee of \$35,000 and a one-time payment of \$300,000 paid by the issuance of 300,000 common shares.

**SCHEDULE B**

**BEVCANNA OPCO MD&A FOR THE PERIOD FROM INCORPORATION ON  
JANUARY 31, 2018 TO DECEMBER 31, 2018**

**BEVCANNA ENTERPRISES INC.**  
(formerly Nutrivida Biotech Investments Inc.)

**MANAGEMENT'S DISCUSSION & ANALYSIS**

For the period from incorporation on January 31, 2018 to December 31, 2018

Prepared as of June 20, 2019

**INTRODUCTION**

The following management's discussion and analysis ("**MD&A**") is a review of operations, current financial position and outlook for BevCanna Enterprises Inc. (the "**Company**") and should be read in conjunction with the Company's audited financial statements for the period from incorporation on January 31, 2018 to December 31, 2018 and notes thereto. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated share for each two pre-consolidated shares issued and outstanding. All references to shares of the Company in this MD&A are presented on a post-consolidation basis.

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", and "Company" refer to BevCanna Enterprises Inc. and its wholly-owned subsidiary, BevCanna Operating Corp. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on material factors and assumptions made by our Company in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, including but not limited to:

- the intention to complete the listing of the common shares of the Company on the Canadian Stock Exchange and all transactions related thereto;
- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing;
- the Company's intention to develop its business and its operations;
- expectations with respect to future production costs and capacity;
- the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;

- expectations with respect to the future growth of its medical and/or adult-use recreational cannabis products;
- the Company's competitive position and the regulatory environment in which the Company operates; and
- expectations with respect to the approval of the Company's licences.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those indicated in these statements, including, but not limited to:

- the Company not being issued licences to cultivate and sell cannabis in a timely manner, or at all;
- uncertainty with respect to the legalization of cannabis-infused edibles and beverages;
- uncertainty over whether a market will develop for the Company's products;
- the Company's limited operating history;
- potential or actual conflicts of interest;
- the risk the Company is unable to obtain additional financing to achieve its business objectives and execute its strategy on satisfactory terms, or at all;
- uncertainty about the Company's ability to continue as a going concern; and
- changes in general economic or political conditions.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

## **DESCRIPTION OF BUSINESS**

The Company was incorporated under the BC *Business Corporations Act* on July 13, 2017 as Nutrivida Biotech Investments Inc. Prior to September 13, 2018, the Company did not conduct any material commercial operations. Its principal business was to identify and evaluate businesses and assets with a view to completing a going public transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation in the selected opportunities. On September 13, 2018, the Company completed a three-cornered amalgamation (the "**Amalgamation**") with Nutrivida Acquisition Corp. and BevCanna Enterprises Inc., with the resulting entities being BevCanna Enterprises Inc. and its wholly-owned subsidiary, BevCanna Operating Corp. ("**BevCanna Opco**"). The closing of the Amalgamation constituted a reverse takeover of the Company as defined in National Instrument 51-102.

Following the Amalgamation, the principal business of the Company has been the development and expansion of the business carried on by its wholly-owned subsidiary BevCanna Opco. BevCanna Opco has applied for licences (the "**Licences**") in respect of its Production Facility (as defined below) for the cultivation and sale of cannabis from Health Canada pursuant to the *Cannabis Act* (Canada), and is currently at the Review and Security Clearance Stage of the licensing process. The Company is also positioning itself for future growth in the event that Health Canada expands legalization of cannabis into derivative products and beverages. The Company has secured a long-term lease for 100 acres of land

and a 40,000 sq. ft. turn-key bottling facility with access to an underground aquifer located in Bridesville, British Columbia (the “**Production Facility**”).

The Company has applied for licences for processing and research under the Cannabis Act and a hemp cultivation licence under the Industrial Hemp Regulations in addition to the originally applied for Production Licence and Sales Licence. In May 2019, Health Canada issued the hemp cultivation licence to the Company. The Company is currently evaluating potential joint venture or hemp crop sharing arrangements with other licensed producers of cannabis, as permitted by its hemp cultivation licence.

The Company is currently focusing on the development of its product branding, the identification and evaluation of potential joint venture and business opportunities, and formalizing agreements in respect of such opportunities where the Company believes it to be appropriate. Once the Company has been granted the Licences, it will begin the business of growing, cultivating and processing cannabis, and when permitted in accordance with applicable laws and regulations, it intends to position itself as a vertically integrated white label manufacturing partner and supplier of premium alkaline spring water for infused cannabis beverages. The Company will formulate, develop and launch infused beverage brands through licensing agreements and joint ventures with other licensed producers of cannabis and entities with expertise in desired areas. The Company also intends to launch its own house brands infused with cannabidiol which have a health and wellness focus.

In addition, the Company is in the process of applying to list (the “**Listing**”) the common shares (each, a “**Share**”) of the Company for trading on the Canadian Securities Exchange.

#### **OVERALL PERFORMANCE**

As the Company was incorporated on July 13, 2017, it has not yet achieved profitable operations.

The Company is at an early stage in its development. The Company’s future performance depends on, among other things, its ability to: (i) complete the Listing as described in the Prospectus during or before spring 2019; (ii) complete the planned expansion of the Production Facility using the funds available, and (iii) obtain the Licences. Further, the Company’s future performance depends on the enactment by the Government of Canada of regulations to support the sale and distribution of cannabis edibles and concentrates, which are currently expected to come into force on October 17, 2019.

#### **SELECTED ANNUAL INFORMATION**

	<b>From Incorporation on January 31, 2018 to December 31, 2018 (Audited) (\$)</b>
Total revenues	-
Loss for the period	(6,972,280)
Total Assets	18,517,100
Total Liabilities	373,410
Shareholder’s Equity	18,143,690

	<b>From Incorporation on January 31, 2018 to December 31, 2018 (Audited) (\$)</b>
Loss per share (basic and diluted)	0.32

<b>Statement of Financial Position</b>	<b>As at December 31, 2018 (Audited) (\$)</b>
Assets	
Current assets	6,786,813
Total Assets	18,517,100
Liabilities	
Current liabilities	373,410
Total liabilities	373,410
Total Shareholders' Equity	18,143,690
Total Liabilities and Shareholders' Equity	18,517,100

## **DISCUSSION OF OPERATIONS**

### *Revenue*

For the period from incorporation on January 31, 2018 to December 31, 2018, the Company did not generate any revenue.

### *Net Loss*

For the period from incorporation on January 31, 2018 to December 31, 2018, the Company recorded expenses of \$6,972,280, which resulted in a net loss of \$6,972,280 during the period from incorporation on January 31, 2018 to December 31, 2018. The main factors that contributed to the loss in the period were amortization expenses of \$687,359, management expenses of \$150,000, professional and consulting fees of \$696,745, share-based compensation related to the compensatory warrants of \$2,483,105 and the costs associated with the Amalgamation of \$2,761,916. Management anticipates that the Company will incur expenses in subsequent periods as a result of expenses related to the Listing, expenses associated with being a reporting issuer listed on a stock exchange and expenses anticipated to be incurred in connection with the expansion of the Production Facility and obtaining the Licences.

### *Assets*

The Company's assets as at December 31, 2018 were \$18,517,100, consisting primarily of \$6,647,305 in cash and lease and manufacturing agreements with a related party valued at \$11,714,223.

#### *Business Objectives*

The Company's primary business objectives are as follows:

- I. complete the Listing during the first six months of 2019;
- II. complete leasehold improvements to the Production Facility and bottling line (anticipated in fall 2019 for an estimated cost of \$1,500,000); and
- III. enter into a rental agreement with a licensed producer permitting it to grow cannabis on the lands adjacent to the Production Facility in consideration for 20% of gross sales.

#### *Long-Term Liabilities*

The Company's current liabilities as at December 31, 2018 were \$373,410 comprised of \$347,538 in trade payables and accrued liabilities, and \$25,872 due to related parties. As at December 31, 2018, the Company did not have any long-term liabilities.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### *Working Capital*

As at December 31, 2018, the Company had working capital of \$6,413,403.

#### *Cash used in Operating Activities*

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company had cash used in Operating Activities of (\$779,706).

#### *Cash used in Investing Activities*

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company had cash used in Investing Activities of (\$4,719,854). This primarily consisted of a gain of \$1,497,792 in cash as a result the Amalgamation, and a cash cost of (\$6,200,000) incurred in connection with lease and manufacturing agreements with a related party.

#### *Cash provided by Financing Activities*

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company received a net of \$12,146,865 in cash from Financing Activities, primarily consisting of \$7,527,261 from the issuance of Shares in private placements and \$5,044,854 in subscriptions received.

#### *Future Capital Requirements*

Upon completion of the Listing, the Company may need to continue to raise capital, as the Company expects its costs will increase due to the expansion of the Production Facility and the start of production.

The Company's future capital requirements will depend upon many factors including, without limitation, the granting of the Licences by Health Canada. The Company has limited capital resources and has to rely upon the sale of equity securities for cash required for expansion and production purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

#### *Going Concern*

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. Due to the Company's developmental stage and its inability to generate cash flows from operations to date, in their report on the Company's annual financial statements for the period from incorporation on January 31, 2018 to December 31, 2018, the Company's independent auditors included an explanatory paragraph regarding concerns about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The Company's financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements as at December 31, 2018 or as of the date of this report.

#### **TRANSACTIONS BETWEEN RELATED PARTIES**

On June 1, 2018, the predecessor to BevCanna Opco entered into a Framework Agreement and a Lease Agreement with Naturo Group Investments Inc. ("**Naturo**") and Naturo Springs Inc. ("**Naturo Springs**"), and entered into a Manufacturing Agreement with Naturo. Collectively, these agreements govern the relationship between the Company, Naturo and Naturo Springs whereby the Company has leased the Production Facility from Naturo and Naturo Springs, and Naturo will provide certain manufacturing services to the Company. The consideration paid of \$12,400,000 was based on a valuation report by an independent third party valuator. Marcello Leone, the Chief Executive Officer and a director of the Company, has served as the Chief Executive Officer and a director of Naturo since March 2012. Martino Ciambrelli, the President and a director of the Company, has served as the President of Naturo since March 2013.

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company paid management and consulting fees of \$85,800 to the President of the Company and \$90,000 to the Chief Financial Officer of the Company.

In addition, during the period from incorporation on January 31, 2018 to December 31, 2018, the Company entered into the following transactions with related parties:



- (a) accrued \$35,000 to be paid in shares to the Chief Financial Officer of the Company;
- (b) included in share issuance costs are \$28,800 paid to the Chief Financial Officer of the Company as a private placement facilitation fee; and
- (c) on November 1, 2018, the Company entered into an agreement with the Chief Financial Officer which replaced his previous agreement, and pursuant to which he would also act as Chief Strategy Officer for an aggregate monthly fee of \$20,000.

As at December 31, 2018, \$30,000 was due to the President of the Company and \$31,500 to the Chief Financial Officer of the Company.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

#### Accounting Policies Not Yet Adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

##### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash, trade payables and accrued liabilities. The fair value of the Company's amounts receivable and accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had a cash balance of \$6,647,305 to settle current liabilities of \$373,410.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, equity prices, input costs and product prices. Cannabis is part of a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

## **DISCLOSURE OF OUTSTANDING SECURITY DATA**

The Company has one class of shares outstanding, being common shares. As of the date of this MD&A, 45,510,750 common shares were issued and outstanding as fully paid and non-assessable shares.

