

BEVCANNA ENTERPRISES INC.

**Annual Information Form
For the year ended December 31, 2020**

Prepared as of: August 31, 2021

BEVCANNA ENTERPRISES INC.
2020 Annual Information Form
Table of Contents

PART 1	INFORMATION ABOUT CONTENT IN THIS DOCUMENT	1
1.1	Date of Information.....	1
1.2	Currency	1
1.3	Cautionary Note Regarding Forward-Looking Information	1
PART 2	GLOSSARY OF TERMS.....	2
PART 3	CORPORATE STRUCTURE	3
3.1	Name, Address and Incorporation	3
3.2	Intercorporate Relationships	4
PART 4	GENERAL DEVELOPMENT OF THE BUSINESS	4
4.1	Three Year History.....	4
4.2	Significant Acquisitions.....	9
PART 5	DESCRIBE THE BUSINESS	10
5.1	General	10
5.2	Risk Factors.....	25
PART 6	DIVIDENDS AND DISTRIBUTIONS.....	33
PART 7	DESCRIPTION OF CAPITAL STRUCTURE	33
7.1	Common Shares	33
7.2	Constraints	34
7.3	Ratings.....	34
PART 8	MARKET FOR SECURITIES	34
8.1	Trading Price and Volume	34
8.2	Prior Sales.....	34
PART 9	ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER	36
PART 10	DIRECTORS AND EXECUTIVE OFFICERS	36
10.1	Name, Occupation and Security Holding	36
10.2	Cease Trade Orders, Bankruptcies, Penalties or Sanctions.....	38
10.3	Conflicts of Interest	39
PART 11	PROMOTERS.....	39
PART 12	LEGAL PROCEEDINGS AND REGULATORY ACTIONS	39
12.1	Legal Proceedings.....	39
12.2	Regulatory Actions	39
PART 13	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	40
PART 14	TRANSFER AGENTS AND REGISTRARS.....	40
PART 15	MATERIAL CONTRACTS	40
PART 16	INTERESTS OF EXPERTS.....	40
PART 17	ADDITIONAL INFORMATION	40

BEVCANNA ENTERPRISES INC.

2020 Annual Information Form

PART 1 INFORMATION ABOUT CONTENT IN THIS DOCUMENT

1.1 Date of Information

All information contained in this Annual Information Form (“AIF”) is as of August 31, 2021, unless otherwise indicated.

1.2 Currency

The reporting currency of the Company is the Canadian dollar and all financial information presented in this AIF is in Canadian dollars, unless otherwise indicated.

1.3 Cautionary Note Regarding Forward-Looking Information

As used in this AIF and unless otherwise indicated, the terms “we”, “us”, “our”, “Company”, “BevCanna” refer to BevCanna Enterprises Inc. and its direct and indirect subsidiaries set out in Section 3.2.

Certain statements in this AIF constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include, but are not limited to, the Company’s goals, expected costs, objectives, growth strategies, the ability of the Company to obtain and maintain the Licences in good standing; regulatory changes regarding the cultivation, sale and consumption of cannabis and cannabis related products from all levels of government in Canada and the United States; limited operating history; risks related as a going concern; new products and standards; increased competition that adversely affects business, estimations about the size of the target market; continued growth in key markets; political, economic and other uncertainties in respect of cannabis; risks associated with protecting intellectual property; risks resulting from interruptions or delays from third-party processors and service providers upon which we rely; risks inherent in an agricultural business, risks related to shelf life of inventory; risks associated with the restriction of cannabis sales; risks related to unfavourable publicity, consumer protection or reputation; the on-going COVID-19 global pandemic, including the rapidly evolving reaction of governments, private sector participants and the public to that pandemic and/or the associated economic impact of that pandemic and the reaction to it that have impacted our operations and plans and will continue to impact our operations and plans for a period of time that remains uncertain; risks related to compliance with laws and regulations and the effect of changes in law and regulatory environment; risks related to product liability, recalls and development; risks related to the necessity of brand promotion; potential issues with the production facility; loss of key personnel and our inability to attract and retain qualified personnel; ability to obtain additional financing; potential losses, liabilities and damages related to our business which are uninsured or uninsurable; risks associated with litigation or dispute resolution; risks associated with the volatility of our share price as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. Some of the factors that may cause actual results to differ materially from those indicated are found in the section “Risk Factors” in this AIF. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include the highly competitive nature of the Company’s industry, government regulation and funding and other such risk factors described herein and in other disclosure documents filed by the Company with Canadian securities regulatory agencies and commissions. This list is not exhaustive of the factors that may impact the Company’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, levels of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change.

