

BEVCANNA ENTERPRISES INC.

Condensed interim consolidated financial statements

(unaudited)

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

June 10, 2020

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

	Notes	March 31, 2020	December 31, 2019
		\$	\$
Assets			
Current			
Cash		729	88,983
GST receivable		636,013	331,623
Marketable securities	4	15,220	149,460
Prepaid expenses and deposits	5	642,219	625,405
		1,294,181	1,195,471
Property and equipment	6	6,775,615	4,566,983
Licence	7	10,164,223	10,474,223
Intangible	8	2,935,000	-
		21,169,019	16,236,677
Liabilities			
Current			
Trade payable and accrued liabilities	9	3,033,803	2,033,256
Due to related parties	10	616,677	66,728
		3,650,480	2,099,984
Non-Current			
Obligation to issue debentures	15	630,000	630,000
		630,000	630,000
Shareholders' equity			
Share capital	11	30,110,916	24,751,580
Common shares held in treasury	11	(300,858)	(300,858)
Obligation to issue shares	11	1,225,000	1,000,000
Reserve for share-based payments	11,13	5,235,422	5,220,238
Deficit		(19,381,941)	(17,164,267)
		16,888,539	13,506,693
		21,169,019	16,236,677
Nature of operations and Going concern	1		
Commitments	15		
Subsequent events	17		

Approved and authorized for issue on behalf of the Board of Directors on June 11, 2020

"Marcello Leone"

Director

"John Campbell"

Director

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

	Notes	Three months ended March 31,	
		2020	2019
		\$	\$
Administration expenses			
Amortization	6,7	314,277	311,435
Salaries		115,825	51,944
Management		75,500	101,500
Share-based compensation		515,184	1,010,971
Marketing		67,010	11,734
Filing, listing and compliance		7,362	9,367
Plant operations and facilities		19,115	28,803
Professional and consulting		475,502	495,490
Legal		117,074	47,369
Rent		28,894	11,761
Research and development		160,776	73,196
Financing fees		13,129	-
Investors relations		30,000	-
Travel		10,698	19,433
		1,950,346	2,173,003
Other expenses (income):			
Foreign exchange loss		56,632	1,018
Unrealized loss (gain) on revaluation of marketable securities	4	76,525	(146,294)
Realized loss on sale of marketable securities	4	15,442	-
Loss on acquisition	8	207,353	-
Gain on debt settlement	11	(88,624)	-
		267,328	(145,276)
Loss and comprehensive loss		(2,217,674)	(2,027,727)
Loss per share (basic and diluted)		(0.04)	(0.05)
Weighted average number of shares outstanding (basic and diluted)		56,520,723	44,597,506

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(in Canadian dollars)

	Note	Common shares		Common shares held in treasury	Reserve for share-based payments	Obligation to issue shares	Deficit	Total
		Amount	Value					
Balance, December 31, 2019		47,914,886	24,751,580	(300,858)	5,220,238	1,000,000	(17,164,267)	13,506,693
Shares issued for services	11	1,000,000	460,000	-	-	-	-	460,000
Shares issued for debt settlement	11	3,389,175	1,466,776	-	-	-	-	1,466,776
Shares issued for acquisition	8,11	8,941,176	3,442,353	-	-	-	-	3,442,353
Share issuance costs	11	-	(9,793)	-	-	-	-	(9,793)
Share-based compensation	12	-	-	-	15,184	-	-	15,184
Funds received for share subscription	11	-	-	-	-	225,000	-	225,000
Net loss		-	-	-	-	-	(2,217,674)	(2,217,674)
Balance, March 31, 2020		61,245,237	30,110,916	(300,858)	5,235,422	1,225,000	(19,381,941)	16,888,539
Balance, December 31, 2018		44,518,750	22,632,865	-	2,483,105	-	(6,972,280)	18,143,690
Shares issued for cash		500,000	500,000	-	-	-	-	500,000
Shares issued for debt settlement		92,000	75,000	-	-	-	-	75,000
Share issuance costs		-	(11,916)	-	-	-	-	(11,916)
Share-based compensation		-	-	-	1,010,971	-	-	1,010,971
Net loss		-	-	-	-	-	(2,027,727)	(2,027,727)
Balance, March 31, 2019		45,110,750	23,195,949	-	3,494,076	-	(9,000,007)	17,690,018