As of the date of this MD&A, the Company had 1,250,000 options to acquire common shares issued and outstanding.

As at the date of this MD&A, the Company had 4,000,000 common share purchase warrants outstanding exercisable at a price of \$0.50 per common share upon the occurrence of certain milestones as more particularly described in the section "*Options to Purchase Securities*" in the Prospectus to which this MD&A is attached.

## **SUBSEQUENT EVENTS**

On January 1, 2019, the Company entered into an agreement with a consultant for a minimum of 4 months. The consultant will provide corporate advisory consulting services and charge a monthly fee of \$10,000. On March 25, 2019, the Company terminated the consulting agreement in exchange for 40,000 shares.

On January 2, 2019, the Company entered into a management services agreement for one year, renewable annually with a monthly fee of \$3,333 plus applicable taxes.

On January 16, 2019, the Company amended an agreement originally signed on Jun 1, 2018, whereby BevOp seeks to assign the management agreement to the Company. On the same date, the Company entered into a debt settlement and subscription agreement with the Chief Financial Officer. The Company issued 52,000 common shares.

On January 22, 2019, the Company completed a share consolidation on a basis of one post-consolidated share for each two pre-consolidated shares issued and outstanding.

On February 15, 2019, the Company entered into a supply agreement on a preliminary term until licenses granted by Health Canada to both parties. The Company will pay a monthly royalty at a fixed rate as a licensing fee to the third party plus the purchase price for the supplies.

On February 28, 2019, the Company granted options entitling its directors, officers and consultants to acquire 1,250,000 common shares. These options have an exercise price of \$0.50 and a term of five years from the date of grant with 100% vesting immediately.

On March 18, 2019, the Company subscribed to 714,286 common shares of a third party for \$250,000. Each common share consists of one warrant exercisable at \$0.70 per unit for 24 months. On March 25, 2019, the Company issued 500,000 common shares for \$500,000.

On April 1, 2019, the Company entered into a joint development agreement (“JD Agreement”) to develop cannabis infused beverages. The Company is committed to provide funding of up to US\$500,000. The Company has an irrevocable and exclusive right and option to purchase and acquire any or all of the right title and interest in and to other party of the JD Agreement and/or its assets and the other party’s intellectual property (“Option”). The option is exercisable through the issuance of common shares and released on performance milestones being met as follows:

- US\$1,000,000 on launch of a powdered drink line within 3 months
- US\$ 1,000,000 on launch of a line of water drinks within 9 months
- US\$1,400,000 on attainment of US\$7,500,000 in revenues
- US\$1,400,000 on attainment of US\$16,000,000 in revenue

Upon exercise of the option, the Company will commit to inject an additional US\$1,000,000 to support the working capital needs of the JD Agreement.

On May 1, 2019, the Company entered into a management services agreement with a company controlled by a director to act as the Company’s Chief Brand and Innovation Manager. The agreement is for one year, renewable annually with a monthly fee of \$8,000 and a one-time payment of \$100,000 paid by the issuance of 100,000 common shares.

On May 1, 2019, the Company entered into a services agreement with a company controlled by a director to develop branding, packing and other design materials. The term of the agreement is 1 year and will renew automatically for two one-year terms unless terminated. The Company will pay a monthly fee of \$35,000 and a one-time payment of \$300,000 paid by the issuance of 300,000 common shares.

#### **OTHER MD&A REQUIREMENTS**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE C**

**BEVCANNA OPCO FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED MARCH 31, 2019**

**BEVCANNA ENTERPRISES INC.**  
**(formerly Nutrvida Biotech Investments Inc.)**

Condensed interim consolidated financial statements  
(unaudited)

Three months ended March 31, 2019  
(Expressed in Canadian Dollars)

# BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

		March 31, 2019	December 31, 2018
	Notes	\$	\$
<b>Assets</b>			
<b>Current</b>			
Cash		5,990,609	6,647,305
GST receivable		47,230	22,426
Marketable securities	4	396,294	-
Prepays		103,392	117,082
		6,537,525	6,786,813
<b>Property and equipment</b>	5	72,890	16,064
<b>Licence</b>	6	11,404,223	11,714,223
		18,014,638	18,517,100
<b>Liabilities</b>			
<b>Current</b>			
Trade payable and accrued liabilities	7,8	256,959	347,538
Due to related parties	8	67,661	25,872
		324,620	373,410
<b>Shareholders' equity</b>			
Share capital	9	23,195,949	22,632,865
Reserve for share-based payments	9	3,494,076	2,483,105
Deficit		(9,000,007)	(6,972,280)
		17,690,018	18,143,690
		18,014,638	18,517,100
Nature of operations	1		
Commitments	13		
Subsequent events	13		

Approved and authorized for issue on behalf of the Board of Directors on June 20, 2019

"Marcello Leone"

Director

"John Campbell"

Director

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

## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

		Three months ended March 31, 2019 \$	Period from incorporation on January 31 to March 31, 2018 \$
	Notes		
<b>Administration expenses</b>			
Amortization	5,6	311,435	-
Filing and related fees		11,761	-
Staff		51,944	-
Listing		9,367	-
Management	8	101,500	-
Share-based compensation	11	1,010,971	-
Marketing		11,734	-
Office operations and facilities		28,803	1,174
Professional and consulting		542,859	7,256
Research and development		73,196	-
Travel		19,433	-
		2,173,003	8,430
<b>Other expenses (income):</b>			
Foreign exchange loss		1,018	-
Gain on revaluation of marketable securities	4	(146,294)	-
<b>Loss and comprehensive loss</b>		<b>(2,027,727)</b>	<b>(8,430)</b>
<b>Loss per share (basic and diluted)</b>		<b>(0.05)</b>	<b>(168.60)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>		<b>44,597,506</b>	<b>50</b>

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

## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Note	Common shares		Reserve for share-based payments \$	Obligation to issue shares \$	Deficit \$	Total \$
		Amount #	Value \$				
Balance, December 31, 2018		44,518,750	22,632,865	2,483,105	-	(6,972,280)	18,143,690
Shares issued for cash	9	500,000	500,000	-	-	-	500,000
Shares issued for debt settlement	9	92,000	75,000	-	-	-	75,000
Share issuance costs	9	-	(11,916)	-	-	-	(11,916)
Share-based compensation	11	-	-	1,010,971	-	-	1,010,971
Net loss		-	-	-	-	(2,027,727)	(2,027,727)
<b>Balance, March 31, 2019</b>		<b>45,110,750</b>	<b>23,195,949</b>	<b>3,494,076</b>	<b>-</b>	<b>(9,000,007)</b>	<b>17,690,018</b>
Balance, January 31, 2018		50	-	-	-	-	-
Subscriptions received for private placement		-	-	-	295,000	-	295,000
Net loss		-	-	-	-	(8,430)	(8,430)
<b>Balance, March 31, 2018</b>		<b>50</b>	<b>-</b>	<b>-</b>	<b>295,000</b>	<b>(8,430)</b>	<b>286,570</b>

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



## BevCanna Enterprises Inc.

(Formerly Nutrivida Biotech Investments Inc.)

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended March 31, 2019 \$	Period from incorporation on January 31 to March 31, 2018 \$
<b>Operating activities</b>		
Net loss	(2,027,727)	(8,430)
Items not affecting cash:		
Amortization	311,435	-
Share-based compensation	1,010,971	-
Gain on revaluation of marketable securities	(146,294)	-
	(851,615)	(8,430)
Changes in non-cash working capital items:		
GST receivables	(24,804)	(322)
Prepays	13,690	(174,250)
Trade payable and accrued liabilities	(15,579)	793
Due to related parties	41,789	32,852
Cash used in operating activities	(836,519)	(149,357)
<b>Investing activities</b>		
Purchase of property and equipment	(58,261)	-
Purchase of marketable securities	(250,000)	-
Cash used in investing activities	(308,261)	-
<b>Financing activities</b>		
Proceeds from issues of common shares	500,000	-
Subscriptions received	-	295,000
Share issuance costs	(11,916)	-
Cash provided by financing activities	488,084	295,000
<b>(Decrease) increase in cash</b>	<b>(656,696)</b>	<b>145,643</b>
Cash, beginning	6,647,305	-
<b>Cash, ending</b>	<b>5,990,609</b>	<b>145,643</b>

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

## **BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

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### **1. Nature of operations**

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The Company is planning to become a producer of cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) beverages. The head office of the Company is 1672 West 2nd Avenue, Vancouver, BC, V6J 1H4 and the registered record office of the Company is 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1.

On August 24, 2018 the Company entered into an Amalgamation Agreement with BevCanna Enterprises Inc. (“BevCanna Inc.”), a private British Columbia company incorporated on January 31, 2018, whereby the Company acquired all issued and outstanding common shares of BevCanna Inc. on one for one basis (the “Transaction”). The Transaction was structured as a three-way amalgamation pursuant to which BevCanna Inc. amalgamated with a wholly owned subsidiary of the Company, Nutrivida Acquisition Inc. to form an amalgamated entity, BevCanna Operating Corp. (Note 3).

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated common share for each two pre-consolidated common shares. The consolidated financial statements and all information relating to issued and outstanding common shares and special warrants have been restated to reflect the share consolidation for the period presented.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issuance on June 20, 2019.

### **2. Summary of significant accounting policies**

#### **(a) Basis of presentation and statement of compliance**

These unaudited condensed consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, following the same accounting principles and methods of computation as outlined in the Company’s consolidated financial statements for the year ended December 31, 2018, with exception to the newly adopted International Financial Reporting Standards (“IFRS”) effective January 1, 2019, as discussed in Note 2 (b) below. A description of accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended December 31, 2018. These unaudited condensed consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2018.

#### **(b) Adoption of the IFRS 16 “Leases”**

On January 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 “Leases” and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company’s financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

On transition to IFRS 16, the Company elected to use the following practical expedients, as permitted under the standard:

- Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17;

**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

**2. Summary of significant accounting policies (continued)**

The adoption of the IFRS 16 has had no material impact on the Company's consolidated financial statements, as the Company currently has limited exposure to leases, except the lease mentioned in Note 6, which only has variable lease payments. Therefore, the company did not record any right of use assets and corresponding lease liabilities.

**3. The Transaction**

The Transaction was a reverse take-over of the Company by the shareholders of BevCanna Inc. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction was accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As BevCanna Inc. was deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of BevCanna Inc. up to the date of the Transaction.

On September 13, 2018, the Transaction was closed and the Company acquired, on a one for one basis, all issued and outstanding shares of BevCanna Inc. in exchange for 30,601,222 common shares of the Company.

	\$
Consideration paid	3,793,000
Net assets acquired:	
Cash	1,497,792
GST Receivable	3,798
Interco/Payable BevCanna	(493,000)
Deposits	22,494
Total identifiable net assets	1,031,084
Consideration paid over net assets acquired	2,761,916
Listing expense	2,761,916
	\$
Consideration - shares	3,300,000
Fair value of special warrants	493,000
Net assets acquired	3,793,000

The fair value of 6,600,000 issued common shares of the Company was estimated to be \$0.50 per share using the price of a financing that was completed concurrently.

The fair value of 986,000 special warrants, each of which is to be automatically converted into 1 common share of the Company without further consideration, was estimated to be \$0.50 per warrant using the price of a financing that was completed concurrently.