Although the forward-looking statements contained in this AIF are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. All forward-looking statements in this AIF are qualified by these cautionary statements. Other than specifically required by applicable laws, we are under no obligation and we expressly disclaim any such obligation to update or alter the forward-looking statements whether as a result of new information, future events or otherwise except as may be required by law. These forward-looking statements are made as of the date of this AIF.

PART 2 GLOSSARY OF TERMS

In addition to terms defined elsewhere in this AIF, the following terms, when used in this AIF, will have the following meanings (unless otherwise indicated):

“**AIF**” means this Annual Information Form;

“**Audit Committee**” means the Audit Committee of the Board;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

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

“**BevCanna (pre-Amalco) Shareholders**” means all of the holders of the BevCanna (pre-Amalco) Shares;

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

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

“**Board**” means the board of directors of the Company;

“**Common Shares**” or “**Shares**” means the common shares in the capital of the Company without par value;

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

“**Cannabis Act**” means the *Cannabis Act*, SC 2018 c 16;

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

“**Escrow Agreement**” means the escrow agreement dated March 29, 2019 among the Company, the Escrow Agent and the Escrow Securityholders;

“**Escrow Securities**” means the 10,637,050 Common Shares that were deposited into escrow pursuant to the Escrow Agreement in connection with the Listing, of which 713,117 Common Shares are still subject to the Escrow Agreement;

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

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

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

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

“**Listing Date**” means the date the Common Shares became listed on the CSE, being July 2, 2019;

“**NI 52-110**” means *National Instrument 52-110 – Audit Committees*;

“**NI 52-110F1**” means Form 52-110F1 – Audit Committee Information Required in an AIF;

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

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

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

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

“**Option**” means a stock option to purchase Common Shares;

“**Production Facility**” means the 40,000 sq. ft. pasteurized bottling facility and warehouse located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia;

“**Unit**” means a unit of the Company consisting of a Common Share and one-half of one Warrant, or one whole Warrant, as the case may be;

“**Unit Offering**” means an offering of Units;

“**Voluntary Escrow Agent**” means Clark Wilson LLP;

“**Voluntary Escrow Agreement**” means the voluntary escrow agreement dated September 13, 2018 among the Company, the Voluntary Escrow Agent, and the holders of the Voluntary Escrowed Securities;

“**Voluntary Escrowed Securities**” means the Common Shares deposited into escrow pursuant to the Voluntary Escrow Agreement; and

“**Warrant**” means a Common Share purchase warrant.

PART 3 CORPORATE STRUCTURE

3.1 Name, Address and Incorporation

The Company was incorporated under the BCBCA as “Nutrivida Biotech Investments Inc.” on July 13, 2017 and changed its name to “BevCanna Enterprises Inc.” on September 14, 2018 following the Amalgamation. The Company’s registered and records office is located at 800 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1, and its head office is located at PO Box 33957 Vancouver D CSC, Vancouver, B.C. V6J 4L7.

