

# BEVCANNA

## **BEVCANNA ENTERPRISES INC.**

Condensed Interim Consolidated Financial Statements

(unaudited)

For the three months ended March 31, 2021 and 2020

(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.

**May 31, 2021**

# BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Financial Position (unaudited)  
(Expressed in Canadian dollars)

	Notes	March 31, 2021	December 31, 2020
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		3,614,120	1,034,539
Amounts receivable	3	373,082	429,547
Inventory	4	360,594	-
Marketable securities	5	371,060	-
Prepaid expenses and deposits	6	5,707,670	944,423
Due from related parties	15	2,193,946	-
		12,620,472	2,408,509
Property and equipment	7	16,658,244	5,693,361
Right of use asset	8	14,265	-
Licence agreement	9	-	9,234,223
Intangible assets	10	23,146,092	3,788,831
Goodwill	10,11	36,766,344	3,209,198
		89,205,417	24,334,122
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current</b>			
Trade payable and accrued liabilities	12	1,978,555	1,732,761
Deferred revenue		24,832	-
Due to related parties	15	18,810	66,342
Promissory note	14	2,518,630	-
		4,540,827	1,799,103
<b>Non-Current</b>			
Convertible debentures	16	1,866,934	510,090
CEBA loan	17	84,602	24,787
Lease obligation	13	14,733	-
Deferred income tax liability	10	3,931,378	-
		5,897,647	534,877
<b>Shareholders' equity</b>			
Share capital	18	89,657,055	44,834,949
Common shares held in treasury	18	(4,497,570)	-
Obligation to issue shares	18	1,075,000	2,046,500
Reserve	18,19,20	25,972,491	6,524,418
Accumulated other comprehensive income		(2,353)	3,374
Deficit		(33,428,575)	(31,409,099)
Non-controlling interest		(9,105)	-
		78,766,943	22,000,142
		89,205,417	24,334,122

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 23)  
Subsequent events (Note 25)

Approved and authorized for issue on behalf of the Board of Directors on May 31, 2021

"Marcello Leone"

Director, Marcello Leone

"John Campbell"

Director, John Campbell

*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)

Three months ended March 31,	Notes	2021	2020
		\$	\$
<b>Revenue</b>		630,747	-
<b>Cost of revenue</b>		(552,082)	-
<b>Gross profit</b>		78,665	-
<b>Administration expenses</b>			
Amortization	7,8,9,10	681,751	314,277
Filing, listing and compliance		34,289	7,362
Investors relations		91,068	30,000
Marketing		44,831	67,010
Management fee	15	135,000	75,500
Legal fee		143,495	117,074
Plant operations and facilities		218,029	19,115
Professional and consulting fee		460,142	475,502
Rent		5,250	28,894
Research and development		33,245	160,776
Salaries		113,925	115,825
Share-based payments	15,19	31,416	515,184
Travel		542	10,698
		1,992,983	1,950,346
<b>Other expenses (income):</b>			
Accretion expense	16,17	19,691	-
Finance cost		-	13,129
Foreign exchange loss (gain)		(6,274)	56,632
Interest expense		32,019	-
Loss on marketable securities	5	214,655	91,967
Loss on acquisition	10	-	207,353
Gain on debt settlement	18	(145,828)	(88,624)
		114,263	267,328
<b>Net loss for the period</b>		(2,028,581)	(2,217,674)
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to income or loss:</i>			
Exchange differences on the translation of foreign operation		(5,727)	-
<b>Comprehensive loss</b>		(2,034,308)	(2,217,674)
<b>Total comprehensive loss attributable to:</b>			
Shareholders of BevCanna		(2,025,203)	(2,217,674)
Non-controlling interest		(9,105)	-
<b>Loss per share (basic and diluted)</b>		(0.01)	(0.04)
<b>Weighted average number of shares outstanding (basic and diluted)</b>		139,843,812	56,520,723

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)  
(Expressed in Canadian dollars)

	Common shares		Common shares held in treasury	Reserve	Obligation to issue shares	Accumulated other comprehensive income	Deficit	Non-controlling interest	Total
	Number of shares	Amount (\$)	\$	\$	\$	\$	\$	\$	\$
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	1,000,000	460,000	-	-	-	-	-	-	460,000
Shares issued for debt settlement	3,389,175	1,466,776	-	-	-	-	-	-	1,466,776
Shares issued for acquisition	8,941,176	3,442,353	-	-	-	-	-	-	3,442,353
Share issuance costs	-	(9,793)	-	-	-	-	-	-	(9,793)
Share-based compensation	-	-	-	15,184	-	-	-	-	15,184
Funds received for share subscription	-	-	-	-	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, 2020	110,467,627	44,834,950	-	6,524,418	2,046,500	3,374	(31,409,099)	-	22,000,142
Shares issued for cash	2,433,334	2,596,666	-	1,003,333	(696,250)	-	-	-	2,903,750
Shares issued for debt settlement	58,810	54,105	-	-	-	-	-	-	54,105
Shares issued for services	25,000	37,500	-	-	-	-	-	-	37,500
Shares issued for options exercised	7,624,000	5,008,757	-	(1,822,257)	(350,250)	-	-	-	2,836,250
Shares issued for warrants exercised	1,348,000	708,000	-	(190,000)	-	-	-	-	518,000
Shares issued for conversion of convertible debt	20,000	18,754	-	(3,754)	-	-	-	-	15,000
Shares issued for acquisitions	50,000,000	36,398,323	-	20,429,335	-	-	-	-	56,827,658
Shares acquired	-	-	(4,497,570)	-	-	-	-	-	(4,497,570)
Share-based compensation	-	-	-	31,416	-	-	-	-	31,416
Subscriptions received	-	-	-	-	75,000	-	-	-	75,000
Translation difference	-	-	-	-	-	(5,727)	-	-	(5,727)
Net loss	-	-	-	-	-	-	(2,019,476)	(9,105)	(2,028,581)
Balance, March 31, 2021	171,976,771	89,657,055	(4,497,570)	25,972,491	1,075,000	(2,353)	(33,428,575)	(9,105)	78,766,943