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

	Three months ended March 31,	
	2020	2019
	\$	\$
Operating activities		
Net loss	(2,217,674)	(2,027,727)
Items not affecting cash:		
Amortization	314,277	311,435
Share-based compensation	515,184	1,010,971
Loss (Gain) on revaluation of marketable securities	91,967	(146,294)
Gain on debt settlement	(88,624)	-
Loss on acquisition	207,353	-
Unrealized foreign exchange loss (gain)	56,632	-
	(1,120,885)	(851,615)
Changes in non-cash working capital items:		
GST receivable	(304,390)	(24,804)
Prepays	(16,814)	13,690
Trade payable and accrued liabilities	846,099	(15,579)
Due to related parties	549,949	41,789
Cash (used in) provided by operating activities	(46,041)	(836,519)
Investing activities		
Purchase of property and equipment	(599,693)	(58,261)
Purchase of marketable securities	-	(250,000)
Proceeds from sale of marketable securities	42,273	-
Cash from acquisition of Carmanah	300,000	-
Cash used in investing activities	(257,420)	(308,261)
Financing activities		
Proceeds from issues of shares	-	500,000
Share subscriptions received	225,000	-
Share issuance costs	(9,793)	(11,916)
Cash provided by financing activities	215,207	488,084
(Decrease) increase in cash	(88,254)	(656,696)
Cash, beginning	88,983	6,647,305
Cash, ending	729	5,990,609

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

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

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. On July 2, 2019, the Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “BEV”. 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 a 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 periods presented.

On January 13, 2020, the Company concluded the share exchange agreement with Carmanah, and paid 8,941,176 in shares at a price of \$0.425 to the shareholders of Carmanah on January 14, 2020 to acquire 100% of the outstanding shares of Carmanah. The acquisition of Carmanah includes \$300,000 cash and intangibles consist of an extensive library of cannabis genetics, including six auto flower seed varieties (Note 8).

The Company has incurred losses and negative cash flows from operations from inception that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, convertible debentures and through private placement of common shares.

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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

(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.

Name of Subsidiary	Principal Activity	Place of Incorporation	Ownership Interest
Nutrivida Acquisition Inc.	Holding Company	Canada	100%
BevCanna Operating Corp.	CBD beverages	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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

(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.

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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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.

The Company acquired the extensive library of cannabis genetics, including 50 premium cannabis strains and over 25 types of cannabis seeds, including six auto flower seed varieties from external acquisition. The library of cannabis genetics is recorded at cost less accumulated amortization and accumulated impairment losses. The library of cannabis genetics is amortized straight-line over their estimated useful life, 5 years, from the date they were available to use.

(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.

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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

(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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

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.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

2. Summary of significant accounting policies (continued)

(n) 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.

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 7, 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 - shares	3,300,000
Fair value of special warrants	493,000
Total consideration paid	3,793,000
<u>Allocation of considerations</u>	
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

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.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

4. Marketable securities

	Three months ended March 31, 2020		
	Nextleaf shares	Nextleaf warrants (i)	Total
	\$	\$	\$
Beginning of the period	57,715	91,745	149,460
Sales	(42,273)	-	(42,273)
Remeasurement recognized in statement of loss	-	(76,525)	(76,525)
Realized loss recognized in statement of loss	(15,442)	-	(15,442)
End of the period	-	15,220	15,220

- (i) The fair value of the warrants was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 0.46%, expected life of 1.0 years, expected volatility of 113%, and dividend yield of nil.

During the three months ended March 31, 2020, 144,286 Nextleaf shares were disposed of for net proceeds of \$42,273 and included a realized loss of \$15,442. At March 31, 2020, the fair value of the warrants was \$15,220.

5. Prepaid expenses and deposits

	March 31, 2020	December 31, 2019
	\$	\$
Prepaid expenses	309,926	293,112
Deposit on investment	332,293	332,293
Total	642,219	625,405

6. Property and equipment

	Furniture and equipment	Construction in progress	Leasehold improvements	Computers	Total
	\$	\$	\$	\$	\$
Cost					
Additions	167,083	4,360,824	34,917	11,980	4,574,804
At December 31, 2019	167,083	4,360,824	34,917	11,980	4,574,804
Additions	65,404	2,146,540	-	964	2,212,908
At March 31, 2020	232,487	6,507,364	34,917	12,944	6,787,712
Accumulated amortization					
Amortization	5,749	-	-	2,072	7,821
At December 31, 2019	5,749	-	-	2,072	7,821
Amortization	3,533	-	-	743	4,276
At March 31, 2020	9,282	-	-	2,815	12,097
Net book value					
At December 31 2019	161,334	4,360,824	34,917	9,908	4,566,983
At March 31, 2020	223,205	6,507,364	34,917	10,129	6,775,615

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

7. Licence agreement

On September 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, 2020, the amortization expense for the Licence Agreement was \$310,000 (2019 - \$310,000).