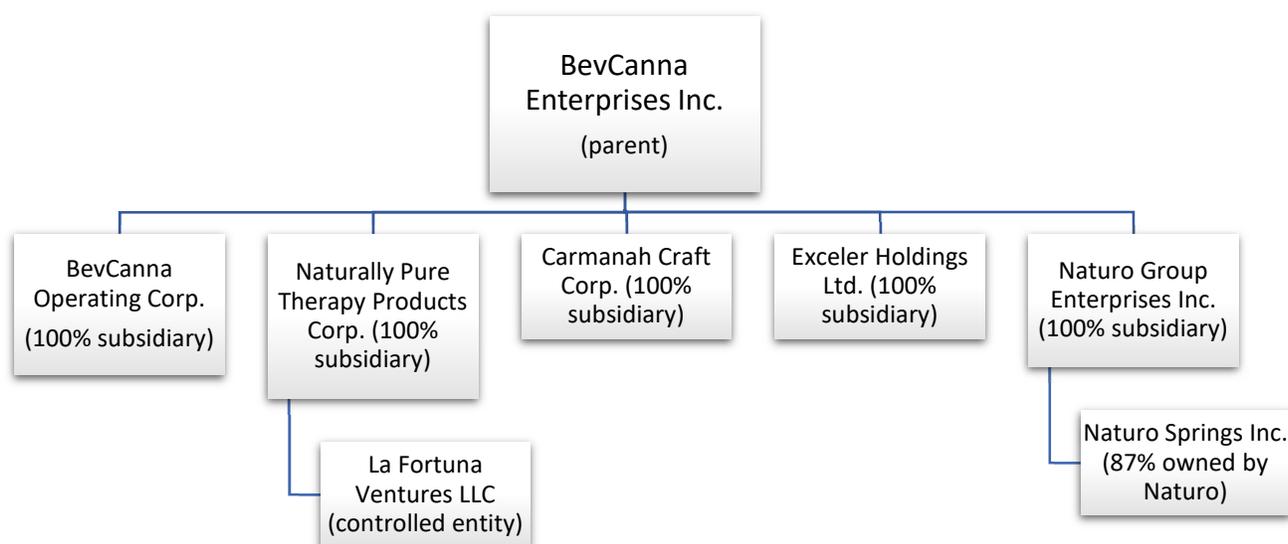
The Company has the following wholly-owned subsidiaries:

- BevCanna Opco, which was amalgamated and continued under the BCBCA pursuant to the Nutrivida Amalgamation on September 13, 2018;
- Naturally Pure Therapy Products Corp.;
- Carmanah Craft Corp.;

- Exceler Holdings Ltd.; and
- Naturo Group Enterprises Inc.

The Common Shares are listed for trading on the CSE under the trading symbol “BEV” as well as on the OTCQB under “BVNNF” and on the Frankfurt Stock Exchange under the symbols “7BC”.

3.2 Intercorporate Relationships



PART 4 GENERAL DEVELOPMENT OF THE BUSINESS

4.1 Three Year History

2018

BevCanna Opco entered into a lease agreement (the “**Lease Agreement**”) dated June 12, 2018, as amended on August 24, 2018 and February 14, 2020, BevCanna Opco with Naturo and Naturo Springs for a portion of the lands and facility located at 1450 Sidley Camp McKinny Road, Bridesville, British Columbia, which is approximately 30 km east of Soyoos British Columbia.

On June 12, 2018 (as amended on August 24, 2018), BevCanna Opco entered into a manufacturing agreement with Naturo whereby Naturo agreed to provide certain manufacturing and quality assurance services for manufacturing water-based cannabis beverages in the Production Facility.

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

The Company entered into the Nutrivida Amalgamation Agreement dated August 24, 2018 with BevCanna (pre-Amalco) and Nutrivida Acquisition Inc. On September 13, 2018, the parties closed the Amalgamation Agreement,

whereby the Company acquired all of the BevCanna (pre-Amalco) Shares held by the BevCanna (pre-Amalco) Shareholders in consideration for the issuance of Common Shares. On the closing thereof, BevCanna (pre-Amalco) amalgamated and continued with Nutrivida Acquisition Inc. into BevCanna Opco as a wholly-owned subsidiary of the Company and the former business of BevCanna (pre-Amalco) became the business of the Company. The closing of the Nutrivida Amalgamation Agreement constituted a reverse takeover of the Company as defined in NI 51-102.

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

2019

On June 20, 2019, BevCanna filed a non-offering Prospectus with the securities regulatory authority in British Columbia for the purpose of allowing the Company to become a reporting issuer in this jurisdiction and to become eligible for listing pursuant to the policies of the CSE in order to develop an organized market for the Company's Shares. Since no securities were offered pursuant to the Prospectus, no proceeds were raised and all expenses incurred in connection with the preparation and filing of this Prospectus were paid by the Company.

On July 2, 2019, the Common Shares commenced trading on the CSE under the symbol "BEV".

2020

On January 13, 2020, the Company entered into a share exchange agreement (the "**Carmanah Agreement**") with Carmanah Craft Corp. ("**Carmanah**") and all of the shareholders of Carmanah for the purpose of acquiring Carmanah. Pursuant to the Carmanah Agreement the Company issued 8,941,176 Shares at a deemed price of \$0.425 per Share to the shareholders of Carmanah on January 14, 2020 to acquire 100% of the outstanding shares of Carmanah. The acquisition of Carmanah includes \$300,000 cash and intangibles consisting of 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.