**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

**4. Marketable securities**

During the three months ended March 31, 2019, the Company participated in a non-brokered private placement of Nextleaf Solutions Ltd. ("Nextleaf"), a company whose common shares are publicly traded and listed on the Canadian Securities Exchange in Canada under the ticker symbol "OILS". Pursuant to the terms of this non-brokered private placement, the Company received a total of 714,286 units of Nextleaf at a unit price of \$0.35 per unit, equating to a total investment of \$250,000. Each unit consisted of one common share and one common share purchase warrant, with each warrant entitling the holder to purchase one common share at \$0.70 until March 14, 2021. At March 31, 2019, the fair value of the shares was \$250,000, and of the warrants was \$146,294, for total fair value of \$396,294. The fair value of the warrants was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 1.55%, expected life of 2 years, expected volatility of 146%, and dividend yield of nil.

**5. Property and equipment**

	Furniture and equipment \$	Leasehold improvements \$	Computers \$	Total \$
Cost				
Additions	12,752	2,845	2,049	17,646
At December 31, 2018	12,752	2,845	2,049	17,646
Additions	20,088	32,070	6,103	58,261
At March 31, 2019	32,840	34,915	8,152	75,907
Accumulated amortization				
Amortization	1,275	-	307	1,582
At December 31, 2018	1,275	-	307	1,582
Amortization	1,076	-	359	1,435
At March 31, 2019	2,351	-	666	3,017
Net book value				
At December 31, 2018	11,477	2,845	1,742	16,064
At March 31, 2019	30,489	34,915	7,486	72,890

**6. Licence agreement**

On June 12, 2018, the Company entered into a 10-year licence agreement with two 10-year renewal options with Naturo Group Investments Inc. ("Naturo") and Naturo Springs Ltd. ("Springs"), both related parties (the "Licence Agreement"), whereby Naturo will provide the Company with certain manufacturing and quality assurance services for manufacturing beverages in Naturo's facility, and whereby the Company entered into a lease agreement with Naturo and Springs to lease a portion of the land, aquifer and facilities controlled by Naturo and/or Springs in order to facilitate the development of the Company's business. The agreement shall be automatically renewed for 2 successive terms of 10 years if not terminated by either party. The Company agreed to pay Naturo \$12,400,000 pursuant to the Licence Agreement, 50% of which was paid with by common shares and the remaining portion in cash. The carrying amount is being amortized over the 10 years of the Licence Agreement. During the three months ended March 31, 2019, the amortization expense for the Licence Agreement was \$310,000 (2018 - \$nil).

**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

**7. Accounts payable and accrued liabilities**

	March 31, 2019	December 31, 2018
	\$	\$
Trade payables	184,865	260,447
Accrued liabilities	72,094	87,091
Total	256,959	347,538

**8. Related party transactions and key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the three months ended March 31, 2019 and the period from incorporation on January 31, 2018 to March 31, 2018 was as follows:

	Three months ended March 31, 2019	Period from incorporation on January 31 to March 31, 2018
	\$	\$
Management fees	101,500	-
Share-based payments	1,010,971	-
Total	1,112,471	-

*Accounts payable and accrued liabilities:*

At March 31, 2019, the following is included in accounts payable and accrued liabilities in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

- \$nil (December 31, 2018 - \$30,000) for services provided by the President of the Company.
- \$32,583 (December 31, 2018 - \$66,500) for services provided by the Chief Financial Officer of the Company ("CFO").

*Due to related parties:*

At March 31, 2019, the following is included in due to related parties, which are non-interest bearing, unsecured and due on demand:

- \$50,119 (December 31, 2018 - \$25,872) from amounts owing for products and services provided by a company owned by the President and the Chief Executive Officer ("CEO") of the Company.
- \$11,650 (December 31, 2018 - \$nil) from amounts owing for products and services provided by the CEO of the Company.
- \$5,892 (December 31, 2018 - \$nil) from amounts owing for products provided by a company with officers and directors in common with the Company.

**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

**9. Share capital**

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated share for each two pre-consolidated shares issue and outstanding. The present consolidated financial statements disclose all share references on a post-consolidation basis.

The Company is authorized to issue an unlimited number of common shares without par value.

During the three months ended March 31, 2019, the Company entered into the following share capital transactions:

- a. On March 25, 2019, the Company issued 500,000 common shares for proceeds of \$500,000;
- b. On March 25, 2019, the Company issued 40,000 common shares for a debt settlement of \$40,000 with a consultant;
- c. On January 16, 2019, the Company issued 52,000 common shares for a debt settlement of \$35,000 with the CFO.
- d. The share issuance costs for these transactions amounted to \$11,916 (2018 - \$nil).

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company entered into the following share capital transactions:

- e. The Company issued 1,300,050 common shares at a price of \$0.10 per share to the Chief Executive Officer of the Company;
- f. Pursuant to a Licence Agreement, the Company issued 12,400,000 shares at \$0.50 per share to Naturo (Note 6);
- g. Pursuant to the Transaction, on September 13, 2018, the Company acquired an aggregate of 6,600,000 common shares with a value of \$3,300,000 (Note 1);
- h. The Company issued 986,000 common shares with a price of \$0.50 per share pursuant to the conversion of special warrants for proceeds of \$493,000 (Note 11);
- i. The Company closed a series of private placements for cash as follows:

Number of shares	Price per share	Proceeds
#	\$	\$
50	0.02	1
7,150,000	0.10	715,000
11,051,172	0.50	5,525,586
6,331,529	1.00	6,331,529
24,532,751		12,572,116

**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

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**9. Share capital (continued)**

- j. On December 14, 2018, the Company issued 1,267,925 common shares for proceeds of \$1,267,925.

As a condition to completion of the offering, the Company entered into agreements with the subscriber for the ongoing advancement of certain strategic initiatives.

The compensation of the services includes:

- i. The issuance of 3,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.50 per warrant share. These warrants will vest and become exercisable the earliest of (a) the date on which the board of directors of the Company formally approves a strategy to market the Company's products for commercial sale in the United States of America, (b) the date on which any class of shares in the capital of the Company are listed on a recognized stock exchange in North America, or (c), the date of any change of control of the Company. The fair value of the warrants was \$2,483,105 and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 2.04%, expected life of 5 years, expected volatility of 100%, and dividend yield of nil.
- ii. The issuance of 1,000,000 warrants, each warrant will be exercisable into one common share at an exercise price of \$0.50 per warrant share. These warrants will vest the earlier of (a) the Company entering into a letter of intent, (b) a memorandum of understanding, or (c) a definitive agreement, with an unrelated third-party company or person which is at arm's length to both the Company and the subscriber to a project introduced and facilitated by a subscriber. At December 31, 2018, none of the above vesting conditions has been met and no valuation of this warrants have been done.
- iii. \$25,000 per month for seven months starting December 2018.
- iv. \$26,340 per month for one year starting January 2019.

**10. Special warrants**

- a. Prior to the Transaction, the Company completed private placements in aggregate of 3,268,500 special warrants at a price of \$0.50 per special warrant, for gross proceeds of \$1,634,250. Share issue costs for the issuances amounted to \$46,532. Each special warrant was convertible into one common share of the Company, with a conversion price of \$0.50 per special warrant.
- b. Prior to the Transaction, an aggregate of 2,282,500 special warrants had been converted into common shares of the Company.
- c. During the period ended December 31, 2018, the Company issued 986,000 common shares on automatic conversion of the remaining special warrants mentioned in (a) and (b).

## **BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

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### **11. Stock Options**

In 2018 the Company adopted an incentive stock option plan ("Plan"). Pursuant to the Company's stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company. Expiry date for each option is determined by the board of directors at the time such option is granted. All options under the plan are non assignable, non transferrable and only exercisable by the optionee.

During the three months ended March 31, 2019, the Company granted options to its directors, officers and consultants to acquire 1,250,000 common shares. These options have an exercise price of \$0.50 and a term of five years from the date of grant with 100% vesting immediately. The fair value of the of options granted was \$1,010,971 (2018 - \$nil) and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 1.82%, expected life of 5 years, expected volatility of 94%, and dividend yield of nil.

### **12. Financial instruments**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or models inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The carrying value of the Company's financial assets and liabilities at March 31, 2019 approximate their fair value due to their short terms to maturity.

The marketable securities are measured at their fair value at March 31, 2019 consisted of the derivative asset on warrants, which is measured using level 3 inputs.

The fair value of the derivative asset on warrants is determined by the Black-Scholes option pricing model using the historical volatility as an estimate of future volatility. At March 31, 2019, if the volatility used was increased by 10% the impact would be an increase to the derivative assets on warrants of \$15,221, with a corresponding decrease to comprehensive loss.

#### *Financial instruments and related risks*

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks in the three months ended March 31, 2019.



**BevCanna Enterprises Inc.**

(formerly Nutrivida Biotech Investments Inc.)

Notes to the condensed interim consolidated financial statements

For the three months ended March 31, 2019

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**13. Subsequent events**

On April 1, 2019, the Company entered into a joint development agreement (“JD Agreement”) to develop cannabis infused beverages. The Company is committed to provide funding of up to US\$500,000. The Company has an irrevocable and exclusive right and option to purchase and acquire any or all of the right title and interest in and to other party of the JD Agreement and/or its assets and the other party’s intellectual property (“Option”). The option is exercisable through the issuance of common shares and released on performance milestones being met as follows:

- US\$1,000,000 on launch of a powdered drink line within 3 months;
- US\$1,000,000 on launch of a line of water drinks within 9 months;
- US\$1,400,000 on attainment of US\$7,500,000 in revenues;
- US\$1,400,000 on attainment of US\$16,000,000 in revenue.

Upon exercise of the option, the Company will commit to inject an additional US\$1,000,000 to support the working capital needs of the JD Agreement.

On May 1, 2019, the Company entered into a management services agreement with a company controlled by a director to act as the Company’s Chief Brand and Innovation Manager. The agreement is for one year, renewable annually with a monthly fee of \$8,000 and a one-time payment of \$100,000 paid by the issuance of 100,000 common shares.

On May 1, 2019, the Company entered into a services agreement with a company controlled by a director to develop branding, packing and other design materials. The term of the agreement is 1 year and will renew automatically for two one-year terms unless terminated. The Company will pay a monthly fee of \$35,000 and a one-time payment of \$300,000 paid by the issuance of 300,000 common share.