On February 14, 2020, the Company entered into an amended second lease agreement with Naturo allowing the Company an increased area of the premises for permitted use from 5,500 sq. ft. to 12,289 sq. ft. for the remaining term of the lease. The Company agreed to pay \$1,253,400 for the additional space and displacement fee to Naturo. \$600,000 was paid in cash in the year ended December 31, 2019. On March 6, 2020, the Company issued 1,537,411 common shares at a price of \$0.425 per share for the balance of the displacement fee (Note 10).

8. Acquisition of assets from Carmanah Craft Corp. ("Carmanah")

In connection with the transaction the Company issued 8,941,176 common shares with a fair value of \$3,442,353.

The acquisition has been accounted for as an acquisition of assets and liabilities as the transferred assets do not meet the definition of a business under IFRS 3; therefore, the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed. The acquisition was recorded at the fair value of the consideration transferred of \$3,442,353 as detailed in the table below.

Consideration paid	\$
Fair value of Shares issued (8,941,176 @ \$0.3850 per share)	3,442,353
<hr/>	
	January 14, 2020
Assets acquired	\$
Cash	300,000
Intangible assets	2,935,000
Liabilities assumed	
Trade payables	-
Total identifiable net assets	3,235,000
Non-controlling interest	-
Fair value of common shares issued on acquisition	3,442,353
Other consideration (transaction cost)	24,599
Excess price over FMV of identifiable net assets	231,952
<hr/>	
Other consideration (Transaction cost)	
Legal fee included in legal expense	21,224
Valuation fees included in professional expense	3,375
Total transaction cost	24,599
Loss on acquisition	207,353
	231,952

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

9. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
	\$	\$
Trade payables	1,407,911	695,755
CapEx payables	1,527,575	1,337,501
Accrued liabilities	98,317	-
Total	3,033,803	2,033,256

10. 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, 2020 and 2019 was as follows:

	Three months ended March 31, 2020	Three months ended March 31, 2019
	\$	\$
Management fees	67,500	101,500
Share-based payments	-	1,010,971
Total	67,500	1,112,471

Accounts payable and accrued liabilities:

At March 31, 2020, 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:

- \$7,500 (December 31, 2019 - \$nil) for services provided by the President of the Company.
- \$62,250 (December 31, 2019 - \$22,331) for services provided by the Chief Strategy Officer of the Company ("CSO").

Due to related parties:

At March 31, 2020, the following is included in due to related parties, which are non-interest bearing, unsecured and due on demand:

- \$616,677 (December 31, 2019 - \$66,728) owing for products and services and short-term loans provided by a company owned by the President and the Chief Executive Officer ("CEO") of the Company.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

11. 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, 2020, the Company entered into the following share capital transactions:

- a. On January 14, 2020, the Company issued 8,941,176 common shares at a price of \$0.425 for the acquisition of Carmanah for \$3,442,353.
- b. On February 19, 2020, the Company issued 1,000,000 common shares at a price of \$0.50 for \$500,000 pursuant to amendments to the consultant agreement with a contractor.
- c. On February 19, 2020, the Company issued 1,000,000 common shares at a price of \$0.50 for a debt settlement of \$500,000 with a contractor.
- d. On February 19, 2020, the Company issued 851,764 common shares at a price of \$0.425 for a debt settlement of \$362,000 with a contractor.
- e. On February 21, 2020, the Company issued 1,537,411 common shares at a price of \$0.425 for a debt settlement of \$653,400 with Naturo.
- f. During the three months ended March 31, 2020, the Company received share subscriptions with respect to an offering of units at \$0.425 per unit for proceeds totalling \$225,000. Each unit consisted of one common share.
- g. The share issuance costs for these transactions amounted to \$9,793 (2019 - \$11,916).

During the three months ended March 31, 2020, the Company completed share for debt settlement transactions with vendors, consultants, and related parties in total of \$2,015,400 and realized a gain on debt settlement of \$88,624 (2019 - \$nil).

