

51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

BevCanna Enterprises Inc. (the “Company”)
PO Box 34061 Vancouver D CSC
Vancouver, British Columbia V6J 4M1

Item 2 Date of Material Change

February 19, 2021

Item 3 News Release

The news release dated February 22, 2021 was disseminated via Baystreet and Stockwatch.

Item 4 Summary of Material Change

On February 19, 2021, the Company closed its previously announced acquisition (the “**Acquisition**”) of Naturo Group Investments Inc. (“**Naturo**”). The closing of the Acquisition occurred under the terms announced in the Company’s news release dated November 24, 2020. No finder’s fee was paid in connection with the Acquisition. The Company assumed the obligation to issue common shares upon exercise or conversion, as applicable, of all outstanding convertible securities of Naturo. Naturo will now be a wholly-owned subsidiary of BevCanna and the Company will carry on the combined business of BevCanna and Naturo. There has been no change in management of BevCanna on closing.

The Acquisition constituted a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) as Messrs. Marcello Leone and Martino Ciambrelli are former shareholders of Naturo and also directors and the Chief Executive Officer and President, respectively, of the Company. The Acquisition is exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 pursuant to sections 5.5(a) and 5.7(1)(a) as the fair market value of the Acquisition, insofar as it involves interested parties, does not exceed 25% of the Company’s market capitalization at the time the acquisition was agreed to.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

See Item 4 above and the attached news release for a full description of the material change.

MI 61-101 Requirements

The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

(a) a description of the transaction and its material terms:

See Item 4 above.

(b) the purpose and business reasons for the transaction:

The purpose of the acquisition was to acquire the business of Naturo.

(c) the anticipated effect of the transaction on the issuer's business and affairs:

Naturo will now be a wholly-owned subsidiary of the Company and the Company will carry on the combined business of the Company and Naturo. There has been no change in management of BevCanna on closing.

(d) a description of:

(i) the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:

Marcello Leone, an officer and a director of the Company, directly acquired 4,892,007 Shares as a former shareholder of Naturo. As such, the acquisition was a "related-party transaction" as such term is defined in MI 61-101. Mr. Leone's participation in the acquisition was approved by disinterested members of the board of directors of the Company.

Martino Ciambrelli, an officer and a director of the Company, directly acquired 47,912 Shares as a former shareholder of Naturo. As such, the acquisition was a "related-party transaction" as such term is defined in MI 61-101. Mr. Ciambrelli's participation in the acquisition was approved by disinterested members of the board of directors of the Company.

(ii) the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company referred to in subparagraph (i) for which there would be a material change in that percentage:

The following table sets out the effect of the acquisition on the percentage of securities of the Company beneficially owned or controlled by Campbell:

Name and Position	Dollar Amount of Shares Acquired	Number of Securities Acquired	No. of Shares Held prior to Closing of the Acquisition	Percentage of Issued and Outstanding Shares prior to Closing of the Acquisition	No. of Shares Held After Closing of the Acquisition	Percentage of Issued and Outstanding Shares After Closing of the Acquisition
Marcello Leone <i>Officer and Director</i>	\$1,956,802.80	4,892,007 common shares	Undiluted: 6,280,550 ⁽¹⁾ Diluted: 6,680,550 ⁽²⁾	Undiluted: 5.21% ⁽³⁾ Diluted: 5.54% ⁽⁴⁾	Undiluted: 7,255,557 ⁽⁵⁾ Diluted: 8,055,557 ⁽⁶⁾	Undiluted: 4.25% ⁽⁷⁾ Diluted: 4.72% ⁽⁸⁾
Martino Ciambrelli <i>Officer and Director</i>	\$19,164.80	47,912 common shares	Undiluted: 495,000 ⁽⁹⁾ Diluted: 1,120,000 ⁽¹⁰⁾	Undiluted: 0.41% ⁽³⁾ Diluted: 0.70% ⁽¹¹⁾	Undiluted: 542,912 ⁽¹²⁾ Diluted: 1,167,912 ⁽¹³⁾	Undiluted: 0.32% ⁽⁷⁾ Diluted: 0.68% ⁽¹⁴⁾

⁽¹⁾ Comprised of: (a) 2,363,550 Shares held directly and (ii) 3,917,000 Shares held indirectly through Naturo Group Investments Inc. ("Naturo"), a company controlled by Mr. Leone.

⁽²⁾ Comprised of: (a) 2,363,550 Shares held directly, (b) 3,917,000 Shares held indirectly through Naturo, and (c) 400,000 options held by Mr. Leone, each of which is exercisable into one Share, exercisable at a price of \$0.50 per Share until July 5, 2022, all of which may be exercised within the next 60 days.

⁽³⁾ Based on 120,489,771 Shares outstanding prior to the completion of the Acquisition.