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**SCHEDULE D**

**BEVCANNA OPCO MD&A FOR THE 3 MONTHS ENDED MARCH 31, 2019**

**BEVCANNA ENTERPRISES INC.**  
**(formerly Nutrivida Biotech Investments Inc.)**

**INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS**  
For the three months ended March 31, 2019

Prepared as of June 20, 2019

**INTRODUCTION**

The following interim management's discussion and analysis ("**MD&A**") is a review of operations, current financial position and outlook for Bevcanna Enterprises Inc. (the "**Company**") and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and notes thereto. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", and "Company" refer to Nutrivida Biotech Investments Inc. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on material factors and assumptions made by our Company in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, including but not limited to:

- the intention to complete the listing of the common shares of the Company on the Canadian Stock Exchange and all transactions related thereto;
- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing;
- the Company's intention to develop its business and its operations;
- expectations with respect to future production costs and capacity;
- the grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;
- expectations with respect to the future growth of its medical and/or adult-use recreational cannabis products;
- the Company's competitive position and the regulatory environment in which the Company operates;
- expectations with respect to the approval of the Company's licences; and

- expectations with respect to the Company's intended operations in California and the United States.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those indicated in these statements, including, but not limited to:

- the Company not being issued licences to cultivate and sell cannabis in a timely manner, or at all;
- uncertainty with respect to the legalization of cannabis-infused edibles and beverages in Canada;
- uncertainty with respect to the conflict between United States federal and state laws;
- uncertainty over whether a market will develop for the Company's products;
- the Company's limited operating history;
- potential or actual conflicts of interest;
- the risk the Company is unable to obtain additional financing to achieve its business objectives and execute its strategy on satisfactory terms, or at all;
- uncertainty about the Company's ability to continue as a going concern; and
- changes in general economic or political conditions.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

## **DESCRIPTION OF BUSINESS**

The Company was incorporated under the BC *Business Corporations Act* on July 13, 2017 as Nutrivida Biotech Investments Inc. During the three months ended March 31, 2019, the Company did not conduct any material commercial operations. Its principal business was the development and expansion of the business carried on by its wholly-owned subsidiary BevCanna Operating Corp. ("**BevCanna Opco**"). BevCanna Opco has applied for licences (the "**Licences**") in respect of its Production Facility (as defined below) for the cultivation and sale of cannabis from Health Canada pursuant to the *Cannabis Act* (Canada), and is currently at the Review and Security Clearance Stage of the licensing process. The Company is also positioning itself for future growth in the event that Health Canada expands legalization of cannabis into derivative products and beverages. The Company has secured a long-term lease for 100 acres of land and a 40,000 sq. ft. turn-key bottling facility with access to an underground aquifer located in Bridesville, British Columbia (the "**Production Facility**").

The Company has also entered into a joint development agreement (the "**JD Agreement**") with a California-based company to develop cannabis-based beverage formulations in California, where such products are permitted under state law. The agreement includes an option for the Company to acquire all of intellectual property owned by the California company related to water-soluble cannabis powders and all of the intellectual property developed under the agreement. The Company intends to incorporate a subsidiary under the laws of the State of California to carry out the Company's operations

in California and has committed to inject \$1.5 million into this subsidiary following the exercise of its option.

The Company has applied for licences for processing and research under the Cannabis Act and a hemp cultivation licence under the Industrial Hemp Regulations in addition to the originally applied for Production Licence and Sales Licence. In May 2019, Health Canada issued the hemp cultivation licence to the Company. The Company is currently evaluating potential joint venture or hemp crop sharing arrangements with other licensed producers of cannabis, as permitted by its hemp cultivation licence.

The Company is currently focusing on the development of its product branding, the identification and evaluation of potential joint venture and business opportunities, and formalizing agreements in respect of such opportunities where the Company believes it to be appropriate. Once the Company has been granted the Licences, it will begin the business of growing, cultivating and processing cannabis, and when permitted in accordance with applicable laws and regulations, it intends to position itself as a vertically integrated white label manufacturing partner and supplier of premium alkaline spring water for infused cannabis beverages. The Company will formulate, develop and launch infused beverage brands through licensing agreements and joint ventures with other licensed producers of cannabis and entities with expertise in desired areas. The Company also intends to launch its own house brands infused with cannabidiol which have a health and wellness focus. In the event that the Company is not granted the Licences as expected, or the grant of the Licences is delayed, the Company will focus on expanding its operations in the United States, as permitted by applicable state laws.

In addition, the Company is in the process of applying to list (the “**Listing**”) the common shares (each, a “**Share**”) of the Company for trading on the Canadian Securities Exchange.

### **OVERALL PERFORMANCE**

As the Company was incorporated on July 13, 2017, it has not yet achieved profitable operations.

The Company is at an early stage in its development. The Company’s future performance depends on, among other things, its ability to: (i) complete the Listing as described in the Prospectus during or before summer 2019; (ii) complete the planned expansion of the Production Facility using the funds available, (iii) obtain the Licences, and (iv) achieve the milestones set out in the JD Agreement. Further, the Company’s future performance depends on the enactment by the Government of Canada of regulations to support the sale and distribution of cannabis edibles and concentrates, which are currently expected to come into force on October 17, 2019.

### **SELECTED FINANCIAL INFORMATION**

	<b>Three months ended March 31, 2019 (Unaudited) (\$)</b>	<b>Year ended December 31, 2018 (Audited) (\$)</b>
Total revenues	-	-
Loss for the period	(2,027,727)	(6,972,280)
Total Assets	18,014,638	18,517,100
Total Liabilities	324,620	373,410

	<b>Three months ended March 31, 2019 (Unaudited) (\$)</b>	<b>Year ended December 31, 2018 (Audited) (\$)</b>
Shareholder's Equity	17,690,018	18,143,690
Loss per share (basic and diluted)	0.05	0.32

<b>Statement of Financial Position</b>	<b>Three months ended March 31, 2019 (Unaudited) (\$)</b>	<b>Year ended December 31, 2018 (Audited) (\$)</b>
Assets		
Current assets	6,537,525	6,786,813
Total Assets	18,014,638	18,517,100
Liabilities		
Current liabilities	324,620	373,410
Total liabilities	324,620	373,410
Total Shareholders' Equity	17,690,018	18,143,690
Total Liabilities and Shareholders' Equity	18,014,638	18,517,100

## **DISCUSSION OF OPERATIONS**

### *Three months ended March 31, 2019*

#### *Revenue*

For the three months ended March 31, 2019, the Company did not generate any revenue.

#### *Net Loss*

For the three months ended March 31, 2019, the Company recorded expenses of \$2,027,727, which resulted in a net loss of \$2,027,727 during the three months ended March 31, 2019. The main factors that contributed to the loss in the period were share-based compensation of \$1,010,971, professional and consulting fees of \$542,859, management fees of \$101,500, amortization expenses of \$311,435 and research and development expenses of \$73,196. Management anticipates that the Company will incur expenses in subsequent periods as a result of expenses related to the Listing, expenses associated with being a reporting issuer listed on a stock exchange, expenses anticipated to be incurred in connection with the expansion of the Production Facility and obtaining the Licences and expenses related to the implementation of the JD Agreement.

#### *Assets*

The Company's assets as at March 31, 2019 were \$18,014,638, consisting primarily of \$5,990,609 in cash and lease and manufacturing agreements with a related party valued at \$11,404,223.

#### *Business Objectives*

The Company's primary business objectives are as follows:

- I. complete the Listing by summer 2019;
- II. complete leasehold improvements to the Production Facility and bottling line (anticipated in fall 2019 for an estimated cost of \$1,800,000);
- III. obtain the Licences (anticipated fall 2019, estimated cost included in improvements to the Production Facility)
- IV. enter into a rental agreement with a licensed producer permitting it to grow cannabis on the lands adjacent to the Production Facility in consideration for 20% of gross sales; and
- V. create a research team in California begin the testing and development of formulations for cannabis-based beverages and other related activities in accordance with the JD Agreement (anticipated in fall 2019 for an estimated cost of \$500,000).

#### *Long-Term Liabilities*

The Company's current liabilities as at March 31, 2019 were \$324,620 comprised of \$256,959 in trade payables and accrued liabilities and \$67,661 due to related parties. As at March 31, 2019, the Company did not have any long-term liabilities.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### *Working Capital*

As at March 31, 2019, the Company had working capital of \$6,212,905.

#### *Cash used in Operating Activities*

During the three months ended March 31, 2019, the Company had cash used in Operating Activities of (\$836,519).

#### *Cash used in Investing Activities*

During the three months ended March 31, 2019, the Company had cash used in Investing Activities of (\$308,261) comprised of (\$250,000) for the purchase of marketable securities and (\$58,261) for the purchase of property and equipment.

#### *Cash provided by Financing Activities*

During the three months ended March 31, 2019, the Company received a net of \$488,084 in cash from Financing Activities, all from the issuance of Shares in private placements.

#### *Future Capital Requirements*

Upon completion of the Listing, the Company may need to continue to raise capital, as the Company expects its costs will increase due to the expansion of the Production Facility and the start of production, as well as the initiation of the Company's operations in California under the JD Agreement. The Company's future capital requirements will depend upon many factors including, without limitation, the granting of the Licences by Health Canada. The Company has limited capital resources and has to rely upon the sale of equity securities for cash required for expansion and production purposes, for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements as at March 31, 2019 or as of the date of this report.

#### **TRANSACTIONS BETWEEN RELATED PARTIES**

During the three months ended March 31, 2019, the Company incurred management fees of \$101,500 and issued share-based compensation of \$1,010,971 to certain directors and officers of the Company. As at March 31, 2019, the Company owed \$32,583 to the Chief Financial Officer of the Company for services provided pursuant to his management services agreement, which is included in trade payables and accrued liabilities.

#### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

##### Accounting Policies Adopted by the Company

##### *IFRS 16 Leases*

IFRS 16 "Leases" ("IFRS 16") was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 "Leases" ("IAS 17"), International Financial Reporting Interpretations Committee ("IFRIC") 4 "Determining Whether an Arrangement Contains a Lease" ("IFRIC 4"), Standards Interpretation Committee ("SIC") 15 "Operating Leases - Incentives", and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases which requires lessees to account for operating leases under a single on-balance sheet model in a manner similar to the previous accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognizes a liability to make lease payments and a right-of-use asset ("ROU asset") representing the right to use the underlying asset during the lease term.



The adoption of the IFRS 16 has had no material impact on the Company's consolidated financial statements, as the Company currently has limited exposure to leases.

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash, accounts payables and accrued liabilities. The fair value of the Company's amounts receivable and accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

#### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had a cash balance of \$5,990,609 to settle current liabilities of \$324,620.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, equity prices, input costs and product prices. Cannabis is part of a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

### **DISCLOSURE OF OUTSTANDING SECURITY DATA**

The Company has one class of shares outstanding, being common shares. As of the date of this report, 45,510,750 common shares were issued and outstanding as fully paid and non-assessable shares.

As of the date of this report, the Company had 1,250,000 options to acquire common shares issued and outstanding.

As at the date of this report, the Company had 4,000,000 common share purchase warrants outstanding exercisable at a price of \$0.50 per common share upon the occurrence of certain milestones as more

particularly described in the section “*Options to Purchase Securities*” in the Prospectus to which this MD&A is attached.

### **SUBSEQUENT EVENTS**

On April 1, 2019, the Company entered into the JD Agreement to develop cannabis infused beverages in California. The Company is committed to provide funding of up to US\$500,000. The Company has an irrevocable and exclusive right and option to purchase and acquire any or all of the right title and interest in and to other party of the JD Agreement and/or its assets and the other party’s intellectual property (“Option”). The option is exercisable through the issuance of common shares and released on performance milestones being met as follows:

- US\$1,000,000 on launch of a powdered drink line within 3 months;
- US\$1,000,000 on launch of a line of water drinks within 9 months;
- US\$1,400,000 on attainment of US\$7,500,000 in revenues;
- US\$1,400,000 on attainment of US\$16,000,000 in revenue.

Upon exercise of the option, the Company will commit to inject an additional US\$1,000,000 to support the working capital needs of the JD Agreement.

On May 1, 2019, the Company entered into a brand management services agreement with an arm’s length party pursuant to which the Company issued 100,000 common shares to at a deemed price of \$1.00 per common share and agreed to pay \$8,000 per month for a term of twelve months for brand management services, which may be payable in cash, common shares or a combination of cash and common shares.

On May 1, 2019, the Company also entered into a marketing services agreement with an arm’s length party pursuant to which the Company issued 300,000 common shares at a deemed price \$1.00 per common share and agreed to pay \$35,000 per month for a term of twelve months for marketing services.