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

# BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)  
(Expressed in Canadian dollars)

Three months ended March 31,	2021	2020
	\$	\$
<b>Operating activities</b>		
Net loss	(2,028,581)	(2,217,674)
Items not affecting cash:		
Amortization	681,751	314,277
Accretion expense	19,691	-
Loss on marketable securities	214,655	91,967
Gain on debt settlement	(145,828)	(88,624)
Loss on acquisition of Carmanah	-	207,353
Share-based payments	31,416	515,184
Shares issued for services	37,500	-
Unrealized foreign exchange loss (gain)	(6,274)	56,632
	(1,195,670)	(1,120,885)
Changes in non-cash working capital items:		
Amounts receivable	186,660	(304,390)
Prepaid expenses and deposits	(1,985,482)	(16,814)
Inventory	6,034	-
Deferred revenue	24,832	-
Trade payable and accrued liabilities	(1,025,970)	846,099
Due to/from related parties	119,665	549,949
Cash (used in) provided by operating activities	(3,869,931)	(46,041)
<b>Investing activities</b>		
Purchase of property and equipment	(107,469)	(599,693)
Proceeds from sale of marketable securities	-	42,273
Cash from acquisition of Carmanah	-	300,000
Cash from acquisition of Naturo	152,352	-
Cash (used in) provided by investing activities	44,883	(257,420)
<b>Financing activities</b>		
Proceeds from issues of shares	2,903,749	-
Proceeds from options exercised	2,836,250	-
Proceeds from warrants exercised	518,000	-
Share subscriptions received	75,000	225,000
Promissory note payments	(26,849)	-
Lease payments	(1,459)	-
Repayment of convertible debt	(115,000)	-
Share issuance costs	-	(9,793)
Cash provided by financing activities	6,189,691	215,207
Increase (decrease) in cash	2,579,581	(88,254)
Effect of change in foreign exchange rate	(5,727)	-
Cash, beginning	1,034,539	88,983
Cash, ending	3,614,120	729
<b>Supplemental non-cash information</b>		
Shares issued for acquisition of intangible assets	19,812,000	3,442,353
Shares issued for acquisition of goodwill	33,557,146	-

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

# BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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## 1) Nature of operations

BevCanna Enterprises 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", in the United States on the OTCQB under symbol "BVNNF", and in Germany on the Frankfurt Stock Exchange under the symbol "7BC". The registered record office of the Company is 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1.

The Company develops and manufactures cannabidiol ("CBD") and tetrahydrocannabinol ("THC") beverages and supplements for both in-house brands and white-label customers. It also provides direct-to-customer sales of natural health products including nutraceutical and hemp-based CBD products.

The Company has incurred losses and negative cash flows from operations 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 placements of common shares. These condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the condensed interim consolidated statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The outbreak of the coronavirus, also know as "COVID-19", continues to impact worldwide economic activity. 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. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

## 2) Basis of presentation

### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2020, which have been prepared with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on May 31, 2021.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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### 2. Basis of presentation (continued)

#### (b) Basis of measurement

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

#### (c) Basis of consolidation

These condensed interim consolidated financial statements include those of the Company and of the entities it controls (the “subsidiaries”). Control over an investee is achieved when the Company has power over the investee, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. Convertible securities that give the Company voting rights or reduce another party’s voting rights to direct the relevant activities of another entity are considered when determining control. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interest. The subsidiaries’ total comprehensive income is attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Entities are consolidated from the date on which control is acquired by the Company and consolidation ends when control no longer exists. The Company must reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Intercompany transactions, balances and unrealized gains and losses on intercompany transactions are eliminated on consolidation.

<b>Name of subsidiary or controlled entity</b>	<b>Principal activity</b>	<b>Place of incorporation</b>	<b>Ownership interest</b>
BevCanna Enterprises Inc.	Holding company	Canada	100%
BevCanna Operating Corp.	THC/CBD beverages	Canada	100%
Naturally Pure Therapy Products Corp. (“Pure Therapy”)	Direct-to-consumer e-commerce	Canada	100%
La Fortuna Ventures LLC	E-commerce merchant	U.S.A.	-
Naturo Group Enterprises Inc. (Formerly Naturo Group Investments Inc.)	Wellness beverages	Canada	100%
Naturo Springs Ltd.	Bottled spring water	Canada	79%

The Company consolidates La Fortuna through Pure Therapy. The Company has an arrangement with La Fortuna Ventures LLC (“La Fortuna”) that gives the Company power over La Fortuna to affect the amount of its returns and has exposure and rights to variable returns from La Fortuna.

