BEVCANNA ENTERPRISES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and years ended December 31, 2020 and 2019

Prepared as of May 5, 2021

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 consolidated financial statements for the year ended December 31, 2020 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 BevCanna Enterprises 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 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 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:

- 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 year ended December 31, 2020, the Company did not conduct any material commercial operations in Canada. In the United States, the Company has started generating revenue through its newly acquired direct-to-consumer division Naturally Pure Therapy Products Corp. ("Naturally Pure Therapy") through the eCommerce platform. Its principal business was the development and expansion of the business carried on by its wholly owned subsidiary BevCanna Operating Corp. ("**BevCanna Opco**"). The Company has been granted the required licences (the "**Licences**") in respect of its Production Facility (as defined below) for the cultivation, research and standard processing of cannabis from Health Canada pursuant to the *Cannabis Act* (Canada). The Company is also positioning itself for future growth now that Health Canada has expanded the legalization of cannabis into derivative products and beverages. The Company has secured a long-term lease for 295 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 holds 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. In August 2019, Health Canada issued the cannabis research licence to the Company. In February 2021, Heath Canada issued the Standard Processing license to the Company.

The Company is currently focusing on the development of its white label manufacturing, 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. The Company is in the process of formulating, developing and launching white label infused beverage brands through licensing agreements and joint ventures with other licensed producers of cannabis and entities with expertise in desired areas. The Company at a later point also intends to launch its own house brands infused with cannabidiol which have a health and wellness focus. In an effort to diversify geographic risk, the Company will accelerate on expanding its operations in the United States, as permitted by applicable state laws and internationally.

On June 28, 2019, the common shares of the Company were approved for listing on the Canadian Securities Exchange ("CSE").

On July 2, 2019, the Company's common shares commenced trading on the CSE under the symbol "BEV".

OVERALL PERFORMANCE

The Company has not yet achieved profitable operations.

The Company is in the process of commercializing an array of beverage products. The Company's future performance depends on, among other things: (i) completing the planned expansion of Production Facility using the funds available; (ii) launching the products with a healthy margin while staying competitive; (iii) improving risk diversification by expanding the Company business portfolio through M&A activities; and (iv) providing funding for the e-commerce platform growth.

On January 15, 2020, the Company announced the acquisition of Carmanah Craft Corp. ("Carmanah"). The acquisition provided the Company access to outdoor specific genetics and strains including 50 premium cannabis strains and over 25 types of cannabis seeds, including six auto flower seed varieties. There is an excess of 50 strains by clone and 250,000 cannabis seeds ranging from high THC to high CBD. At the time of writing, the genetics program is still under development. For the full details of this acquisition, please refer to the Company's news release dated January 15, 2020.

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. For the full details of this agreement, please refer to the Company's news release dated February 18, 2020.

On Feb 17, 2020, the Company announced the signing of a definitive joint venture agreement with Thoughtful Brands Inc. (CSE:TBI) (Previously Mota Ventures Corp. (CSE:MOTA, FSE:1WZ:GR, OTC:PEMTF) ("Mota")), an established eCommerce, direct to consumer provider of a wide range of CBD products in the United States and Europe, to exclusively distribute the Company's hemp-derived CBD products in the European market.

On April 30, 2020, the Company entered into an exclusive license agreement ("Keef Agreement") with CanCore Concepts Inc., ("Licensor"), a Colorado corporation whereby granting exclusive rights to the Company using 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 US$150,000 in Serovita Holding Corp. ("Serovita") pursuant to convertible debentures as follows:

- US$50,000 to be paid, in two payments: US$25,000 by April 30 and US$25,000 by May 15, 2020
- US$50,000 by May 31, 2020
- US$50,000 by June 30, 2020

As of December 31, 2020, US$50,000 has been funded in cash. For the remaining US$100,000, the Company issued 182,500 common shares of the Company at a price of $0.70 per share on December 21, 2020 as a share for debt settlement in return for the Company's principal amount of Keef Brands' existing convertible debenture previously issued to the Company on April 30, 2020, which is convertible to shares of Keef. Upon the share for debt settlement completed on December 21, 2020, there is no future additional funding outstanding.