### **OTHER MD&A REQUIREMENTS**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE E**

**COMPANY'S AUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM INCORPORATION  
ON JULY 13, 2017 TO DECEMBER 31, 2017**

**BevCanna Enterprises Inc.**  
**(formerly Nutrivida Biotech Investments Inc.)**

**Financial Statements**

**Period from Incorporation on July 13, 2017 to December 31, 2017**

**(Expressed in Canadian Dollars)**



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Directors of BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

We have audited the accompanying consolidated financial statements of BevCanna Enterprises Inc., which comprise the statement of financial position as at December 31, 2017 and the statements of comprehensive loss, changes in equity and cash flows for the period from July 13, 2017 (date of incorporation) to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BevCanna Enterprises Inc. as at December 31, 2017, and its financial performance and its cash flows for the period from July 13, 2017 (date of incorporation) to December 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of material uncertainty that may cast significant doubt about BevCanna Enterprises Inc.'s ability to continue as a going concern.

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
June 20, 2019

An independent firm associated with  
Moore Stephens International Limited

**MOORE STEPHENS**

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)  
Statement of financial position  
(Expressed in Canadian Dollars)

	December 31, 2017 \$
<b>ASSETS</b>	
Current assets	
Cash	1,245,382
GST receivable	1,773
Prepaid expenses	6,500
<b>Total assets</b>	<b>1,253,655</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
Current liabilities	
Accounts payable	6,576
Accrued liabilities	33,000
<b>Total liabilities</b>	<b>39,576</b>
Shareholders' equity	
Share capital (Note 5)	305,625
Warrant reserve (Note 6)	1,099,233
Deficit	(190,779)
<b>Total shareholders' equity</b>	<b>1,214,079</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,253,655</b>

Going concern (Note 1)  
Subsequent events (Notes 1 and 10)

Approved and authorized for issuance on behalf of the Board of Directors on June 20, 2019:

/s/ "Marcello Leone"  
Marcello Leone, Director

/s/ "John Campbell"  
John Campbell, Director

(The accompanying notes are an integral part of these financial statements)

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)  
Statement of comprehensive loss  
(Expressed in Canadian Dollars)

	From July 13, 2017 (date of incorporation) to December 31, 2017 \$
Expenses	
Consulting	20,000
Management fees (Note 4)	12,500
Office and miscellaneous (Note 4)	8,208
Professional fees	24,621
<u>Total operating expenses</u>	<u>65,329</u>
Other expenses:	65,329
Write-off of convertible promissory note (Note 3)	125,450
<u>Net and comprehensive loss</u>	<u>(190,779)</u>
<u>Loss per share, basic and diluted</u>	<u>(0.11)</u>
<u>Weighted average number of shares outstanding (basic and diluted)</u>	<u>1,813,333</u>

(The accompanying notes are an integral part of these financial statements)

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)  
Statement of changes in equity  
(Expressed in Canadian Dollars)

	Share capital		Warrant reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$			
Balance, July 13, 2017	–	–	–	–	–
Shares issued for cash	8,635,000	311,750	–	–	311,750
Share issuance costs	–	(6,125)	–	–	(6,125)
Special warrants issued for cash	–	–	1,141,250	–	1,141,250
Warrant issuance costs	–	–	(42,017)	–	(42,017)
Net loss	–	–	–	(190,779)	(190,779)
<b>Balance, December 31, 2017</b>	<b>8,635,000</b>	<b>305,625</b>	<b>1,099,233</b>	<b>(190,779)</b>	<b>1,214,079</b>

(The accompanying notes are an integral part of these financial statements)



BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)  
Statement of Cash Flows  
(Expressed in Canadian Dollars)

	From July 13, 2017 (date of incorporation) to December 31, 2017 \$
<hr/>	
Operating activities	
Net loss	(190,779)
Items not affecting cash:	
Write-off of convertible promissory note	125,450
Changes in non-cash operating working capital:	
Accounts receivable	(1,773)
Prepaid expenses	(6,500)
Accounts payable and accrued liabilities	39,576
<hr/>	
Net cash used in operating activities	(34,026)
<hr/>	
Investing activities	
Convertible promissory note receivable	(125,450)
<hr/>	
Net cash used in investing activities	(125,450)
<hr/>	
Financing activities	
Proceeds from issuance of common shares, net of issuance costs	305,625
Proceeds from issuance of special warrants, net of issuance costs	1,099,233
<hr/>	
Net cash provided by financing activities	1,404,858
<hr/>	
Change in cash	1,245,382
Cash, beginning	–
<hr/>	
Cash, ending	1,245,382
<hr/>	

(The accompanying notes are an integral part of these financial statements)

## 1. Nature of Operations

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a transaction.

On September 13, 2018, the Company completed the reverse acquisition of BevCanna Operating Corp. (“BevOp”, formerly BevCanna Enterprises Inc.), a private company incorporated under the Business Corporations Act in British Columbia on January 31, 2018, by way of a three-way amalgamation (the “Amalgamation”). At the completion of the acquisition, the Company changed its name to BevCanna Enterprises Inc. (Note 3) and is now in the business of becoming a branded and a white label, end to end producer of cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) beverages. BevCanna will operate as a fully vertically integrated premium based cannabis-infused beverage manufacturer

The addresses of the Company are:

- Head office: 1672 West 2nd Avenue, Vancouver, BC, V6J 1H4, Canada
- Registered records office: 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1, Canada

These financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2017, the Company has incurred losses totaling \$190,779 since inception, and expects to incur further losses in the development of its business, all of which casts doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due.

## 2. Summary of Significant Accounting Policies

### (a) Statement of Compliance and Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency.

### (b) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, carrying value of convertible note, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company’s ability to continue as a going concern.

## 2. Summary of Significant Accounting Policies (continued)

### (c) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

#### (i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### (ii) Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### (iii) Held-to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

#### (v) Non-derivative financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

#### (vi) Recognition of financial assets

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the group commits to purchase the asset.

#### (vii) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

2. Summary of Significant Accounting Policies (continued)

(c) Financial Instruments (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(viii) De-recognition of financial assets

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

(d) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(e) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2017. The following standard was early adopted in these financial statements:

2. Summary of Significant Accounting Policies (continued)

(e) Accounting Standards Issued But Not Yet Effective (continued)

New standard IFRS 9, “*Financial Instruments*”

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company’s accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of comprehensive loss.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company’s financial assets under IFRS 9:

<u>Financial asset</u>	<u>IFRS 9 Classification</u>
Cash	Amortized cost
Accounts payable	Amortized cost

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company’s financial statements.

IFRS 15, “*Revenue from contracts with customers*”

IFRS 15 supersedes IAS 18- Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

2. Summary of Significant Accounting Policies (continued)

(e) Accounting Standards Issued But Not Yet Effective (continued)

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company did not have any revenues as of December 31, 2017.

IFRS 16, “Leases”

This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company did not have any leases as of December 31, 2017.

3. Convertible Promissory Note Receivable

On November 9, 2017, the Company entered into a Convertible Promissory Note agreement with Hammock Pharmaceuticals Inc. ("Hammock"), whereby the Company agreed to lend \$125,450 (US\$100,000) to Hammock. The note bore simple interest at 1% per annum, and was to be due and payable on the occurrence of an event of default or convertible on December 31, 2026. However, given uncertainty with respect to recoverability of this loan, it was written off as at December 31, 2017.

4. Related Party Transactions

A related party is a person or an entity that is related to the entity: A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of board of directors, an officer or part of its key management personnel.

During the period ended December 31, 2017, the Company incurred management fees of \$12,500 and administrative fees of \$3,000 to the President of the Company.

5. Share Capital

Authorized: Unlimited number of common shares without par value.

- a. On July 13, 2017, the Company issued 1 share at \$0.20 per share.
- b. On October 13, 2017, the Company completed a private placement and issued 2,000,000 shares for proceeds of \$80,000.
- c. On October 24, 2017, the Company repurchased and cancelled 1 share.
- d. On October 26, 2017, the Company completed a private placement and issued 2,255,000 shares for proceeds of \$225,500. In connection with the private placement, the Company incurred share issuance costs of \$6,125.
- e. On November 9, 2017, the Company completed a private placement and issued 62,500 shares for proceeds of \$6,250.

6. Warrants Reserve

- a. On November 29, 2017, the Company completed a private placement of 1,022,000 special warrants at \$0.50 per special warrant for gross proceeds of \$511,000. In connection with the private placement, the Company incurred issuance costs of \$30,800. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.
- b. On November 21, 2017, the Company completed a private placement of 1,260,500 special warrants at \$0.50 per special warrant for gross proceeds of \$630,250. In connection with the private placement, the Company incurred issuance costs of \$11,217. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.

BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.)

Notes to the financial statements December 31, 2017

(Expressed in Canadian Dollars)

7. Fair Value Measurement

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

At December 31, 2017, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the statement of financial position at fair value are categorized are as follows:

	Level 1	Level 2	Level 3
	\$	\$	\$
Cash	1,245,382	-	-

8. Capital Disclosures

The Company's objectives when managing capital are to raise the necessary equity financing to fund its projects and to manage the equity funds raised which best optimizes its programs and the interests of its equity shareholders at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may raise additional equity funds. The Company is not subject to externally imposed capital requirements.

9. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows::

	2017
	\$
	(190,779)
Statutory income tax rate	26%
Income tax recovery at statutory rate	(50,000)
Tax effect of:	
Share issuance costs	(14,000)
Non-deductible items	1,000
Change in valuation allowance	63,000
Income tax provision	-



BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.)

Notes to the financial statements December 31, 2017

(Expressed in Canadian Dollars)

9. Income Taxes (continued)

The significant components of deferred income tax assets and liabilities are as follows:

	2017
	\$
Deferred income tax assets	
Non-capital losses carried forward	52,000
Share issuance costs	11,000
Total gross deferred income tax assets	63,000
Unrecognized deferred income tax assets	(63,000)
Net deferred income tax asset	–

As at December 31, 2017, the Company has non-capital losses carried forward of approximately \$200,000, which are available to offset future years' taxable income and expire in 2037.

10. Subsequent Events

On January 29, 2018, the Company issued 129,000 special warrants for gross proceeds of \$64,500. In connection with the private placement, the Company agreed to pay finder's fees of \$4,515. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.

On February 14, 2018, the Company approved a private placement of 857,000 special warrants at \$0.50 per special warrant for gross proceeds of \$428,500. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.

On June 12, 2018, the Company entered into a 10-year licence agreement with two 10-year renewal options with Naturo Group Investments Inc. ("Naturo") and Naturo Springs Ltd. ("Springs"), both related parties (the "Licence Agreement"), whereby Naturo will provide the Company with certain manufacturing and quality assurance services for manufacturing beverages in Naturo's facility, and whereby the Company will enter into a lease agreement with Naturo and Springs to lease a portion of the land, aquifer and facilities controlled by Naturo and/or Springs in order to facilitate the development of the Company's business. The agreement shall be automatically renewed for 2 successive terms of 10 years if not terminated by either party. The Company agreed to pay Naturo \$12,400,000 pursuant to the Licence Agreement, 50% of which was paid with by common shares and the remaining portion in cash. The carrying amount is being amortized over the 10 years of the Licence Agreement, with \$685,777 charged as amortization expense corresponding to the Licence Agreement for the period from incorporation on January 31, 2018 to December 31, 2018.