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date.



# BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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## 2) Basis of presentation (continued)

### (c) Basis of consolidation (continued)

Consideration transferred includes the fair value of the assets transferred (including cash), the liabilities incurred by the Company on behalf of the acquiree, any contingent consideration and any equity interests issued by the Corporation. Transaction costs, other than those associated with the issuance of debt or equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

The acquisition date is the date when the Company obtains control of the acquiree. Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is re-measured at subsequent reporting dates in accordance with the criteria and guidance provided under IFRS with corresponding gain or loss recorded in the statements of comprehensive loss.

### (d) Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company, BevCanna Enterprises Inc., BevCanna Operating Corp., Naturo Group Investments Inc., and Naturo Springs Ltd. is the Canadian dollar. The functional currency of Pure Therapy and Naturo Investments (USA) Inc. is the US dollar.

### (e) Use of estimates and judgments

The preparation of these condensed interim 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. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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. Actual results could differ from these estimates.

#### *Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

- i. The Company makes estimates on the useful lives when determining depreciation of property and equipment and the amortization of intangible assets are dependent on estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market condition and useful lives of assets.
- ii. The Company uses the Black-Scholes option pricing model to value options and warrants granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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### 2) Basis of presentation (continued)

#### (e) Use of estimates and judgments (continued)

- iii. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

#### *Significant Judgments*

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 consider 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.

- i. The assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 1.
- ii. The Company evaluated cash-generating units ("CGU") at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's intangible assets and goodwill. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider various factors such as economic and market condition and future use of these assets.
- iii. The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits.
- iv. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.
- v. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

# BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollar, unless otherwise noted)

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## 2) Basis of presentation (continued)

### (f) Significant accounting policies

Refer to the audited consolidated financial statements for the year ended December 31, 2020 for a full list of significant accounting policies. Additional significant accounting policies applied in the preparation of these condensed interim consolidated financial statements are set out below.

#### Inventory

Inventory consists primarily of finished goods, raw ingredients and packaging. Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method of inventory costing. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company's distribution centers. If the Company determines that the estimated net realizable value of its inventory is less than the carrying value of such inventory, it records it as a charge to cost of sales.

#### Non-controlling interest ("NCI")

NCI is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between NCI and shareholders of the parent. NCI in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### New accounting standards not yet adopted

##### *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of a liability as either current or non-current. On July 15, 2020, the IASB issued an amendment deferring the effective date by one year. Currently the amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The amendments eliminated the requirement that the right to defer settlement or transfer of a liability for at least 12 months be unconditional to classify a liability as non-current. Instead, the right must be substantive and exist at the end of the reporting period.

The amendments also clarify how an entity classifies a liability that is convertible at the option of the counterparty. The amendments state that:

- The settlement of a liability includes the transfer of the entity's own equity instruments to the counterparty.
- When classifying a liability as current or non-current, an entity may only omit conversion options recognized as equity.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollar, unless otherwise noted)

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### 2) Basis of presentation (continued)

(f) Significant accounting policies (continued)

*Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)*

On May 14, 2020, the IASB published *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The amendments provide guidance for the recognition of proceeds from selling items that an entity produces and sells in the process of making an item of property, plant and equipment available for its intended use, as well as the associated production costs. Specifically, the proceeds from selling items produced before the related asset is available for use, as well as the related production costs, must be recognized in profit or loss.

### 3) Amounts receivable

	March 31, 2021	December 31, 2020
	\$	\$
Reserve income asset	175,330	76,392
GST receivable	41,687	323,155
Other receivable	156,065	30,000
	373,082	429,547

Reserve income asset balance comprises amounts being processed by banks and not released yet as at March 31, 2021.

During the three months ended March 31, 2021 there is \$nil (2020 - \$nil) bad debt expense recognized on the condensed interim consolidated statement of comprehensive loss.

### 4) Inventory

	March 31, 2021	December 31, 2020
	\$	\$
Bottles and packaging	6,319	-
Finished goods	269,098	-
Raw materials	85,177	-
	360,594	-

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollar, unless otherwise noted)

### 5) Marketable securities

	March 31, 2021	December 31, 2020
	\$	\$
Balance, beginning of the year	-	149,460
Acquired (Note 10)	585,715	-
Purchases	-	-
Disposition	-	(42,273)
Remeasurement loss <sup>(1)</sup>	(214,655)	(91,745)
Realized loss	-	(15,442)
Balance, end of the year	371,060	-

- (1) The fair value of the warrants was estimated using the Black Scholes Option Pricing Model with the following weighted average assumptions: risk-free rate of 0.49% (December 31, 2020 - 0.20%), expected life of 0.9 years (December 31, 2020 - 0.2 years), expected volatility of 300% (December 31, 2020 - 70%), and dividend yield of \$nil (December 31, 2020 - \$nil).

During the year ended December 31, 2020, the Company disposed of its marketable securities for \$42,273 and recognized a loss of \$15,442.

### 6) Prepaid expenses and deposits

	March 31, 2021	December 31, 2020
	\$	\$
Prepaid expenses	2,489,194	414,264
Deposit on investment <sup>(1)(2)</sup>	530,159	530,159
Prepaid third-party consulting fees	1,170,000	-
Prepaid related party consulting fees	1,518,317	-
	5,707,670	944,423

- (1) \$197,866 was deposit on investment made towards convertible debentures with Serovita under an exclusive license Agreement (note 23).
- (2) \$332,293 was deposit for a private placement of 600,000 common shares of Capna under an intellectual property and trademark license agreement (note 23).

# BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollar, unless otherwise noted)

## 7) Property and equipment

	Land \$	Furniture and equipment \$	Construction in progress \$	Buildings and warehouse \$	Leasehold improvements \$	Computers \$	Total \$
<i>Cost</i>							
At December 31, 2019	-	167,083	4,360,824	-	34,917	11,980	4,574,804
Additions	-	65,404	1,077,221	-	-	964	1,143,589
At December 31, 2020	-	232,487	5,438,045	-	34,917	12,944	5,718,393
Acquired (Note 10)	1,550,000	1,531,475	-	9,427,274	-	-	12,508,750
Additions	-	13,040	94,429	-	-	-	107,469
At March 31, 2021	1,550,000	1,777,003	5,532,474	9,427,274	34,917	12,944	18,334,612
<i>Accumulated amortization</i>							
At December 31, 2019	-	5,749	-	-	-	2,072	7,821
Depreciation	-	14,130	-	-	-	3,081	17,211
At December 31, 2020	-	19,879	-	-	-	5,153	25,032
Acquired (Note 10)	-	917,295	-	677,274	-	-	1,594,570
Depreciation	-	17,891	-	38,356	-	519	56,766
At March 31, 2021	-	955,065	-	715,630	-	5,672	1,676,368
<i>Net book value</i>							
At December 31, 2020	-	212,608	5,438,045	-	34,917	7,791	5,693,361
At March 31, 2021	1,550,000	821,937	5,532,474	8,711,644	34,917	7,271	16,658,244

## 8) Right-of-use assets

	Vehicles \$	Equipment \$	Total \$
<i>Cost</i>			
At December 31, 2020	-	-	-
Additions	18,867	14,755	33,622
At March 31, 2021	18,867	14,755	33,622
<i>Accumulated depreciation:</i>			
At December 31, 2020	-	-	-
Additions	12,749	5,142	17,891
Amortization	1,019	447	1,466
At December 31, 2020	13,768	5,589	19,357
<i>Net book value:</i>			
At December 31, 2020	-	-	-
At March 31, 2021	5,099	9,166	14,265

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 9) Licence agreement

On September 12, 2018, the Company entered a 10-year licence agreement (the "Licence Agreement") with two 10-year renewal options with Naturo Group Investments Inc. ("Naturo") and Naturo Springs Ltd. ("Springs"), both related parties. Pursuant to the agreement, 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, and Naturo will provide the Company with certain manufacturing and quality assurance services for manufacturing beverages in Naturo's facility. The Company paid Naturo \$12,400,000 pursuant to the Licence Agreement, 50% of which was paid in common shares and the remaining portion in cash.

On February 14, 2020, the Company entered into an amended second lease agreement with Naturo to increase the premises for permitted use by the Company from 5,500 square feet to 12,289 square feet 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 during 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 remaining displacement fee.

On February 18, 2021, the Company acquired Naturo (Note 10) and therefore the license agreement is eliminated on consolidation. Prior to the acquisition, the Company recorded amortization of \$168,778 related to the license agreement.

### 10) Intangible assets

	Cannabis genetics library (a) \$	Distribution network (b) \$	IBO relationships (c) \$	Marketing intangibles (c) \$	Brand (d) \$	Water rights (d)	Total \$
<i>Cost</i>							
At December 31, 2019	-	-	-	-	-	-	-
Additions	2,959,600	540,063	3,340,000	590,000	-	-	7,429,663
At December 31, 2020	2,959,600	540,063	3,340,000	590,000	-	-	7,429,663
Additions	-	-	-	-	3,540,000	16,272,000	19,812,000
At March 31, 2021	2,959,600	540,063	3,340,000	590,000	3,540,000	16,272,000	27,241,663
<i>Accumulated amortization</i>							
At December 31, 2019	-	-	-	-	-	-	-
Depreciation	-	62,132	119,976	21,193	-	-	203,301
Impairment	2,959,600	477,931	-	-	-	-	3,437,531
At December 31, 2020	2,959,600	540,064	119,976	21,193	-	-	3,640,832
Depreciation	-	-	419,178	16,164	19,397	-	454,739
At March 31, 2021	2,959,600	540,064	539,154	37,357	19,397	-	4,095,571
<i>Net book value</i>							
At December 31 2020	-	-	3,220,024	568,807	-	-	3,788,831
At March 31, 2021	-	-	2,800,846	552,643	3,520,603	16,272,000	23,146,092

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 10) Intangible assets (continued)

#### (a) Acquisition of Carmanah Craft Corp.

On January 14, 2020, the Company concluded a share exchange agreement with Carmanah Craft Corp. ("Carmanah"), and issued 8,941,176 common shares to the shareholders of Carmanah to acquire 100% of the issued and outstanding shares of Carmanah. The acquisition of Carmanah included \$300,000 in cash and intangible assets consisting of a library of cannabis genetics and strains. The acquisition of Carmanah has been accounted for as asset acquisition and was recorded with the consideration as detailed in the table below:

<i>Consideration:</i>	
Fair value of common shares issued (8,941,176 @ \$0.385 per share)	\$ 3,442,353
Transaction costs paid	24,600
Total consideration	3,466,953
<i>Net assets acquired:</i>	
Cash	300,000
Intangible assets – cannabis genetics library	2,959,600
Total net assets	3,259,600
Loss on acquisition	\$ 207,353

As at December 31, 2020, the Company determined the cannabis genetics library was impaired due to the uncertainty in realizing future benefit from the intangible assets. Accordingly, a \$2,935,000 impairment loss was charged to the consolidated statements of comprehensive loss, and the carrying value of the intangible asset of cannabis genetics library were reduced to \$nil.