On May 12, 2020, the Company announced the signing of a definitive agreement with Capna Intellectual, Inc. ("Capna"), a corporation based in Los Angeles, specializes in developing consumer packaged goods for the cannabis market and created the best known Bloom brand now sold in five States: California, Nevada, Washington, New Mexico, and Oklahoma. The Company will manufacture and sell Bloom branded products, including cannabis concentrates and extracts, in Canada. The Company is evaluating the timing of its launch strategy with a potential launch in the fall of 2021.

On June 17, 2020, the Company announced the acquisition of Exceler Holdings Ltd. ("Exceler"). The acquisition provided the Company access to the European distribution network with significant number of distribution points across Europe and Asia. The acquisition is intended to quickly accelerate the Company's expansion into the EU market. For the full details of this acquisition, please refer to the Company's news release dated June 17, 2020.

On July 29, 2020, the Company announced the signing of a definitive agreement with Argentia Gold Corp. (“Argentia”), a Maritime-based licensed cannabis producer, to exclusively represent the Company’s line of cannabis-infused beverages in Newfoundland, PEI and New Brunswick. The Company will obtain the supply chain, distribution and sales infrastructure and services in these three Maritime provinces and pay Argentia a service fee of 15 percent, with up to an additional 5 percent bonus based upon achievement of mutually agreed sales milestones.

On September 4, 2020, the Company announced the acquisition of Naturally Pure Therapy Products Corp. (“Naturally Pure Therapy”). The acquisition of Naturally Pure Therapy will provide the Company a proven e-commerce brand and platform to further expand and launch its own propriety products directly into the global health and wellness market. For the full details of this acquisition, please refer to the Company’s news release dated November 4, 2020.

On October 9, 2020, the Company announced the generation of its first revenue since inception. Through its newly acquired wholly-owned subsidiary, Naturally Pure Therapy, has generated $1.53 million in unaudited gross revenue over the first nine months of 2020. The acquisition will provide the Company with a steady and growing revenue stream.

On November 4, 2020, the Company announced the development of a new all natural “Beyond Energy” ready to mix line of beverage enhancers. The new products will be sold on the Company’s newly acquired Pure Therapy direct to consumer e-commerce platform.

On November 12, 2020, the Company announced the development of a new Beyond Energy all-natural hemp energy drink. The new product will be launched in partnership with Naturo and will be sold under the Company’s flagship house brand, Anarchist Mountain Beverages.

On November 24, 2020, the Company entered into a letter of intent (the “LOI”) with Naturo Group Investments Inc. (“Naturo”) to acquire all of the issued and outstanding securities of Naturo for 50,000,000 common shares of the Company at $0.40 per share. The acquisition was completed on February 22, 2021, giving the Company direct ownership of a natural alkaline spring water aquifer, a high capacity bottling plant, the TRACE product line of innovative plant-based mineral beverages and supplements and an established Canadian distribution network.

On February 16, 2021, the Company announced the receipt of its Health Canada Standard Processing License.

Management Changes

On January 27, 2020, the Company’s Board of Directors appointed John Campbell as the new Chief Financial Officer and corporate secretary of the Company, filling the vacancy left by Oleg Scherbina, who resigned on January 31, 2020. Mr. Campbell has been with the Company since November 2018 as Chief Strategy Officer and director.

On February 24, 2020, Camilo Lyon resigned as a director due to a conflict of interest with his new position with investment banking firm, BTIG.

On July 27, 2020, the Company’s Board of Directors appointed Douglas Mason as an independent advisor to the board. Mr. Mason is well-known for his nearly twenty years of leading Clearly Canadian Beverage Company Ltd., a pioneer in developing flavored and unflavored sparkling spring water.

On August 11, 2020, the Company’s Board of Directors appointed Adam Clarke as an independent advisor to the board. Mr. Clarke is an expert in the planning and design of cannabis and hemp cultivation and processing facilities and operations. Mr. Clarke is also an expert and will advise the Company on ensuring compliance with Health Canada and EU GMP reporting requirements for its operations.