The acquisition of the cannabis genetics expert Carmanah gave the Company access to an extensive library of cannabis genetics, 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. Additionally, a large portion of the genetics are outdoor-specific strains that originated in California, which boasts a very similar climatic zone to BevCanna's operations in the Okanagan.

On February 17, 2020, the Company entered into a definitive joint venture agreement with Mota Ventures Corp., 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 agreement with CanCore Concepts Inc., ("**CanCore**"), a Colorado corporation which owns the Keef Brands portfolio, whereby the Company agreed to invest US\$150,000 in Serovita Holding Corp. ("**Serovita**"), an affiliate of CanCore, by subscribing for convertible debentures of Serovita. The Company satisfied the subscription price for the convertible debentures by paying cash and issuing Common Shares of the Company to Serovita.

On May 12, 2020, the Company announced the signing of a definitive agreement with Capna Intellectual, Inc. ("**Capna**"), a corporation based in Los Angeles, which specializes in developing consumer packaged goods for the cannabis market and created the best-known Bloom brand. In connection with the agreement with Capna, the Company subscribed for series seed preferred shares of Capna for a purchase price of US\$250,000. As the date of this AIF, the Company is holding its minority investment and evaluating future plans with Capna.

On June 15, 2020, the Company completed its share exchange agreement (the “**Exceler Agreement**”) with Exceler Holdings Ltd. (“**Exceler**”), and issued 2,000,000 Shares at a deemed price of \$0.21 per Share to the shareholders of Exceler on June 18, 2020 to acquire 100% of the outstanding shares of 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.

On September 2, 2020, the Company was approved for quotation on the OTC Markets Group Inc.’s OTCQB® Venture Market under the symbol “BVNNF.”

On September 4, 2020, the Company entered into a share exchange agreement (the “**Pure Therapy Agreement**”) to acquire Naturally Pure Therapy Products Corp. (“**Pure Therapy**”). Pure Therapy is a direct-to-consumer e-commerce company selling a range of natural health products, including nutraceutical and hemp-based cannabidiol products throughout North America and Western Europe. Pure Therapy’s extensive catalogue of formulations are proprietary and professionally crafted based on market demand and product quality. Every product manufactured is third-party tested for purity and manufactured in GMP (good manufacturing practices) certified facilities.

Pursuant to the Pure Therapy Agreement, the Company issued 30,000,000 Shares at a deemed price of \$0.20 per Share to the shareholders of Pure Therapy on September 4, 2020 to acquire 100% of the outstanding shares of Pure Therapy.

On November 24, 2020, the Company entered into a letter of intent with Naturo Group Investments Inc. (“**Naturo**”) to acquire all of the issued and outstanding securities of Naturo for 50,000,000 Common Shares at a deemed price of \$0.40 per Share. On February 22, 2021, the Company closed the Naturo Acquisition. For further details, see “*General Development of the Business – Naturo Acquisition*”

Subsequent to December 31, 2020

On February 15, 2021, the Company received a Standard Processing License from Health Canada. Following, the Company was fully authorized to begin production at its full service, high-capacity beverage manufacturing facility.

On March 9, 2021, the Company signed a supply agreement with innovative cannabis processor Nextleaf Solutions Ltd. The Company will have the ability to utilize Nextleaf’s Rapid Emulsion Technology by OILS™ (“**Rapid**”) THC and CBD concentrate within select BevCanna in-house and white-label products.

On April 19, 2021, the Company entered into an exclusive sales agency distribution agreement with Yokohama based Mirai Marketing Inc. to bring Naturo’s TRACE proprietary plant-based mineral consumer products to Mirai’s extensive Japanese and Philippine sales and distribution networks. Subsequently to the entry into this agreement, Naturo has completed its initial shipment of TRACE plant-based products.

On May 8, 2021, the Company signed a definitive agreement with St. Peter’s Drinks, to co-manufacture CBD and THC-infused beverages for its internal beverage brand, Green Monké. This is the third white-label agreement that the Company has signed since receipt of its Standard Processing License. The Company entered into a definitive agreement to co-manufacture CBD and THC-infused beverages for rising British Columbian beverage brand State B Cannabis Beverage Co. In addition, the Company entered into a definitive agreement to co-manufacture THC/CBD infused beverages for Enthusiasmus, creator of beverage brand Chapeau Noir. All of these agreements will be subject to minimum order quantities over the term and will drive Canadian cannabis revenue for the Company as it meets the rising demand from prospective brands and partners.