#### (b) Acquisition of Exceler Holdings Ltd.

On June 15, 2020, the Company concluded a share exchange agreement with Exceler Holdings Ltd. ("Exceler"), and issued 2,000,000 common shares to the shareholders of Exceler to acquire 100% of the issued and outstanding shares of Exceler. The acquisition was completed on June 18, 2020 and includes intangible assets consisting of Exceler's distribution network across Europe and Asia. The acquisition has been accounted for as an acquisition of assets and liabilities. Upon closing of the acquisition, Exceler became a wholly-owned subsidiary.

<i>Consideration:</i>	
Fair value of common shares issued (2,000,000 @ \$0.265 per share)	\$ 530,000
Transaction costs paid	10,063
	540,063
<i>Assets acquired:</i>	
Intangible asset – distribution network	540,063
	540,063

During the year ended December 31, 2020, the Company determined the distribution network was impaired due to the uncertainty in realizing future benefit from the intangible assets. Accordingly, a \$477,931 impairment loss was charged to the consolidated statements of comprehensive loss, and the carrying value of the distribution network was reduced to \$nil.



## BevCanna Enterprises Inc.

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### 10) Intangible assets (continued)

#### (c) Acquisition of Naturally Pure Therapy Products Corp.

On September 4, 2020, the Company concluded a share exchange agreement with Pure Therapy and acquired all of the issued and outstanding common shares of Pure Therapy who operates direct-to-consumer e-commerce product sales. The intangible assets acquired includes a list of customers acquired through contracts of partnership with Independent Business Owners (“IBOs”) to sell Pure Therapy products through online campaigns, brands and websites and associated marketing intangibles (the “Marketing Intangibles”).

The acquisition has been accounted for as a business combination in accordance with IFRS 3 *Business Combinations*, using the acquisition method whereby the net assets acquired are recorded at fair value. The following table presents the fair value of the assets acquired at the date of the acquisition:

<i>Consideration:</i>	
Fair value of common shares issued (30,000,000 @ \$0.245 per share)	\$ 7,350,000
<i>Net assets acquired:</i>	
Cash	210,802
Intangible asset – IBO relationships	3,340,000
Intangible asset – Marketing intangibles	590,000
Total net assets	4,140,802
Goodwill (note 11)	\$ 3,209,198

For the three months ended March 31, 2021, Pure Therapy has contributed a net loss of \$1,930 (2020 - \$nil) to the consolidated statements of comprehensive loss of the Company.

#### (d) Acquisition of Naturo Group Investments Inc.

On December 11, 2020, and as amended on January 31, 2021, the Company entered into an amalgamation agreement to complete the acquisition of all issued and outstanding securities of Naturo Group Investments Inc. (“Naturo”). Naturo develops and manufactures beverages and consumer products for in-house brands and private label clients and is based in BC. The acquisition closed on February 18, 2021.

In accordance with IFRS 3, the substance of a transaction constitutes a business combination as the business of Naturo meets the definition of a business under the standard. Accordingly, the assets acquired and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 10) Intangible assets (continued)

#### (d) Acquisition of Naturo Group Investments Inc. (continued)

The purchase price is based on management's estimate of fair value of the following transactions:

- a) 50,000,000 common shares of the Company were issued to the former shareholders of Naturo with a fair value of;
- b) The Company assumed the obligation to issue:
  - (i) 450,000 common shares in the capital of the Company pursuant to outstanding options in Naturo exercisable at \$0.25 until July 31, 2024,
  - (ii) 26,250,000 common shares in the capital of the Company pursuant to outstanding warrants in Naturo exercisable at \$0.50 until August 19, 2021, and
  - (iii) Such common shares in the capital of the Company as may be issuable pursuant to a convertible debenture in Naturo in the principal amount of \$1,468,373 convertible at \$0.40 per share, maturing on January 27, 2023 and accruing interest at an annual rate of 10% which is also convertible into shares.

<i>Consideration:</i>	
Fair value of common shares issued (50,000,000 @ \$1.17)	36,398,323
Fair value of warrants	19,941,995
Fair value of options	487,340
Remaining balance of purchased License Agreement (note 9)	9,046,361
	<hr/>
	65,874,019
 <i>Net assets acquired:</i>	
Cash and cash equivalents	7,466,585
Other current assets	3,414,848
Property and equipment	10,914,182
Right of use asset	15,731
Liabilities assumed	(779,198)
Debt assumed	(4,595,897)
Deferred income tax	(3,931,378)
Intangible asset – water source	16,272,000
Intangible asset – brand	3,540,000
	<hr/>
Total net assets	32,316,873
Goodwill (note 11)	<hr/>
	33,557,146

For the three months ended March 31, 2021, Naturo has contributed a net loss of \$462,852 (2020 - \$nil) to the consolidated statements of comprehensive loss of the Company.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 11) Goodwill

As at March 31, 2021, the Company recognized goodwill of \$36,766,344 (December 31, 2020 - \$3,209,198) upon the completion of the acquisition of Pure Therapy and Naturo. This goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified in the calculated purchase price. The goodwill recognized on acquisition is attributable mainly to the expected future growth potential and expanded customer base as a result of the completion of the acquisitions.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. As at March 31, 2021, the Company recorded \$nil impairment charge related to its goodwill.