On October 28, 2020, the Company's Board of Directors appointed Donald Wood as an independent advisor to the board. Mr. Wood is a former Canadian President and CEO of Arrowhead Water Products Ltd. and is currently a current corporate consultant focused on the bottled water market. Mr. Wood's specialized expertise in facilitating acquisitions within the bottled water sector will assist the Company accelerating its expansion plans and build partnerships both domestically and internationally.

On March 3, 2021, the Company announced the appointment of Melise Panetta as the new President, succeeding from Martino Ciambrelli. Mr. Ciambrelli will continue to help to assist the Company through his seat on the Board of Directors, as well as his continued position as Senior Person in Charge on the Company's Health Canada Standard Processing License. Ms. Panetta is a highly experienced sales, marketing and commercial leader within the CPG sector, having held senior and executive roles at global companies such as General Mills (NYSE:GIS), PepsiCo (Nasdaq:PEP), and S.C. Johnson. Ms. Panetta's broad experience in both the CPG and cannabis sectors position her well to lead the Company in to a fully diversified health and wellness; beverage and natural products company.

OUTLOOK

With the receipt of its Standard Processing License in February 2021, the Company is now rapidly progressing to full commercialization of infused beverages.

With the completion of the acquisition of Naturo in February 2021, the Company is moving rapidly to broaden distribution and bring additional innovative new products to the market.

The Company's business objectives for the upcoming year include:

- Launching Keef's infused beverage line in Canada.
- Launching a minimum of 3 other white label partner infused beverage lines in Canada
- Solidifying additional white label partner relationships for both infused and natural beverages
- Broadening the distribution of Naturo's product line in Canada
- Entering the US and international markets with Naturo products

SELECTED FINANCIAL INFORMATION

	Year ended December 31, 2020 (Audited) ($)	Year ended December 31, 2019 (Audited) ($)
Total revenues	396,317	-
Loss for the period	(14,244,832)	(10,191,987)
Total Assets	24,334,122	16,236,677
Total Liabilities	2,333,980	2,729,984
Shareholder's Equity	22,000,142	13,506,693
Cash used in Operating Activities	2,297,772	5,143,907
Loss per share (basic and diluted)	(0.19)	(0.22)

Statements of Financial Position	Year ended December 31, 2020 (Audited) ($)	Year ended December 31, 2019 (Audited) ($)
Assets		
Current assets	2,408,509	1,195,471
Total Assets	24,334,122	16,236,677
Liabilities		
Current liabilities	1,799,103	2,099,984
Total liabilities	2,333,980	2,729,984
Total Shareholders' Equity	22,000,142	13,506,693
Total Liabilities and Shareholders' Equity	24,334,122	16,236,677

DISCUSSION OF OPERATIONS

Three months ended December 31, 2020

Revenue

For the three months ended December 31, 2020, the Company generated revenue through its e-commerce platform subsidiary, Naturally Pure Therapy Products Corp. ("Naturally Pure Therapy") acquired on September 4, 2020. The cost of products and services is mainly comprised of the traffic fees of $201,666. to direct customers to the platform. The cost of products and services is expected to reduce in proportion to the total revenues as the e-commerce business scales.

	Three months ended December 31, 2020 (Audited) ($)	Three months ended December 31, 2019 (Audited) ($)
Total revenues	302,307	-
Cost of products and services	375,939	-
Gross Profit (loss)	(73,632)	-

Net Loss

For the three months ended December 31, 2020, the Company recorded expenses of $3,819,801, realized and unrealized loss on marketable securities of $483, loss on debt settlements of $403,041 and foreign exchange loss of $6,428, an impairment charge on intangible assets of $3,437,531, an impairment charge on property, plant and equipment of $993,000, an accretion expense of $35,053 and financing cost of $8,794 less a government grant of $16,798, which resulted in a net loss of $8,760,965. The main factors that contributed to the loss in the period were share-based compensation of $508,746, investors relations expenses of $306,899, professional and consulting expenses of $1,620,023, amortization expenses of $517,613, and management fees of $553,500. Management anticipates that the Company will incur expenses in subsequent periods as a result of 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 announced definitive agreements.