#### 10. Subsequent Events (continued)

On June 12, 2018, the Company entered into a 10-year lease agreement with Naturo Group Investments Inc. ("Naturo"), whereby Naturo will permit the Company the use of the premises for the purpose of cultivating, growing, and processing Cannabis, and when permitted in accordance with applicable laws and regulations, the processing, manufacturing and bottling of Cannabis beverages and related products. The Company agreed to pay a minimum rent of \$1 per annum and 5% rent based on the gross sales, whether or not by the Company, of Cannabis cultivated on the Premises. As of December 31, 2018, the Company hasn't generated any revenue from cultivation of Cannabis and there is no percentage rent incurred. At any reasonable time upon five days' prior written notice to the Company, Naturo has the right to Audit. If such audit discloses a liability for percentage rent to the extent of three percent or more in excess of the percentage rent therefore computed and paid by the Company for such period, the Company shall promptly pay to Naturo the cost of said audit, in addition to the deficiency, which deficiency shall be payable in any event, and in addition, Naturo will have the further remedy of terminating this lease upon five days written notice to the Company, such remedy to be exercised within 60 days following the completion of such audit.

The Company is also responsible for the additional rent for all costs in any way related to the Premises and a share of the costs relating to the lands and the Building as designated by Naturo

On July 19, 2018, the Company incorporated a wholly-owned subsidiary, Nutrividia Acquisition Inc., under the Business Corporations Act of British Columbia.

On July 27, 2018, the Company issued 1,022,000 common shares pursuant to the conversion of 1,022,000 special warrants.

On August 27, 2018, the Company entered into a management services agreement with the Chief Commercialization Officer. The term of the agreement is one year, renewable annually, with a monthly fee of \$10,000. Effective February 1, 2019, the monthly fee is adjusted to \$7,500.

On September 4, 2018, the Company entered into a management services agreement with a manager of the Company pursuant to which the manager of the Company will also act as the Company's Vice President Corporate Strategy. The term of the agreement is one year, renewable annually, at \$5,000/month.

On November 1, 2018, the Company entered into a management services agreement with the Chief Financial Officer of the Company pursuant to which the Chief Financial Officer will also act as Chief Strategy Officer. The term of the agreement is one year, renewable annually, with a monthly fee of \$20,000 plus applicable taxes. While the Company remains private, \$5,000 of the monthly fee will be paid in common shares at \$0.50 per share. This agreement replaces the previous agreement signed with the Chief Financial Officer.

On November 12, 2018, the Company agreed to return 12,500 common shares to treasury.

On December 14, 2018, the Company issued 1,267,925 common shares for proceeds of \$1,267,925. Share issue costs of \$17,563 were incurred.

As a condition to completion of the offering, pursuant to the subscription agreement, the Company entered into an independent consultant agreement with the subscriber for the ongoing provision of certain consulting services as follows:

- The issuance of 3,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.25 per warrant share.
- The issuance of 1,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.25 per warrant share.
  - i) Cash fee of \$25,000 per month plus applicable taxes for 7 pay periods starting December 2018.
  - ii) Cash fee of \$26,340 per month plus applicable taxes for 12 pay periods starting January 2019.
- On January 2, 2019, the Company entered into a management services agreement for one year, renewable annually with a monthly fee of \$3,333 plus applicable taxes.

#### 10. Subsequent Events (continued)

On January 16, 2019, the Company entered into an assignment and amendment agreement to management services agreement originally signed on Jun 1, 2018, whereby BevOp seeks to assign the management agreement to the Company. On the same date, the Company entered into a debt settlement and subscription agreement with the Chief Financial Officer. The Company issued 34,000 common shares of the Company at a price of \$0.50 per share and 18,000 shares at a price of \$1.00 for \$35,000.

On January 22, 2019, the Company completed a share consolidation on a basis of one post-consolidated share for each two pre-consolidated shares issued and outstanding.

On February 12, 2019, the Company issued 500,000 common shares for proceeds of \$500,000.

On February 15, 2019, the Company entered into a supply agreement on a preliminary term until licenses granted by Health Canada to both parties. The Company will pay a monthly royalty at a fixed rate as a licensing fee to the third party plus the purchase price for the supplies.

On February 17, 2019, the Company entered into a Letter of Intent "LOI" with a third party whereby the Company will initially enter into an option agreement to acquire all of the third party's intellectual property (IP) for the implementation of product development and ongoing development of the IP. Upon exercise of the option, the Company will commit to inject \$1.5 million US to support the working capital needs. The Company is working to convert this LOI into a definitive research and development and acquisition agreement over the next 30 days.

**SCHEDULE F**

**COMPANY MD&A FOR THE PERIOD FROM INCORPORATION ON JULY 13, 2017 TO DECEMBER 31, 2017**

## **NUTRIVIDA BIOTECH INVESTMENTS INC.**

### **MANAGEMENT'S DISCUSSION & ANALYSIS**

For the period from incorporation on July 13, 2017 to December 31, 2017

Prepared as of June 20, 2019

#### **INTRODUCTION**

The following management's discussion and analysis ("**MD&A**") is a review of operations, current financial position and outlook for Nutrivida Biotech Investments Inc. (the "**Company**") and should be read in conjunction with the Company's audited financial statements for the period from incorporation on July 13, 2017 to December 31, 2017 and notes thereto. Readers are encouraged to review the Company's financial statements in conjunction with this document. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", and "Company" refer to Nutrivida Biotech Investments Inc. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

#### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on material factors and assumptions made by our Company in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, including but not limited to:

- the intention to negotiate an acquisition or other business combination with a view to completing a going public transaction;
- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing; and
- the Company's intention to develop its business and its operations.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those indicated in these statements, including, but not limited to:

- the Company's limited operating history;
- the Company not being able to complete the Transaction (as defined herein);
- potential or actual conflicts of interest;
- the risk the Company is unable to obtain additional financing on satisfactory terms, or at all;

- uncertainty about the Company's ability to continue as a going concern; and
- changes in general economic or political conditions.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

### **DESCRIPTION OF BUSINESS**

The Company was incorporated under the BC *Business Corporations Act* on July 13, 2017 as Nutrivida Biotech Investments Inc. During the period from incorporation on July 13, 2017 to December 31, 2017, the Company did not conduct any material commercial operations. Its principal business was to identify and evaluate businesses and assets with a view to completing a going public transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation in the selected opportunities (the "**Transaction**").

### **OVERALL PERFORMANCE**

As the Company was incorporated on July 13, 2017, and has not yet achieved its stated goal of completing the Transaction, it has not yet begun commercial operations. The Company's future performance depends on, among other things, its ability to complete the Transaction.

### **SELECTED ANNUAL INFORMATION**

	<b>From Incorporation on July 13, 2017 to December 31, 2017 (Audited) (\$)</b>
Total revenues	-
Loss for the period	(190,779)
Total Assets	1,253,655
Total Liabilities	39,576
Shareholder's Equity	1,214,079
Loss per share (basic and diluted)	0.11

<b>Statement of Financial Position</b>	<b>As at December 31, 2017 (Audited) (\$)</b>
Assets	
Current assets	1,253,655
Total Assets	1,253,655
Liabilities	
Current liabilities	39,576
Total liabilities	39,576
Total Shareholders' Equity	1,214,079
Total Liabilities and Shareholders' Equity	1,253,655

## **DISCUSSION OF OPERATIONS**

### *Revenue*

For the period from incorporation on July 13, 2017 to December 31, 2017, the Company did not generate any revenue.

### *Net Loss*

For the period from incorporation on July 13, 2017 to December 31, 2017, the Company recorded expenses of \$65,329 and wrote off a convertible promissory note in the amount of \$125,450, which resulted in a net loss of \$190,779 during the period from incorporation on July 13, 2017 to December 31, 2017. The main factors that contributed to the expenses in the period were consulting fees of \$20,000, management fees of \$12,500 and professional fees of \$24,621. Management anticipates that the Company will incur expenses in subsequent periods as a result of expenses related to the Transaction.

On November 9, 2017, the Company agreed to lend \$125,450 (US\$100,000) to Hammock Pharmaceuticals Ltd. The loan was written off as at December 31, 2017 due to uncertainty with respect to the recoverability of this loan.

### *Assets*

The Company's assets as at December 31, 2017 were \$1,253,655, consisting primarily of \$1,245,382 in cash.

### *Business Objectives*

The Company's primary business objectives are to complete the Transaction.

### *Long-Term Liabilities*

The Company's current liabilities as at December 31, 2017 were \$39,576 comprised of accounts payables and accrued liabilities. As at December 31, 2017, the Company did not have any long-term liabilities.

### **LIQUIDITY AND CAPITAL RESOURCES**

#### *Working Capital*

As at December 31, 2017, the Company had working capital of \$1,214,079.

#### *Cash used in Operating Activities*

During the period from incorporation on July 13, 2017 to December 31, 2017, the Company had cash used in Operating Activities of (\$34,026).

#### *Cash used in Investing Activities*

During the period from incorporation on July 13, 2017 to December 31, 2017, the Company had cash used in Investing Activities of (\$125,450), consisting of a convertible promissory note in that amount.

#### *Cash provided by Financing Activities*

During the period from incorporation on July 13, 2017 to December 31, 2017, the Company received a net of \$1,404,858 in cash from Financing Activities, primarily consisting of \$305,625 from the issuance of common shares of the Company in private placements and \$1,099,233 from the issuance of special warrants.

#### *Future Capital Requirements*

Upon completion of the Transaction, the Company may need to continue to raise capital, as the Company expects its costs will increase, and its future capital requirements will depend on the nature of the Transaction. The Company has limited capital resources and has to rely upon the sale of equity securities for cash required for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

#### *Going Concern*

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to raise adequate financing on reasonable terms and to commence profitable operations in the future. Due to the Company's developmental stage and its inability to generate cash flows from operations to date, in their report on the Company's annual financial statements for the period from incorporation on July 13, 2017 to December 31, 2017, the Company's independent auditors included an explanatory paragraph regarding concerns about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts



recorded on the balance sheets. The Company's financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements as at December 31, 2017 or as of the date of this report.

### **TRANSACTIONS BETWEEN RELATED PARTIES**

During the period from incorporation on July 13, 2017 to December 31, 2017, the Company incurred management fees of \$12,500 and administrative fees of \$3,000 to the President of the Company.

### **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

#### Accounting Policies Adopted by the Company

##### *IFRS 9 Financial Instruments*

The Company has adopted IFRS 9, Financial Instruments. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

IFRS 9 requires financial assets to be classified into one of three measurement categories on initial recognition: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") and amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The new standard retains most of the existing requirements for financial liabilities.

IFRS 9 introduces a new impairment model for financial assets. This new model may result in the earlier recognition of credit losses as it requires the Company to account for expected credit losses from the time the financial instruments are first recognized.

The Company will classify its cash, other receivables, due from related parties, trade payable and accrued liabilities, and due to related parties at amortized cost. The Company does not currently have any FVTPL or FVTOCI financial assets.

#### Accounting Policies Not Yet Adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

##### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach

to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments consist of cash, accounts payables and accrued liabilities. The fair value of the Company's amounts receivable and accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2017, the Company had a cash balance of \$1,245,382 to settle current liabilities of \$39,576.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, equity prices, input costs and product prices. The Company is not exposed to significant market risk as it does not have any commercial operations.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

## **DISCLOSURE OF OUTSTANDING SECURITY DATA**

The Company has one class of shares outstanding, being common shares. As at December 31, 2017, 4,317,500 common shares were issued and outstanding as fully paid and non-assessable shares.

As at December 31, 2017, the Company had no options to acquire common shares issued and outstanding.

On November 29, 2017, the Company issued 1,022,000 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.