### 12) Accounts payable and accrued liabilities

	March 31, 2021 \$	December 31, 2020 \$
Trade payables	1,371,510	1,505,218
Capital expenditures payable	446,118	206,894
Accrued liabilities	160,927	20,649
Total	1,978,555	1,732,761

### 13) Lease obligation

The following table details the movement in the Company's lease obligations for the three months ended March 31, 2021:

	Vehicles \$	Equipment \$	Total \$
At December 31, 2020	-	-	-
Acquired (Note 10)	6,385	9,807	16,192
Lease payments	(1,106)	(489)	(1,595)
Interest	48	88	136
At March 31, 2021	5,327	9,406	14,733

### 14) Promissory notes

On August 5, 2017, Naturo entered into a promissory note for \$2,500,000 with an effective interest rate of 8%, payable quarterly, and due on August 5, 2020. On August 5, 2020, the promissory was extended for one year. As at March 31, 2021, the outstanding balance of the loan and accrued interest was \$2,518,630. The loan is secured by the land of the Company and the personal property of the CEO under the general security agreement ("GSA").

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

(Expressed in Canadian dollar, unless otherwise noted)

### 15) Related party transactions and balances

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 was as follows:

Three months ended	March 31, 2021	March 31, 2020
	\$	\$
Management fees		
Chief Strategic Officer ("CSO")	60,000	67,500
Chief Executive Officer ("CEO")	75,000	-
	135,000	67,500
Professional and consulting fee		
President	50,001	-
Past President	5,000	-
Company controlled by former President	41,389	-
Company controlled by a person related to the CEO	21,833	-
Company controlled by a person related to the CEO	77,381	-
	195,604	-
Share-based payments		
Director	15,708	-
	346,312	67,500

#### *Accounts payable and accrued liabilities:*

At March 31, 2021, the following amounts were included in accounts payable and accrued liabilities in relation to transactions with related parties, which were non-interest bearing, unsecured and due on demand:

- \$26,012 (December 31, 2020 - \$15,565) for services provided and expenses paid by the CEO of the Company;
- \$3,245 (December 31, 2020 - \$3,245) for expenses paid by the CSO of the Company; and
- \$15,000 (December 31, 2020 - \$nil) for services provided by a person related to the CEO.

#### *Due from related parties:*

As at March 31, 2021, the Company has receivable of \$1,902,431 from the CEO of the Company. The amount is non-interest bearing, unsecured and due on demand. As at March 31, 2021, the Company has \$250,000 due from a person related to the CEO.

#### *Convertible debenture:*

As at March 31, 2021, the Company has convertible debenture owing of \$1,496,376 to a person related to the CEO of the Company. The loan bears a 10% interest payable monthly and due on Jan 27, 2023. As at March 31, 2021, \$25,084 accrued interest remain unpaid.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 16) Convertible debentures

On April 14, 2020, the Company completed a non-brokered financing of \$630,000 by issuing convertible debentures ("Debentures"). The Debentures carry interest at the rate of 8% per annum payable semi-annually and mature on April 14, 2023. The Debentures are convertible to common shares of the Company at \$0.75 per share.

The Company estimates 16% to be the market interest rate for a similar debt instrument without a conversion option. The initial liability component of the Debentures was calculated at the present value of interest payments and expected return using a discount rate of 16%. The equity component was determined using the residual method whereby, the fair value of the equity component is arrived at by deducting the amount determined separately for the liability from the face value of the instrument. Using this method, the Company determined that the fair value of the conversion feature was \$118,252 which was recorded in the Company's equity reserve.

The holders of the Debentures are entitled to convert the unpaid principal and interest into common shares of the Company at a conversion price of \$0.75 per common shares. If any time the daily weighted average trading price of the Company's shares is greater than \$1.00 for the preceding 10 days, the Company will have the option to convert the outstanding principal amount at the price of \$0.75 per common shares.

On January 27, 2021, Naturo completed a debt settlement with a related party (note 15) by issuing a convertible debenture of the Company for \$1,505,021 with an interest bearing at 10% per annum, payable monthly and maturing in 24 months. The debenture is convertible at \$0.40 per common share of the Company at any time at the discretion of the debenture holder.

On February 8, 2021, the Company exercised the right to early redeem \$115,000 of the debenture and paid a total of \$124,532 consisting of the principal balance and accrued interest.

On February 8, 2021, the Company converted \$15,000 of its outstanding debentures into common shares by issuing 20,000 common shares of the Company. The Company reclassified \$3,754 of the equity component from reserves to share capital related to the conversion.

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	\$
Balance, December 31, 2019	-
Addition	630,000
Transaction cost	(35,126)
Allocation of equity component	(118,252)
Accretion expense	33,468
Balance, December 31, 2020	510,090
Acquisition (Note 10)	1,468,373
Accretion expense	18,471
Conversion to shares (Note 18)	(15,000)
Early redemption	(115,000)
Balance, March 31, 2021	1,866,934

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## BevCanna Enterprises Inc.