For the year ended December 31, 2020
Revenue

For the year ended December 31, 2020, the Company generated revenue through its newly acquired e-commerce platform subsidiary since September 4, 2020. The cost of products and services is mainly comprised of the traffic fees of $297,028 to direct customers to the platform. The cost of products and services is expected to reduce in proportion to the total revenues as the e-commerce business scales.

	Year ended December 31, 2020 (Audited) ($)	**Year ended December 31, 2019 (Audited) ($)**
Total revenues	396,317	-
Cost of products and services	510,229	-
Gross Profit (loss)	(113,912)	-

Net Loss

For the year ended December 31, 2020, the Company recorded a gross loss of $113,912, expenses of $9,078,497, realized and unrealized loss on marketable securities of $107,187, accretion expense of $35,053, finance cost of $49,385, loss on acquisition of $207,353, loss on debt settlements of $232,595, an impairment charge on intangible assets of $3,437,531, an impairment charge on property and equipment and foreign exchange loss of $7,117 less a government grant of $16,798, which resulted in a net loss of $14,244,832 during the year ended December 31, 2020. The main factors that contributed to the loss in the period were share-based payments of $2,152,841, professional and consulting fees of $2,272,528, investor relations expenses of $1,027,336, wage expenses of $276,105, amortization expenses of $1,460,512, research and development expenses of $176,631, legal expenses $498,718, marketing expenses of $242,058 and management fees of $749,000. Management anticipates that the Company will incur expenses in subsequent periods as a result of 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 announced definitive agreements.

Assets

The Company's assets as at December 31, 2020 were $24,334,122, consisting primarily of lease and manufacturing agreements with a related party valued at $9,234,223, property and equipment at $5,693,361, intangible assets, net of impairment charge, from acquisitions of $3,788,831, goodwill, net of impairment charge, from acquisitions of $3,209,198, prepaid expenses and deposits of $944,423 and cash of $1,034,539.

The Company took a $2,959,600 impairment charge on its Carmanah Craft acquisition in recognition its decision not to commence outdoor cannabis production in 2020 or 2021. The Company will continue to work on its genetics program, with a view to launching a line of customized cultivars for licensing to outdoor growers in 2022 and beyond. The current uncertain path to revenue necessitated the impairment charge. Further to the above, the Company recognized an impairment charge of $993,000 on property and equipment for outdoor growing. The Company also took a $477,931 impairment charge on its Exceler Holdings acquisition in recognition its decision not to commence European distribution in 2020 or 2021. The Company will continue to work on launching its product for export in late 2021 and beyond. The current uncertain path to revenue necessitated the impairment charge.

Liabilities

The Company's current liabilities as at December 31, 2020 were $1,799,103 comprised of $1,732,761 in trade payables and accrued liabilities and $66,342 due to related parties. As at December 31, 2020, the Company has long-term liabilities of $534,877 comprised of convertible debentures of $510,090 and CEBA loan from the Government of Canada of $24,787.

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of the previous eight quarters of the Company's financial performance.

	Q4 2020	**Q3 2020**	**Q2 2020**	**Q1 2020**
Total revenues	302,307	94,010	-	-
Loss for the period	(8,760,965)	(1,823,479)	(1,442,714)	(2,217,674)
Loss per share (basic and diluted)	(0.09)	(0.03)	(0.03)	(0.04)
	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**
Total revenues	-	-	-	-
Loss for the period	(3,473,263)	(2,903,205)	(1,787,792)	(2,027,727)
Loss per share (basic and diluted)	(0.08)	(0.06)	(0.04)	(0.05)

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

As at December 31, 2020, the Company had working capital of $609,406. For 2021, management intends to continue to diligently monitor and adjust the capital budget based on expected cash flows from capital raising, option and warrant exercising, and operational revenues, and as such management believes the Company has sufficient resources to fund its 2021 operations and expansion plan.

Cash used in Operating Activities

During the year ended December 31, 2020, the Company had cash used in Operating Activities of $2,297,772. During the year ended December 31, 2020, management enacted a series of cost-cutting initiatives, share-based settlements and payments, and successfully reduced cash used in operating activities by $2,846,135 from the prior year.