On December 21, 2017, the Company issued 1,260,500 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.

**OTHER MD&A REQUIREMENTS**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE G**

**COMPANY FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED JUNE 30, 2018**

**BevCanna Enterprises Inc.**  
**(formerly Nutrivida Biotech Investments Inc.)**

Interim Financial Statements

Six Months Ended June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

**BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.)**

Interim statements of financial position

(Expressed in Canadian Dollars)

		June 30, 2018	December 31, 2017
		\$	\$
	Note	(Unaudited)	
<b>Assets</b>			
<b>Current</b>			
Cash		1,628,403	1,245,382
GST receivable		2,332	1,773
Prepays		-	6,500
		<b>1,630,735</b>	<b>1,253,655</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade payable and accrued liabilities	3	48,224	39,576
		<b>48,224</b>	<b>39,576</b>
<b>Shareholders' equity</b>			
Share capital	4	305,625	305,625
Warrant reserve	5	1,587,718	1,099,233
Deficit		(310,832)	(190,779)
		<b>1,582,511</b>	<b>1,214,079</b>
		<b>1,630,735</b>	<b>1,253,655</b>
Going Concern	1		
Subsequent events	6		

Approved and authorized for issuance on behalf of the Board of Directors on June 20, 2019:

/s/ "Marcello Leone"  
Marcello Leone, Director

/s/ "John Campbell"  
John Campbell, Director

(The accompanying notes are an integral part of these interim financial statements)

**BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)**

Interim statements of comprehensive loss

(Expressed in Canadian Dollars)

		<b>Six months ended to June 30, 2018</b>
		<b>\$</b>
	Note	<b>(Unaudited)</b>
<b>Administration expenses</b>		
Consulting		<b>28,000</b>
Filing and related fees		<b>1,800</b>
Management	3	<b>44,750</b>
Office operations and facilities		<b>6,136</b>
Professional and consulting		<b>26,226</b>
Travelling		<b>13,141</b>
<b>Net loss and comprehensive loss</b>		<b>(120,053)</b>
<b>Loss per share (basic and diluted)</b>		<b>(0.03)</b>
<b>Weighted average number of shares outstanding basic and diluted</b>		<b>4,317,500</b>

(The accompanying notes are an integral part of these interim financial statements)

**BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)**

Interim statements of changes in equity

(Expressed in Canadian Dollars)

(Unaudited)

	Share capital		Warrant reserve \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$			
Balance, July 13, 2017	–	–	–	–	–
Shares issued for cash	4,317,500	311,750	–	–	311,750
Share issuance costs	–	(6,125)	–	–	(6,125)
Special warrants issued for cash	–	–	1,141,250	–	1,141,250
Warrant issuance costs	–	–	(42,017)	–	(42,017)
Net loss for the period	–	–	–	(190,779)	(190,779)
Balance, December 31, 2017	4,317,500	305,625	1,099,233	(190,779)	1,214,079
Special warrants issued for cash	–	–	493,000	–	493,000
Warrant issuance costs	–	–	(4,515)	–	(4,515)
Net loss for the period	–	–	–	(120,053)	(120,074)
Balance, June 30, 2018	4,317,500	305,625	1,587,718	(310,832)	1,582,511

(The accompanying notes are an integral part of these interim financial statements)



**BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)**

Interim statements of cash flows

(Expressed in Canadian Dollars)

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	<b>Six months ended</b>
	<b>June 30, 2018</b>
	<b>\$</b>
	<b>(Unaudited)</b>
<hr/>	
<b>Operating activities</b>	
Net loss	(120,053)
Changes in non-cash working capital items:	
Other receivables	(559)
Prepays	6,500
Trade payable and accrued liabilities	8,648
<b>Cash used in operating activities</b>	<b>(105,464)</b>
<hr/>	
<b>Financing activities</b>	
Obligation to issue special warrants	493,000
Special warrant issue costs	(4,515)
<b>Cash provided by financing activities</b>	<b>488,485</b>
<hr/>	
<b>Increase in cash</b>	<b>383,021</b>
Cash, beginning	1,245,382
<b>Cash, ending</b>	<b>1,628,403</b>

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(The accompanying notes are an integral part of these interim financial statements)

# BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.)

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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## 1. Nature of Operations

BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The principal business of the Company will be the identification and evaluation of assets or businesses with a view to completing a transaction.

On September 13, 2018, the Company completed the reverse acquisition of BevCanna Operating Corp. (“BevOp”, formerly BevCanna Enterprises Inc.), a private company incorporated under the Business Corporations Act in British Columbia on January 31, 2018, by way of a three-way amalgamation (the “Amalgamation”). At the completion of the acquisition, the Company changed its name to BevCanna Enterprises Inc. and is now in the business of becoming a branded and a white label, end to end producer of cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) beverages. BevCanna will operate as a fully vertically integrated premium based cannabis-infused beverage manufacturer

The addresses of the Company are:

- Head office: 1672 West 2nd Avenue, Vancouver, BC, V6J 1H4, Canada
- Registered records office: 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1, Canada

These financial statements have been prepared on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. The Company has incurred losses totaling \$120,053 for the six months ended June 30, 2018 and expects to incur further losses in the development of its business, all of which casts doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due.

## 2. Significant Accounting Policies

### (a) Statement of Compliance and Basis of Presentation

These interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, “*Interim Financial Reporting*”.

These interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the Company’s functional currency.

### (b) Use of Estimates and Judgments

The preparation of these interim financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include unrecognized deferred income tax assets. Actual results could differ from those estimates.

## **BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)**

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### **2. Significant Accounting Policies** (continued)

#### (b) Use of Estimates and Judgments (continued)

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

#### (c) Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

#### (i) Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### (ii) Loans and Receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

#### (iii) Held-to Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

#### (iv) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

## **BevCanna Enterprises Inc. (formerly Nutrividia Biotech Investments Inc.)**

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### **2. Significant Accounting Policies** (continued)

#### (v) Non-Derivative Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

#### (vi) Recognition of Financial Assets

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the group commits to purchase the asset.

#### (vii) Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### (viii) De-Recognition of Financial Assets

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

## BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (continued)

#### (d) Income Taxes

##### Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (e) Accounting Standards Issued but Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 30, 2018. The following standard was early adopted in these financial statements:

##### New standard IFRS 9, "*Financial Instruments*"

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

##### Financial assets

The Company will now classify its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

## BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (continued)

#### (e) Accounting Standards Issued but Not Yet Effective (continued)

The Company's accounting policy for each of the categories is as follows:

**Financial assets at FVTPL:** Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of comprehensive loss.

**Financial assets at FVTOCI:** Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive (loss) income in which they arise.

**Financial assets at amortized cost:** A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date, and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

**Impairment of financial assets at amortized cost:** The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

The following table shows the classification of the Company's financial assets under IFRS 9:

<u>Financial asset</u>	<u>IFRS 9 Classification</u>
Cash	Amortized cost
Accounts payable	Amortized cost

As the accounting reflected by the adoption of IFRS 9 under the above classifications and election is similar to that of IAS 39, there will be no impact on the Company's financial statements

#### *IFRS 15, "Revenue from Contracts with Customers"*

IFRS 15 supersedes IAS 18- Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company did not have any revenues as of June 30, 2018.

## BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### 2. Significant Accounting Policies (continued)

#### (e) Accounting Standards Issued but Not Yet Effective (continued)

##### IFRS 16, "Leases"

This standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company did not have any leases as of June 30, 2018.

### 3. Trade Payable and Related Party Transactions

#### Payables

	<b>June 30, 2018</b>
	\$
Trade payables	33,224
Accrued liabilities	15,000
	<u>48,224</u>

A related party is a person or an entity that is related to the entity: A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of board of directors, an officer or part of its key management personnel.

During the six months ended June 30, 2018, the Company incurred management fees of \$44,750 (from July 13, 2017 (date of incorporation) to December 31, 2017 - \$12,500) and administrative fees of \$1,750 (from July 13, 2017 (date of incorporation) to December 31, 2017 - \$3,000) to the former President of the Company. As at June 30, 2018, the Company owed \$25,725 (2017 - \$nil) to the former President of the Company, which is included in accounts payable and accrued liabilities. The balance is unsecured, non-interest bearing, and due on demand.

### 4. Share Capital

Authorized: Unlimited number of common shares without par value.

### 5. Warrant Reserve

- (a) On January 29, 2018, the Company issued 129,000 special warrants for proceeds of \$64,500. In connection with the private placement, the Company incurred issuance costs of \$4,515. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.

## BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### 5. Warrant Reserve (continued)

- (b) On February 14, 2018, the Company issued 857,000 special warrants for proceeds of \$428,500. Each special warrant entitles the holder to acquire, without payment of any consideration in addition to that paid for the special warrant, 1 common share of the Company. The special warrants will automatically convert into common shares and will be deemed to have been exercised without any further action or payment on the part of the holder on the earlier of the 1st business day following the date on which a receipt for a final prospectus is received or the 240th day following issuance.

### 6. Subsequent Events

On July 19, 2018, the Company incorporated a wholly-owned subsidiary, Nutrivida Acquisition Inc., under the Business Corporations Act of British Columbia.

On July 27, 2018, the Company issued 1,022,000 common shares pursuant to the conversion of 1,022,000 special warrants.

On August 27, 2018, the Company entered into a management services agreement with the Chief Commercialization Officer. The term of the agreement is one year, renewable annually, with a monthly fee of \$10,000. Effective February 1, 2019, the monthly fee is adjusted to \$7,500.

On September 4, 2018, the Company entered into a management services agreement with a manager of the Company pursuant to which the manager of the Company will also act as the Company's Vice President Corporate Strategy. The term of the agreement is one year, renewable annually, at \$5,000/month.

On November 1, 2018, the Company entered into a management services agreement with the Chief Financial Officer of the Company pursuant to which the Chief Financial Officer will also act as Chief Strategy Officer. The term of the agreement is one year, renewable annually, with a monthly fee of \$20,000 plus applicable taxes. While the Company remains private, \$5,000 of the monthly fee will be paid in common shares at \$0.50 per share. This agreement replaces the previous agreement signed with the Chief Financial Officer.

On November 12, 2018, the Company agreed to return 12,500 common shares to treasury.

On December 14, 2018, the Company issued 1,267,925 common shares for proceeds of \$1,267,925. Share issue costs of \$17,563 were incurred.

As a condition to completion of the offering, pursuant to the subscription agreement, the Company entered into an independent consultant agreement with the subscriber for the ongoing provision of certain consulting services as follows:

The issuance of 3,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.50 per warrant share.

The issuance of 1,000,000 warrants, each warrant will be exercisable into one fully-paid and non-assessable common share in the capital of the Company at an exercise price of \$0.50 per warrant share.

- i) Cash fee of \$25,000 per month plus applicable taxes for 7 pay periods starting December 2018.
- ii) Cash fee of \$26,340 per month plus applicable taxes for 12 pay periods starting January 2019.

On January 2, 2019, the Company entered into a management services agreement for one year, renewable annually with a monthly fee of \$3,333 plus applicable taxes.



## **BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.)**

Notes to the interim financial statements

June 30, 2018

(Expressed in Canadian Dollars)

(Unaudited)

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### **6. Subsequent Events** (continued)

On January 16, 2019, the Company entered into an assignment and amendment agreement to management services agreement originally signed on Jun 1, 2018, whereby BevOp seeks to assign the management agreement to the Company. On the same date, the Company entered into a debt settlement and subscription agreement with the Chief Financial Officer. The Company issued 34,000 common shares of the Company at a price of \$0.50 per share and 18,000 shares at a price of \$1.00 for \$35,000.