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### 17) CEBA loans

In April 2020, the Company received a loan of \$40,000 under Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada, of which \$30,000 are non-forgivable and \$10,000 are forgivable if the non-forgivable \$30,000 is repaid prior to December 31, 2022. The CEBA loan is non-interest bearing, subject to restriction on disbursements for non-deferrable expenditures of the Company, and are repayable at any time without penalty, but amounts repaid cannot be readvanced.

The CEBA loan was initially due on December 31, 2020, and as it was not repaid at that time it converted to a non-interest-bearing term loan with a maturity date of December 31, 2022. If the term loan is not repaid by that time, the term loan will automatically renew with a maturity date of December 31, 2025, subject to interest at 5% per annum, with payments of interest due monthly. In the event of default, the loan payable becomes due immediately.

	\$
Balance, December 31, 2019	-
Addition	23,202
Accretion expense	1,585
Balance, December 31, 2020	24,787
Acquisition (Note 10)	58,595
Accretion expense	1,220
Balance, March 31, 2021	84,602

The CEBA is accounted for using the amortized cost method discounted at an effective interest rate with the discount portion recorded as government grant.

### 18) Share capital

#### *Authorized*

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

#### *Issued*

During the three months ended March 31, 2021, the Company entered into the following share capital transactions:

- On January 8, 2021, the Company issued 25,000 common shares to settle debt of \$37,500 with a consultant. The common shares issued had a fair value of \$26,750 and the Company recognized a gain on settlement of debt of \$10,750.
- On January 8, 2021, the Company completed a private placement of \$3,500,000 for 2,333,333 units at of the Company at \$1.50 each. 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. Of the total amount, \$696,250 was received prior to December 31, 2020. Using the residual method, the common share purchase warrants were valued at \$1,003,333.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 18) Share capital (continued)

- On February 8, 2020, the Company issued 20,000 common shares on the conversion of \$15,000 of the Debenture (Note 16).
- On February 8, 2021, the Company issued 58,810 common shares to settle \$51,501 debt owned to various vendors. The common shares had a fair value of \$54,105 and the Company recognized a loss on the settlement of debt of \$2,604.
- On February 18, 2021, the Company issued 50,000,000 common shares valued at \$36,398,323 pursuant to the acquisition of Naturo (Note 10).
- On March 15, 2021, the Company completed a private placement of 100,000 common shares of the Company for proceeds of \$100,000.

### 19) 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. The 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 are presented below:

	Options outstanding	Weighted average exercise price
		\$
At December 31, 2019	4,999,000	0.47
Granted	12,266,667	0.37
Exercised <sup>(1)</sup>	(5,628,000)	0.35
At December 31, 2020	11,637,667	0.43
Granted	550,000	0.39
Exercised	(6,999,000)	0.41
At March 31, 2021	5,188,667	0.44

#### During the three months ended March 31, 2021

- On February 8, 2021, the Company granted 100,000 options with an exercise price of \$1.00 to a consultant and a director. The options are exercisable for one year and vested immediately.
- On February 18, 2021, the Company granted 450,000 options with an exercise price of \$0.25 and an expiry date of July 31, 2024 to Naturo option holders as part of the Naturo acquisition (Note 10). The options vested immediately.

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

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### 19) Stock options (continued)

The estimated grant date fair value of the options granted during the three months ended March 31, 2021 and 2020 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	0.45%	1.50%
Expected life (years)	3.0	3.0
Annualized volatility	100%	74%
Dividend rate	0%	0%

During the three months ended March 31, 2021 and 2020, the Company recognized share-based payments expense of \$31,416 and \$515,184, respectively. The following table summarizes information about the share options outstanding and exercisable at March 31, 2021:

Expiry date	Number of shares options outstanding	Number of shares options exercisable	Weighted average exercise price \$	Weighted average remaining contractual life
November 20, 2021	1,900,000	1,450,000	0.40	0.64
December 4, 2021	350,000	350,000	0.47	0.68
February 8, 2022	100,000	100,000	1.00	0.86
July 5, 2022	1,075,000	1,075,000	0.50	1.26
July 20, 2022	200,000	200,000	0.30	1.30
September 3, 2022	50,000	50,000	0.59	1.43
October 24, 2022	450,000	450,000	0.50	1.57
December 23, 2022	63,667	63,667	0.33	1.73
February 28, 2024	550,000	550,000	0.50	2.92
July 31, 2024	450,000	450,000	0.25	3.34
	5,188,667	4,738,667	0.44	1.49

### 20) Share purchase warrants

A summary of the changes in the share purchase warrants are presented below:

	Warrants outstanding	Weighted average exercise price \$
At December 31, 2019	3,000,000	0.50
Granted	1,806,800	0.38
At December 31, 2020	4,806,800	0.45
Granted	28,583,333	0.60
Exercised	(1,348,000)	0.38
At March 31, 2021	32,042,133	\$0.59



## BevCanna Enterprises Inc.

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### 20) Share purchase warrants (continued)

The following table summarizes information about the share options outstanding and exercisable at March 31, 2021:

Expiry date	Exercise price	Number of shares options outstanding	Weighted average remaining contractual life
	\$		
August 19, 2021	0.50	26,000,000	0.39
October 9, 2021	0.30	462,000	0.52
October 23, 2021	0.40	500,000	0.56
January 8, 2022	2.00	2,333,333	0.78
September 18, 2022	0.40	844,800	1.47
December 14, 2023	0.49	3,000,000	2.71
		32,042,133	

### 21) Financial instruments

#### *Fair value*

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 model 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, amounts receivable and deposits and trade and other payables included in the consolidated statement of financial position at March 31, 2021 and December 31, 2020 approximate their fair value due to their short terms to maturity.