During the year ended December 31, 2019, the Company repurchased on the open market 667,000 common shares at a cost of \$300,858.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

11. Share capital (continued)

During the year ended December 31, 2019, the Company entered into the following share capital transactions:

- h. On December 24, 2019, the Company issued 1,000,000 common shares at a price of \$0.50 for a debt settlement of \$500,000 with a contractor;
- i. On November 18, 2019, the Company issued 892,857 common shares at a price of \$0.45 for a debt settlement of \$401,786 with a contractor;
- j. On November 14, 2019, the Company issued 1,000 common shares at a price of \$0.50 for the stock option exercise;
- k. On October 9, 2019, the Company issued 30,172 common shares at a price of \$0.50 for a debt settlement of \$15,086 with a consultant;
- l. On October 9, 2019, the Company issued 25,000 common shares at a price of \$0.50 for a debt settlement of \$12,500 with a director;
- m. On August 29, 2019, the Company issued 455,107 common shares at a price of \$0.55 for a debt settlement of \$250,309 with a consultant;
- n. On May 1, 2019, the Company issued 100,000 common shares at a price of \$1.00 for \$100,000 pursuant to the management services agreement with a company controlled by a director;
- o. On May 1, 2019, the Company issued 300,000 common shares at a price of \$1.00 for \$300,000 pursuant to the services agreement with a company controlled by a director;
- p. On March 25, 2019, the Company issued 500,000 common shares for proceeds of \$500,000;
- q. On March 25, 2019, the Company issued 40,000 common shares for a debt settlement of \$40,000 with a consultant;
- r. On January 16, 2019, the Company issued 52,000 common shares for a debt settlement of \$35,000 with the director.
- s. The share issuance costs for these transactions amounted to \$53,466 (2018 - \$425,251).

During the year ended December 31, 2019, the Company completed share for debt settlement transactions with vendors, consultants and related parties in total of \$1,421,524 and realized a gain on debt settlement of \$149,843 (December 31, 2018 - \$Nil).

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

- t. The Company issued 1,300,050 common shares at a price of \$0.10 per share to the Chief Executive Officer of the Company;
- u. Pursuant to a Licence Agreement, the Company issued 12,400,000 shares at \$0.50 per share to Naturo (Note 7);
- v. 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);
- w. 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 12);
- x. 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.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

11. Share capital (continued)

- y. 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 the subscriber. On June 28, 2019, the Company entered into an amending agreement to change the vesting date to June 28, 2019. The fair value of the warrants was \$800,888 and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 1.39%, expected life of 5 years, expected volatility of 92%, and dividend yield of nil. During the year ended December 31, 2019, the Company received \$1,000,000 of proceeds towards the exercise of these warrants. At the end of the year December 31, 2019, these warrants are still pending to close.
- iii. \$25,000 per month for seven months starting December 2018.
- iv. \$26,340 per month for one year starting January 2019.

12. 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.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

13. 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.

A summary of the changes in the share options is presented below:

	Options outstanding	Weighted average exercise price
	#	\$
At December 31, 2019	4,999,000	0.47
Granted	100,000	0.50
Exercised	-	-
At March 31, 2020	5,099,000	0.47

The following table summarizes information about the share options outstanding and exercisable at March 31, 2020:

Exercise price	Number of share options outstanding	Number of share options exercisable	Weighted average exercise price	Weighted average remaining contractual life
\$	#	#	\$	
0.50	1,250,000	1,250,000	0.50	3.9
0.50	1,999,000	1,999,000	0.50	2.3
0.59	50,000	50,000	0.59	2.4
0.50	700,000	700,000	0.50	2.6
0.33	1,000,000	1,000,000	0.33	2.7
0.50	100,000	100,000	0.50	2.8
	5,099,000	5,099,000	0.47	2.8

The following weighted average assumptions were used for Black-Scholes valuation of the share options granted during the three months ended March 31, 2020 and 2019:

	2020	2019
Risk-free interest rate	1.50%	1.82%
Expected life	3.0 years	5.0 years
Annualized volatility	74%	94%
Dividend rate	0%	0%

During the three months ended March 31, 2020, 100,000 (2019 – 1,250,000) share options with a weighted average exercise price of \$0.50 and a Black Scholes valuation of \$15,184 (2019 - \$1,010,971) were granted by the Company and vested immediately.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

14. 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 including cash and cash equivalents, GST receivable, prepaid expenses and deposits and trade and other payables included in the consolidated statement of financial position at March 31, 2020 approximate their fair value due to their short terms to maturity.

The marketable securities are measured at their fair value at March 31, 2020 consisted of the Nextleaf shares, which is measured using level 1 input and Nextleaf warrants, which is measured using level 3 inputs.

The fair value of the Nextleaf warrants is determined by the Black-Scholes option pricing model using the historical volatility as an estimate of future volatility. At March 31, 2020, if the volatility used was increased by 10% the impact would be an increase to the derivative assets on warrants of \$5,151, with a corresponding decrease to comprehensive loss.