Cash used in Investing Activities

During the year ended December 31, 2020, the Company had cash used in Investing Activities of $383,620 comprised of proceeds from the sale of marketable securities of $42,273, cash acquired from acquisition of Carmanah of $300,000 and cash acquired from acquisition of Naturally Pure Therapy of $210,802 and cash of $936,695 used for the purchase of property and equipment.

Cash provided by Financing Activities

During the year ended December 31, 2020, the Company received a net of $3,629,100 in cash from Financing Activities comprised of $573,700 from issuance of shares, $1,387,000 from subscriptions received for issuance of shares, $1,673,990 from the proceeds from options exercised and $40,000 CEBA loan from the Government of Canada, less share issuance costs of $45,590.

Future Capital Requirements

The Company will 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 working capital commitments related to products launches and expansion. The Company's future capital requirements will depend upon many factors including, without limitation, the market demand for THC infused beverages. The Company has limited capital resources and has to rely upon the sale of equity securities or the exercise of options and warrants for cash required for expansion and production purposes, for acquisitions and to fund the administration of the Company. Although the Company started to generate revenue through its subsidiary in the last quarter, the subsidiary is not yet at the stage where it is able to self-funded and 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 December 31, 2020 or as of the date of this report.

TRANSACTIONS BETWEEN RELATED PARTIES

During the three months ended December 31, 2020, the Company incurred management fees of $60,000 from certain directors and officers of the Company.

As at December 31, 2020, the following is owed to related parties, which are non-interest bearing, unsecured and due on demand:

- $15,565 (December 31, 2019 - $nil) for services provided by the President of the Company.
- $3,245 (December 31, 2019 - $22,331) for services provided by the Chief Strategy Officer ("CSO") and Chief Financial Officer of the Company ("CFO").
- $43,306 (December 31, 2019 – $126,517) for products provided by Naturo.

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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 – Revenue from contracts with customers (“IFRS 15”) specifies how and when revenue should be recognized on a five-step model, which is applied to all contracts with customers. The pattern and timing of revenue recognition is consistent with prior year practice. The Company’s accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation is made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms. In determining the appropriate time of sale, the Company takes into consideration a) the Company’s right to payment for the goods or services; b) customer’s legal title; c) transfer of physical possession of the goods; and d) timing of acceptance of goods.

The Company recognizes revenues from its product sales when, if at store front, the products are provided to customers, or if under shipment arrange or through e-commerce, delivery has occurred and there is no unfulfilled obligation that could affect the customer’s acceptance. These criteria are generally met at the time the products are provided or delivered, as control has passed to the customer. Revenue is measured based on the price specified in the invoice provided to the customer.

Deferred revenue is recognized when consideration is received before the Company performs its obligation under the contract.

<u>FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS</u>

The Company’s financial instruments consist of cash and cash equivalents, prepaid expenses and deposits, accounts payables and accrued liabilities and the convertible debentures. The fair value of the Company’s prepaid expenses and deposits, 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. Fair value of the debentures is calculated using a valuation model that considers the future stream of cash flows discounted at the market yield adjusted for risk premium. The convertible debentures is classified under level 2.

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 as the receivable balance is nil.

Liquidity risk

The Company's approach to managing liquidity risk is to raise capital as required to meet liabilities when due. As at December 31, 2020, the Company had a cash balance of $735,042 to settle current liabilities of $1,245,948. Subsequent to the year ended December 31, 2020, the Company has completed share for debt transactions to settle debt for a total of $89,001 with various vendors, consultants and related parties. Subsequent to the year ended December 31, 2020, the Company completed a private placement of $3,500,000 and received $2,716,250 from options exercised and $593,000 from warrants exercised. The Company believes it can continue to raise capital as required to fund its operations and expansion.

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.

Legal and regulatory risk

The Company's business must be evaluated in light of the problems, delays, uncertainties and complications encountered in the process of establishing as a beverage producer of cannabidiol ("CBD") and tetrahydrocannabinol ("THC") post licensed period and the commercialization of CBD and THC infused beverages.