#### *Financial 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, 2021.

## BevCanna Enterprises Inc.

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### 21) Financial instruments (continued)

#### *Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its holdings of cash and amounts receivable. Cash is held with major Canadian bank or U.S. chartered banks. Amounts receivable primarily comprises balances either held back by the banks or amount recoverable from the government authority. management believes the risk of loss to be minimal.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in interest rate. The Company is exposed to interest rate risk on its cash and debt instruments and has determined there is no material exposure related to interest rate risk as the debt is fixed rate.

#### *Foreign currency risk*

The Company's functional and reporting currency is the U.S. dollar and major purchases are transacted in U.S. dollars. As a result, the Company's exposure to foreign currency risk is minimal.

### 22) Geographic segments

The Company' financial information by geography for the three months ended March 31, 2021 and 2020 is as follows:

	Canada \$	U.S.A. \$	Total \$
Revenue:			
2021	66,481	564,266	630,747
2020	-	-	-
Loss from operations:			
2021	(2,026,651)	(1,930)	(2,028,581)
2020	(2,217,674)	-	(2,217,674)

The Company' total assets and liabilities by geography at March 31, 2021 and December 31, 2020 is as follows:

	Canada \$	U.S.A. \$	Total \$
Total assets:			
March 31, 2021	88,853,185	352,323	89,205,417
December 31, 2020	24,207,528	126,595	24,334,123
Total liabilities:			
March 31, 2021	10,180,417	258,057	10,438,474
December 31, 2020	2,216,096	117,884	2,333,980

# BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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## 23) Commitments and contingencies

### (a) Commitments

#### *JD Agreement*

On April 1, 2019, the Company entered into a joint development agreement (“JD Agreement”) to develop cannabis infused beverages. The Company committed to provide funding of up to US\$500,000. As of December 31, 2019, US\$500,000 had been funded. The funding was expensed during the year ended December 31, 2019 as the project is still in the research phase. 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 within 3 months on launch of a powdered drink line;
- US\$1,000,000 within 9 months on launch of a line of water drinks;
- 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.

Upon exercise of the option, the Company will commit to injecting an additional US\$1,000,000 to support the working capital needs of the JD Agreement. As at March 31, 2021, none of the above milestones have been met, therefore, no additional funding has been provided during the year ended December 31, 2020.

#### *Exclusive License Agreement (Keef)*

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 March 31, 2021, 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’s 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.

The total funding of \$197,866 including cash and the share for debt settlement is recorded under deposit on investment (note 6).

## BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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### 23) Commitments and contingencies

#### (a) Commitments (continued)

##### *Intellectual property and trademark license agreement*

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.

##### *Definitive agreement (Argentia Gold Corp.)*

On June 8, 2020, the Company signed 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. The initial term of the agreement is for one year.

##### *Consulting agreement*

On November 10, 2020, the Company entered into an independent consulting agreement with a consultant to provide executive advisory services and lead revenue and profit generation for the Company from consumer products and B2B beverage co-packing business. The Company will pay \$10,000 monthly in cash and \$6,667 monthly, which may be settled as a shares-for-debt transaction in common shares of the Company. The Company also granted 600,000 stock options to purchase up to 600,000 common shares of the Company to the consultant. The option vests based on certain conditions:

- 300,000 options vest 25% per quarter, exercisable at \$0.40 per share for a term of 2 years
- The remaining 300,000 options will vest based upon achieving the following milestones:
  - 100,000 options vest upon successfully commercializing Keef in Canada;
  - 100,000 options vest upon successfully commercializing Cali-Bloom in Canada;
  - 100,000 options vest upon successfully executing on 3 white-label client manufacturing agreements.

As of March 31, 2021, the consultant accepted the position as the new President of the Company.

#### (b) Contingencies

The Company is a party to a variety of agreements in the ordinary course of operation, under which it may be obligated to indemnify third parties with respect to certain matters. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company. Management assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to claims, proceedings or litigation that are pending against the Company or unasserted claims that may result in such proceedings, if the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements. Management believes these proceedings will not have a materially adverse effect on the Company.

## **BevCanna Enterprises Inc.**

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021 and 2020

*(Expressed in Canadian dollar, unless otherwise noted)*

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### **24) Capital management**

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.

### **25) Subsequent Events**

#### *Debt*

On April 1, 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*

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.

Subsequent to March 31, 2021, the Company issued 300,000 common shares pursuant to the exercise of stock options.

Subsequent to March 31, 2021, the Company issued 614,825 common shares to settle debt with vendors.

Subsequent to March 31, 2021, the Company issued 737,500 common shares pursuant to the exercise of warrants.

Subsequent to March 31, 2021, the Company repaid \$100,000 principal on promissory note (Note 14).