⁽⁴⁾ Based on 120,889,771 Shares outstanding on a partially-diluted basis prior to the completion of the Acquisition, comprised of: (i) 120,489,771 outstanding prior to the completion of the Acquisition, and (ii) 400,000 Shares that may be issued on exercise of Options held directly.

⁽⁵⁾ Comprised of: (i) 7,255,557 Shares held directly.

⁽⁶⁾ Comprised of: (i) 7,255,557 Shares held directly, and (ii) all of the convertible securities of the Company set out in footnote (2) above.

⁽⁷⁾ Based on 170,389,771 Shares outstanding following the completion of the Acquisition.

⁽⁸⁾ Based on 170,789,771 Shares outstanding on a partially diluted-basis following the completion of the Acquisition, comprised of: (i) 170,389,771 Shares outstanding following the completion of the Acquisition, and (ii) 400,000 Shares that may be issued on exercise of Options held directly.

⁽⁹⁾ Comprised of: (a) 495,000 Shares held directly.

⁽¹⁰⁾ Comprised of: (a) 495,000 Shares held directly and (b) 625,000 options held by Mr. Ciambrelli, each of which is exercisable into one Share, all of which may be exercised within the next 60 days.

⁽¹¹⁾ Based on 121,114,771 Shares outstanding on a partially-diluted basis prior to the completion of the Acquisition, comprised of: (i) 120,489,771 outstanding prior to the completion of the Acquisition, and (ii) 625,000 Shares that may be issued on exercise of Options held directly.

⁽¹²⁾ Comprised of: (i) 542,912 Shares held directly.

⁽¹³⁾ Comprised of: (i) 542,912 Shares held directly, and (ii) all of the convertible securities of the Company set out in footnote (2) above.

⁽¹⁴⁾ Based on 171,014,771 Shares outstanding on a partially diluted-basis following the completion of the Acquisition, comprised of: (i) 170,389,771 Shares outstanding following the completion of the Acquisition, and (ii) 625,000 Shares that may be issued on exercise of Options held directly.

(e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:

The Acquisition was approved by disinterested members of the board of directors of the Company and Messrs. Marcello Leone and Martino Ciambrelli abstained on the resolution of the board of directors approving the Acquisition. A special committee was not established in connection with the approval of the Acquisition, and no materially contrary view or abstention was expressed or made by any director.

- (f) *a summary in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:*

Not applicable.

- (g) *disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that related to the subject matter of or is otherwise relevant to the transaction:*

- (i) *that has been made in the 24 months before the date of the material change report:*

Not applicable.

- (ii) *the existence of which is known, after reasonable enquiry, to the issuer or to any director or officer of the issuer:*

Not applicable.

- (h) *the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction:*

The Company entered into an amended and restated amalgamation agreement with Naturo and 1283045 B.C. Ltd, a wholly-owned subsidiary of the Company.

See Item 4 above and the attached news release for a full description of the Acquisition.

- (i) *disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions:*

MI 61-101 requires that issuers obtain a formal valuation and minority shareholder approval of related party transactions, unless an applicable exemption is available. The Acquisition was exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in (i) Section 5.5(a) of MI 61-101 in that the fair market value of the Acquisition did not exceed 25% of the Company's market capitalization and (ii) section 5.5(b) of MI 61-101 as the Company's Shares are not listed on a specified market and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(1)(a) of MI 61-101 in that the fair market value of the Acquisition insofar as it involved interested parties did not exceed 25% of the Company's

market capitalization.

As this material change report is being filed less than 21 days before the transaction, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. In the view of the Company it was necessary to immediately close the Acquisition and therefore, such shorter period was reasonable and necessary in the circumstances in order to fully realize on the significant market opportunity presented by the combination of the two complementary companies.

5.2 *Disclosure for Restructuring Transactions*

N/A

Item 6 **Reliance on subsection 7.1(2) or (3) of National Instrument 51-102**

N/A

Item 7 **Omitted Information**

None

Item 8 **Executive Officer**

John Campbell, Chief Financial Officer, 604.569.1414

Item 9 **Date of Report**

February 25, 2021

BevCanna Closes Transformative Acquisition of Naturo Group

The combination of two beverage and natural health product leaders creates a high growth global health and wellness company

VANCOUVER, British Columbia--(BUSINESS WIRE)--February 22, 2021--Diversified health and wellness; beverage and natural products company, BevCanna Enterprises Inc. (CSE:BEV, Q:BVNNF, FSE:7BC) ("**BevCanna**" or the "**Company**") announces today that it has closed its previously announced acquisition of Naturo Group Investments Inc. ("**Naturo**").

The combination of these two emerging industry leaders creates a diversified health and wellness; beverage and natural products company, with \$55M+ in assets on the balance sheet, and a global multi-channel sales and distribution network positioned for growth.