Any failure to successfully develop and obtain regulatory approval for products would have a material adverse effect of the Company's business, financial condition and results of operations.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various stakeholders. Litigation, complaints, and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

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. As at December 31, 2020, the Company did not have any significant interest rate risk as the interest-bearing convertible debentures has a fixed interest rate.

DISCLOSURE OF OUTSTANDING SECURITY DATA

The Company has one class of shares outstanding, being common shares. As of the date of this report, 110,467,627 common shares were issued and outstanding as fully paid and non-assessable shares.

As of the date of this report, the Company had 11,112,667 options to acquire common shares issued and outstanding exercisable at a price of $0.40 per common share.

As of the date of this report, the Company had 3,000,000 common share purchase warrants outstanding exercisable at a price of $0.50 per common share, 844,800 common share purchase warrants outstanding exercisable at a price of $0.40 per common share and 462,000 common share purchase warrants outstanding exercisable at a price of $0.30 per common share.

SUBSEQUENT EVENTS

Debt

Subsequent to the period ended December 31, 2020, the Company provided a loan of $450,000 to Naturo. The loan is non-interest bearing, unsecured and due on demand.

On January 8, 2021, the Company completed issued 25,000 common shares at a price of $1.50 to settle debt in the amount of $37,500 with a consultant.

On February 8, 2021, the Company exercised the right to early redeem the $115,000 debenture and paid a total of $124,532 consisting of the principal balance and accrued interest. On the same date, the Company converted $15,000 of its outstanding debentures into common shares by issuing 20,000 common shares of the Company. The remaining principal outstanding for the debenture is $500,000.

On February 8, 2021, the Company issued 58,810 common shares to settle $51,501 debt owned to various vendors.

On March 25, 2021, the Company provided a $125,000 short-term loan to a third party. The loan is unsecured and due within 30 days. The loan bears 4% interest per annum and is due on demand.

Equity

Subsequent to the year ended December 31, 2020, total 8,160,000 stock options were exercised for gross proceeds of $3,266,500.

Subsequent to the year ended December 31, 2020, total 1,649,500 share purchase warrants were exercised for gross proceeds of $836,750.

On January 8, 2021, the Company completed a non-brokered private placement of $3,500,000 for 2,333,333 units of the Company. Each unit consists of one common share and one transferable common share purchase warrant, exercisable at $2.00 per warrant and expiring in one year from the date of closing. $696,250 was received in advance in December 2020 and the remaining subscriptions were received in January 2021.

On February 8, 2021, the Company granted 100,000 stock options to purchase up to 100,000 common shares of the Company to a consultant and a director. Each option vests immediately upon the grant and is exercisable for a period of one year from the date of grant at a price of $1.00 per common share.

On March 15, 2021, the Company completed a non-brokered private placement of 100,000 common shares of the Company for proceeds of $100,000.

On April 19, 2021, the Company entered into a sales agency agreement with a consultant to provide sales agent and promotion services. The Company granted 1,000,000 stock options to the consultant. The options vested based on certain revenue performance conditions and are exercisable at $1.50 per share.

Acquisition

On February 22, 2021, the Company issued 50,000,000 common shares to acquire all of the issued and outstanding common shares of Naturo which develops and manufactures beverages and consumer products for in-house brands and private label clients. The acquisition of Naturo was closed with the following:
50,000,000 common shares of the Company were issued to the former shareholders of Naturo;
The Company assumed the obligation to issue:
450,000 common shares (each, an “Option Share”) in the capital of the Company pursuant to outstanding options in Naturo exercisable at $0.25 per Option Share until July 31, 2024,
26,250,000 common shares (each, a “Warrant Share”) in the capital of the Company issuable upon exercise of outstanding warrants in Naturo exercisable at $0.50 per Warrant Share until August 19,2021, and

Such common shares (each, a "Debenture Share") in the capital of the Company as may be issuable pursuant to a convertible debenture in Naturo in the principal amount of $1,505,021 convertible at $0.40 per Debenture Share, maturing on January 27, 2023 and accruing interest at an annual rate of 10% which is also convertible into Debenture Shares.

OTHER MD&A REQUIREMENTS

Additional information related to the Company can be found on SEDAR at www.sedar.com.