On January 22, 2019, the Company completed a share consolidation on a basis of one post-consolidated share for each two pre-consolidated shares issued and outstanding.

On February 12, 2019, the Company issued 500,000 common shares for proceeds of \$500,000.

On February 15, 2019, the Company entered into a supply agreement on a preliminary term until licenses granted by Health Canada to both parties. The Company will pay a monthly royalty at a fixed rate as a licensing fee to the third party plus the purchase price for the supplies.

On February 17, 2019, the Company entered into a Letter of Intent "LOI" with a third party whereby the Company will initially enter into an option agreement to acquire all of the third party's intellectual property (IP) for the implementation of product development and ongoing development of the IP. Upon exercise of the option, the Company will commit to inject \$1.5 million US to support the working capital needs. The Company is working to convert this LOI into a definitive research and development and acquisition agreement over the next 30 days.

**SCHEDULE H**

**COMPANY MD&A FOR THE 6 MONTHS ENDED JUNE 30, 2018**

## **NUTRIVIDA BIOTECH INVESTMENTS INC.**

### **INTERIM MANAGEMENT'S DISCUSSION & ANALYSIS**

For the six months ended June 30, 2018

Prepared as of June 20, 2019

#### **INTRODUCTION**

The following interim management's discussion and analysis ("**MD&A**") is a review of operations, current financial position and outlook for Nutrivida Biotech Investments Inc. (the "**Company**") and should be read in conjunction with the Company's unaudited financial statements for the six months ended June 30, 2018 and notes thereto. Readers are encouraged to review the Company's financial statements in conjunction with this document. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

As used in this MD&A and unless otherwise indicated, the terms "we", "us", "our", and "Company" refer to Nutrivida Biotech Investments Inc. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

#### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from such statements. The words "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "likely", "may," "optimistic," "plan," "potential", "predict", "should," "would," and other similar expressions are intended to identify forward-looking statements. Forward-looking statements are based on material factors and assumptions made by our Company in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate in the circumstances, including but not limited to:

- the intention to negotiate an acquisition or other business combination with a view to completing a going public transaction;
- the Company's expectations regarding its consolidated revenue, expenses and operations;
- the Company's anticipated cash needs, its needs for additional financing; and
- the Company's intention to develop its business and its operations.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those indicated in these statements, including, but not limited to:

- the Company's limited operating history;
- the Company not being able to complete the Transaction (as defined herein);
- potential or actual conflicts of interest;
- the risk the Company is unable to obtain additional financing on satisfactory terms, or at all;

- uncertainty about the Company’s ability to continue as a going concern; and
- changes in general economic or political conditions.

The forward-looking statements contained in this MD&A reflect our views and assumptions only as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements after the date on which the statement is made, except as required by applicable laws, including the securities laws of Canada.

### **DESCRIPTION OF BUSINESS**

The Company was incorporated under the BC *Business Corporations Act* on July 13, 2017 as Nutrivida Biotech Investments Inc. During the six months ended June 30, 2018, the Company did not conduct any material commercial operations. Its principal business was to identify and evaluate businesses and assets with a view to completing a going public transaction and, having identified and evaluated such opportunities, to negotiate an acquisition or participation in the selected opportunities (the “**Transaction**”).

### **OVERALL PERFORMANCE**

As the Company was incorporated on July 13, 2017, and has not yet achieved its stated go of completing the Transaction, it has not yet begun commercial operations. The Company’s future performance depends on, among other things, its ability to complete the Transaction.

### **SELECTED FINANCIAL INFORMATION**

	<b>Six Months Ended June 30, 2018 (Unaudited) (\$)</b>	<b>From Incorporation on July 13, 2017 to December 31, 2017 (Audited) (\$)</b>
Total revenues	-	-
Loss for the period	(120,053)	(190,779)
Total Assets	1,630,735	1,253,655
Total Liabilities	48,224	39,576
Shareholder’s Equity	1,582,511	1,214,079
Loss per share (basic and diluted)	0.03	0.11

<b>Statement of Financial Position</b>	<b>Six Months Ended June 30, 2018 (Unaudited) (\$)</b>	<b>As at December 31, 2017 (Audited) (\$)</b>
Assets		
Current assets	1,630,735	1,253,655
Total Assets	1,630,735	1,253,655
Liabilities		
Current liabilities	48,224	39,576
Total liabilities	48,224	39,576
Total Shareholders' Equity	1,582,511	1,214,079
Total Liabilities and Shareholders' Equity	1,630,735	1,253,655

## **DISCUSSION OF OPERATIONS**

### *Six months ended June 30, 2018*

#### *Revenue*

For the six months ended June 30, 2018, the Company did not generate any revenue.

#### *Net Loss*

For the six months ended June 30, 2018, the Company recorded expenses of \$120,053, which resulted in a net loss of \$120,053 during the six months ended June 30, 2018. The main factors that contributed to the loss in the period were consulting fees of \$28,000, management fees of \$44,750, professional fees of \$26,226 and travel expenses of \$13,141. Management anticipates that the Company will incur expenses in subsequent periods as a result of expenses related to the Transaction.

#### *Assets*

The Company's assets as at June 30, 2018 were \$1,630,735, consisting primarily of \$1,628,403 in cash.

#### *Business Objectives*

The Company's primary business objectives are to complete the Transaction.

#### *Long-Term Liabilities*

The Company's current liabilities as at June 30, 2018 were \$48,224 comprised of trade payables and accrued liabilities. As at June 30, 2018, the Company did not have any long-term liabilities.

## **LIQUIDITY AND CAPITAL RESOURCES**

### *Working Capital*

As at June 30, 2018, the Company had working capital of \$1,582,511.

### *Cash used in Operating Activities*

During the six months ended June 30, 2018, the Company had cash used in Operating Activities of (\$105,464).

### *Cash used in Investing Activities*

During the six months ended June 30, 2018, the Company had no cash used in Investing Activities.

### *Cash provided by Financing Activities*

During the six months ended June 30, 2018, the Company received a net of \$488,485 in cash from Financing Activities, all from the issuance of special warrants in private placements.

### *Future Capital Requirements*

Upon completion of the Transaction, the Company may need to continue to raise capital, as the Company expects its costs will increase, and its future capital requirements will depend on the nature of the Transaction. The Company has limited capital resources and has to rely upon the sale of equity securities for cash required for acquisitions and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by the Company at any particular time or for any period and that such financing can be obtained on terms satisfactory to the Company or at all.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements as at June 30, 2018 or as of the date of this report.

## **TRANSACTIONS BETWEEN RELATED PARTIES**

During the six months ended June 30, 2018, the Company incurred management fees of \$44,750 and administrative fees of \$1,750 to the former President of the Company. As at June 30, 2018, the Company owed \$25,725 to the former President of the Company, which is included in trade payables and accrued liabilities.

## **CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

### Accounting Policies Adopted by the Company

#### *IFRS 9 Financial Instruments*

The Company has adopted IFRS 9, Financial Instruments. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

IFRS 9 requires financial assets to be classified into one of three measurement categories on initial recognition: fair value through profit and loss (“**FVTPL**”), fair value through other comprehensive income (“**FVTOCI**”) and amortized cost. Measurement and classification of financial assets is dependent on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The new standard retains most of the existing requirements for financial liabilities.

IFRS 9 introduces a new impairment model for financial assets. This new model may result in the earlier recognition of credit losses as it requires the Company to account for expected credit losses from the time the financial instruments are first recognized.

The Company will classify its cash, other receivables, due from related parties, trade payable and accrued liabilities, and due to related parties at amortized cost. The Company does not currently have any FVTPL or FVTOCI financial assets.

### Accounting Policies Not Yet Adopted by the Company

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

#### *IFRS 16 Leases*

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company’s financial statements.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company’s financial instruments consist of cash, accounts payables and accrued liabilities. The fair value of the Company’s amounts receivable and accounts payable and accrued liabilities approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The Company’s cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had a cash balance of \$1,628,403 to settle current liabilities of \$48,224.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, equity prices, input costs and product prices. The Company is not exposed to significant market risk as it does not have any commercial operations.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate as it does not have any borrowings.

**DISCLOSURE OF OUTSTANDING SECURITY DATA**

The Company has one class of shares outstanding, being common shares. As at June 30, 2018, 4,317,500 common shares were issued and outstanding as fully paid and non-assessable shares.

As at June 30, 2018, the Company had no options to acquire common shares issued and outstanding.

On November 29, 2017, the Company issued 1,022,000 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.

On December 21, 2017, the Company issued 1,260,500 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.

On January 29, 2018, the Company issued 129,000 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.

On February 14, 2018, the Company issued 857,000 special warrants which will each automatically convert into one common share of the Company on the 1st business day following the date on which a receipt for a final prospectus is received, or the 240th day following issuance.



**OTHER MD&A REQUIREMENTS**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**SCHEDULE I**

**AUDIT COMMITTEE CHARTER**

**BEVCANNA ENTERPRISES INC.**  
(the “Company”)

**AUDIT COMMITTEE CHARTER**

**1. MANDATE**

The audit committee will assist the board of directors of the Company (the “Board”) in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Company’s external auditors, the financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Company’s business, operations and risks.

**2. COMPOSITION**

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

**2.1 Independence**

A majority of the members of the audit committee must be “independent” (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) (“NI 52-110”).

**2.2 Expertise of Committee Members**

A majority of the members of the audit committee must be “financially literate” (as defined in Sec. 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after their appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

**3. MEETINGS**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

**4. ROLES AND RESPONSIBILITIES**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

#### **4.1 External Audit**

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, or performing other audit, review or attestation services, including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards; and
- (f) review and approve the Company's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Company.

#### **4.2 Internal Control**

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### **4.3 Financial Reporting**

The audit committee shall review the financial statements and financial information of the Company prior to their release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;

- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate;

*Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered;
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public;

*Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public;
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public; and

*Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. An audit committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

**4.4 Non-Audit Services**

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

*Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

*De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:

- (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
- (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

*Pre-Approval Policies and Procedures*

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the audit committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

**4.5 Other Responsibilities**

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

**4.6 Reporting Responsibilities**

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

## **5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

## **6. GUIDANCE – ROLES & RESPONSIBILITIES**

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

### **6.1 Internal Control**

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

### **6.2 Financial Reporting**

#### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them;

#### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee;

*Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the Company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Company's financial and operating controls are functioning effectively;
  - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
  - (viii) the interim financial statements contain adequate and appropriate disclosures;

**6.3 Compliance with Laws and Regulations**

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";



- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and

**6.4 Other Responsibilities**

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

**CERTIFICATE OF THE COMPANY**

Dated: June 20, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of the Province of British Columbia.

*"Marcello Leone"*

\_\_\_\_\_  
Marcello Leone  
Chief Executive Officer

*"John Campbell"*

\_\_\_\_\_  
John Campbell  
Chief Financial Officer

On Behalf of the Board of Directors

*"Martino Ciambrelli"*

\_\_\_\_\_  
Martino Ciambrelli  
Director

*"Matthew Christopherson"*

\_\_\_\_\_  
Matthew Christopherson  
Director

**CERTIFICATE OF THE PROMOTER**

Dated: June 20, 2019

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the issuer as required by the securities legislation of the Province of British Columbia.

*"Marcello Leone"*

Marcello Leone

*"John Campbell"*

John Campbell

*"Martino Ciambrelli"*

Martino Ciambrelli