On May 19, 2021, the Company signed a cannabis supply agreement with ABCann Medicinals Inc., a wholly-owned subsidiary of VIVO Cannabis Inc., to infuse Vertosa cannabis emulsions into select BevCanna in-house and white-label products, including the Keef Brands line that BevCanna will launch in Canada this summer.

On May 22, 2021, the Company finalized an agreement with leading North American brand and sales management firm Benefit Holdings LLC, dba Benefit Brand Management. The agreement will see Benefit distribute BevCanna’s TRACE line of products to a wide range of U.S. retailers, from independent natural and specialty retailers to national big box retailers, initially in New York, Chicago and California.

On June 2, 2021, the Company, through its wholly owned subsidiary Naturo, finalized an agreement with leading Eastern Canadian wholesaler distributor Koyo Foods Inc. ("**Koyo Foods**"). The contract will see Koyo Foods distribute Naturo Group's TRACE line of products to retailers in Ontario and Quebec. Koyo Foods has also confirmed that it has received initial orders for the TRACE products from a number of retailers.

On August 19, 2021 the Company signed a definitive agreement with the Tinley Beverage Company Inc. ("**Tinley's**"), to co-manufacture cannabis-infused beverages for the Canadian Market. The Company will produce and distribute the full line of Tinley's ready-to-drink, adult beverage inspired sparkling Tinley's Classics, Canadian versions of Tinley's Tonics, currently available in California. As in California, the beverages will contain a micro-dose of THC to provide a light effect comparable to a single adult beverage. In addition, Tinley's is employing the Company's white-label partnership model for its Canadian production and distribution.

Naturo Acquisition

In November 2020, the Company entered into a letter of intent with Naturo Group Investments Inc., a privately held company, pursuant to which the Company agreed to acquire all of the issued and outstanding securities of Naturo from the owners of Naturo (the "**Naturo Acquisition**").

Prior to the Naturo Acquisition, the Company and Naturo operated for the past three years under an exclusive partnership, including a master license agreement by which the Company had exclusive access to Naturo's 40,000 sq. ft. state of the art beverage manufacturing facility, pristine on-site alkaline spring water source, 315-acres of land for outdoor cultivation purposes and proprietary Health Canada approved fulvic and humic plant-based mineral formulation. Please see "*General Development of the Business – Three Year History – 2018*" for more information.

The Naturo Acquisition helped create a unique fully licensed white-label beverage manufacturing and distribution company, with a global multi-channel distribution network of traditional retail and cannabis sales channels. The Company took ownership of the 40,000 sq. ft. beverage facility, and 315-acres of cultivatable land, and exclusive onsite alkaline spring water source. The Company now owns the Naturo flagship brand, TRACE, which currently enjoys a leadership position within the Canadian fulvic/humic category and is sold in more than 3,000 Canadian retail stores, with international agreements and partnerships in USA, Japan, Philippines, and additional territories under review.

Transaction Details

On December 11, 2021, the Company and Naturo entered into a business combination agreement. Subsequently, the Company and Naturo desired to amend the terms of the agreement by adding 1283045 B.C Ltd. ("**Newco**"), a wholly owned subsidiary of the Company, and making other certain amendments. As such, on January 31, 2021, the Company, Naturo, and 1283045 B.C Ltd. entered into the amended and restated amalgamation agreement (the "**Naturo Amalgamation Agreement**") with substantially similar terms to the original agreement with the exception that the Naturo Acquisition was to be completed by way of a three-cornered amalgamation pursuant to section 269 of the BCBCA.

Pursuant to the Naturo Amalgamation Agreement, Newco and the Company amalgamated to form a single subsidiary of the Company ("**Amalco**"). As of the date of execution, a total of 32,357,640 common shares, 5,073,194 Class B common shares and 12,569,166 Series A Preferred shares of Naturo (each, a "**Naturo Share**") were issued and outstanding. In consideration for the cancellation of all outstanding Naturo Shares, each Naturo Share was exchanged at a ratio of one Common Share for every one Naturo Share (determined on an undiluted basis).