The investment in Higharchy is measured at the fair value at March 31, 2020 using level 3 inputs due to the inability to verify its value from publicly available information.

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, 2020.

15. Commitments

JD Agreement

On April 1, 2019, the Company entered into a joint development agreement ("JD Agreement") to develop cannabis infused beverages. The Company was committed to provide funding of up to US\$500,000. As of December 31, 2019, US\$500,000 has been funded and US\$ Nil remains to fund. 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\$16,500,000 in revenue.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

15. Commitments (continued)

JD Agreement (continued)

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.

Obligation to issue debenture

At March 31, 2020, the Company received proceeds of \$630,000 for the issuance of debentures. The debentures did not close during the three months period.

16. 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.

17. Subsequent events

- Subsequent to the period ended March 31, 2020, the Company has acquired a demand loan from Naturo for \$226,000. The loan bears zero interest rate and payable on demand with no maturity date.
- On April 14, 2020, the Company completed a non-brokered financing of \$630,000 by way of issuance of convertible debentures (the "2020 Debentures"). The 2020 Debentures carry an interest rate of 8.0% per annum payable semi-annually, with a maturity date of April 14, 2023. The 2020 debentures are convertible to common shares of the Company at \$0.75 per share.
- On April 14, 2020, the Company completed shares for debt settlement transactions with various consultants and vendors in the amount of \$758,500 by issuing 1,896,250 common shares, of the total \$329,500 of the settled amount is with related parties.
- On April 14, 2020, the Company completed a non-brokered private placement of \$300,000 for 705,879 common shares.
- On April 28, 2020, the Company completed shares for debt settlement transactions with various consultants and vendors in the amount of \$217,100 by transferring 542,750 common shares held in treasury of the Company, of the total \$197,100 of the settled amount is with related parties.

BevCanna Enterprises Inc.

Notes to the condensed interim consolidated financial statements (Unaudited)

For the three months ended March 31, 2020 and 2019

17. Subsequent events (continued)

- On April 30, 2020, the Company entered into an exclusive license agreement with CanCore Concepts Inc., (“Licensor”), a Colorado corporation whereby granting exclusive rights to the Company using the intellectual property of the Licensor including name, logo and artwork. The Company will also obtain the license to use the intellectual property to manufacture and sell Licensed products in Canada. The initial term of the agreement is three years and the Company will pay the Licensor through an exclusive purchase of Goods under the Sale of Goods Agreement. As part of the contract, the Company is also committed to invest \$150,000 USD in Serovita Holding Corp. (“Serovita”) pursuant to convertible debentures as follows:
 - \$25,000 USD by April 30, 2020
 - \$25,000 USD by May 15, 2020
 - \$50,000 USD by May 31, 2020
 - \$50,000 USD by June 30, 2020

On April 30, 2020, the Company paid \$25,000 USD to secure the contract. Subsequent to the period ended March 31, 2020, the Company invested \$50,000 USD to-date. The convertible promissory note matures on June 30, 2024 and bears a 10% interest per annum, compounded monthly, exercisable immediately to January 31, 2022 at \$0.70 per common share. The Company can exercise the warrant to convert the loan into common shares prior to June 30, 2022. Interest is payable on conversion date or on maturity date.

- On May 8, 2020, the Company entered into an intellectual property and trademark license agreement with Capna Intellectual, Inc. (“Capna”), a California company whereby granting rights to use Capna’s Licensed IP to manufacture, advertise, distribute and sell certain products. The initial term of the agreement is five years with automatic extension of additional five years unless terminated. The Company will pay Capna a fixed percentage of royalty of net profits.
- On May 28, 2020, the Company completed shares for debt settlement transactions with various consultants and vendors in the amount of \$34,970 by issuing 87,423 common shares at a price of \$0.40.
- On May 28, 2020, the Company completed a non-brokered private placement of \$37,500 for 88,235 common shares at a price of \$0.425.
- Subsequent to the period ended March 31, 2020, a total of 453,000 stock options were exercised for gross proceeds of \$149,990 in exchange for the issuance of 453,000 common shares of the Company. All of the stock options exercised are related parties.
- Subsequent to the period ended March 31, 2020, the Company received GST refund of \$563,453.
- Since December 31, 2019, the outbreak of the coronavirus, also known as “COVID-19,” has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company’s business activities. The extent to which the coronavirus may impact the Company’s business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have such as the ability for the Company to raise capital, the Company cannot determine their financial impact at this time.

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