"The combination of these two Canadian beverage industry leaders unlocks significant potential for growth," said Marcello Leone, CEO of BevCanna. "The synergies between BevCanna and Naturo are exceptionally strong and each brings complementary strengths to the table. BevCanna is a leader in the cannabis-infused beverage and nutraceutical industry while Naturo's innovative plant-based mineral beverage and supplement brand, TRACE, and significant manufacturing infrastructure and international distribution networks, form the foundation of an industry-leading health and wellness company."

BevCanna will now offer one of the most unique and diverse portfolios of beverage and natural health products within both the cannabis and plant-based industries. BevCanna is now uniquely positioned to become the only fully licensed, in-house and white-label beverage manufacturing company that produces and distributes both conventional and cannabis-based CPG products. The acquisition provides access to global, multi-channel distribution networks that the Company will leverage for continued growth.

"We're very excited to realize our transformation into a diversified health and wellness company," said John Campbell, CSO of BevCanna. "Consumers continue to flock to health and wellness focused products, and our ability to now reach an entirely new market of customers in this area, on top of the growing demand for cannabis products, is a combination very few companies are able to offer."

Key benefits that BevCanna will realize from the acquisition include:

- Direct ownership of a proprietary on-site natural alkaline spring water aquifer, valued at \$18M. As water resources become increasingly scarce, BevCanna expects that the proprietary resource will contribute to a strengthened balance sheet and to BevCanna's unique positioning within the growing plant-based and cannabis industries.
- An established sales and distribution network of over 3,000 retail stores, via Naturo's TRACE mineral beverage brand. TRACE is sold across the country through Canadian retailers, with select international agreements and partnerships under review. Along with its nationally distributed alkaline and sparkling waters, TRACE is expanding its product selection to nutraceuticals and is incorporating additional nutraceuticals and herbal remedies, including cannabinoids, adaptogens, and nootropics, into its products to be sold in domestic and international markets.
- TRACE'S proprietary Health Canada-approved plant-based formulation – a category that is expanding exponentially across North America and internationally.
- Naturo's 315-acres of outdoor cultivable land and 40,000 sq. ft. high-capacity beverage facility valued at \$10.4M, optimized for both traditional and cannabis-infused beverage manufacturing.

The closing of the acquisition occurred under the terms announced in the Company's news release dated November 24, 2020. No finder's fee was paid in connection with the acquisition. The Company assumed the obligation to issue common shares upon exercise or conversion, as applicable, of all outstanding convertible securities of Naturo. Naturo will now be a wholly-owned subsidiary of BevCanna and the Company will carry on the combined business of BevCanna and Naturo. There has been no change in management of BevCanna on closing.

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None of the securities issued on closing of the acquisition were registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), and none of them may be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the 1933 Act. This press release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any state where such offer, solicitation, or sale would be unlawful.

About BevCanna Enterprises Inc.

BevCanna Enterprises Inc. (CSE:BEV, Q:BVNNF, FSE:7BC) is a diversified health & wellness; beverage and natural products company. BevCanna develops and manufactures a range of plant-based and cannabinoid beverages and supplements for both in-house brands and white-label clients.

With decades of experience creating, manufacturing and distributing iconic brands that resonate with consumers on a global scale, the team demonstrates an expertise unmatched in the nutraceutical and cannabis-infused beverage categories. Based in British Columbia, Canada, BevCanna owns a pristine alkaline spring water aquifer and a world-class 40,000-square-foot, HACCP certified manufacturing facility, with a current bottling capacity of up to 210M bottles annually. BevCanna's extensive distribution network includes more than 3,000 points of retail distribution through its market-leading TRACE brand, its Pure Therapy natural health and wellness e-commerce platform, its fully licensed Canadian cannabis manufacturing and distribution network, and a partnership with #1 U.S. cannabis beverage company Keef Brands.

Disclaimer for Forward-Looking Information

This news release contains forward-looking statements. All statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements in this news release include statements regarding: the future business plans of Naturo and BevCanna; the growing demand for cannabis products; and the perceived benefits of combining the businesses of Naturo and BevCanna. The forward-looking statements reflect management's current expectations based on information currently available and are subject to a number of risks and uncertainties that may cause outcomes to differ materially from those discussed in the forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty. Factors that could cause actual results or events to differ materially from current expectations include, that the results of the acquisition and the combination of the two companies may not be as expected; general market conditions and volatility of commodity prices; and other factors beyond the control of the parties. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

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Contacts

On behalf of the Board of Directors:

John Campbell, Chief Financial Officer and Chief Strategy Officer
Director, BevCanna Enterprises Inc.

For media enquiries or interviews, please contact:

Wynn Theriault, Thirty Dash Communications Inc.
416-710-3370
wynn@thirtydash.ca

For investor enquiries, please contact:

Bryce Allen, BevCanna Enterprises Inc.
778-766-3744
bryce@bevcanna.com