Upon the completion of the Naturo Acquisition, all securities of Naturo convertible into Naturo Shares ceased to represent a right to acquire Naturo Shares and provided the right to acquire Common Shares, all in accordance with the adjustment provisions provided in the certificates representing such securities.

The Naturo Amalgamation Agreement is available for review under the Company's SEDAR profile at <http://www.sedar.com>. Prior to the Naturo Acquisition, Naturo was principally controlled by Marcello Leone, a director and officer of BevCanna. Martino Ciambrelli, a director of BevCanna, was also a director and officer of Naturo prior to the completion of the Naturo Acquisition.

Naturo Acquisition Corporate Financing Activities

On February 22, 2021, in connection with the closing of the Naturo Acquisition, the Company issued 50,000,000 Common Shares. The Naturo Acquisition was closed with the following:

- 50,000,000 Common Shares were issued to the former shareholders of Naturo;
- The Company assumed the obligation to issue:
 - 450,000 Common Shares (each, an “**Naturo Option Share**”) pursuant to outstanding options in Naturo (“**Naturo Option**”) exercisable at \$0.25 per Naturo Option Share until July 31, 2024,
 - 26,250,000 Common Shares (each, a “**Naturo Warrant Share**”) issuable upon exercise of outstanding warrants in Naturo (“**Naturo Warrant**”) exercisable at \$0.50 per Naturo Warrant Share until August 19, 2021, and such Common Shares (each, a “**Naturo Debenture Share**”) as may be issuable pursuant to a convertible debenture in Naturo (“**Naturo Debenture**”) in the principal amount of \$1,505,021 convertible at \$0.40 per Naturo Debenture Share, maturing on January 27, 2023 and accruing interest at an annual rate of 10% which is also convertible into Naturo Debenture Shares. The Naturo Debenture was subsequently cancelled by agreement of the holder of the Naturo Debenture and is no longer outstanding.

Leadership Changes

Subsequent to the Company's non-offering prospectus and listing on the CSE, the following leadership changes have occurred:

Date	Description of Change
July 30, 2019	The Board appointed Michael Darby as the Chief Financial Officer and corporate secretary of the Company.
August 26, 2019	The Company appointed Camilo Lyon to the Board of Directors of the Company.
September 3, 2019	Michael Darby resigned from his position as Chief Financial Officer and corporate secretary of the Company. The Board appointed Oleg Scherbina as the new Chief Financial Officer and corporate secretary of the company.
January 27, 2020	Oleg Scherbina resigned from his position as Chief Financial Officer and corporate secretary of the Company. The Board appointed John Campbell as the new Chief Financial Officer and corporate secretary of the company. Camillo Lyon resigned as a director of the Company due to a conflict of interest.
March 3, 2020	Joey Bedard-Brunet was appointed as a director of the Company.
April 9, 2020	Joey Bedard-Brunet resigned as a director of the Company.
July 27, 2020	The Board appointed Douglas Mason as an independent advisor to the Board.
August 11, 2020	The Board appointed Adam Clarke as an independent advisor to the Board.
October 28, 2020	The Board appointed Donald Wood as an independent advisor to the Board.
March 3, 2021	The Board appointed Melise Panetta as the new President and Martino Ciambrelli resigned from said position while maintaining his seat on the Board.

4.2 Significant Acquisitions

During the year ended December 31, 2020, the Company did not complete any significant acquisition for which disclosure is required under Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations*.

PART 5 DESCRIBE THE BUSINESS

5.1 General

The Company is a diversified health and wellness and natural products producer and marketer. Through Naturo, it owns and operates an approximately 10,000 sq. ft. tetrahydrocannabinol (“THC”) beverage manufacturing plant near Osoyoos, BC. The plant, having just recently been approved by Health Canada, has begun production of THC beverages for its white label clients, including Keef (the Company’s exclusively licensed brand). At a later date, it will also begin production of its own branded line of THC products.

Through Pure Therapy, acquired on September 4, 2020, the Company sells a range of nutraceutical and hemp-based cannabidiol (“CBD”) health products through its direct-to-consumer e-commerce platform in the United States and Western Europe.

Through the acquisition of Naturo on February 19, 2021, the Company owns and operates an approximately 40,000–square–foot, HACCP certified manufacturing and conventional beverage bottling plant facility, with a bottling capacity of up to 210M bottles annually. The plant has its own water source, a naturally alkaline spring water aquifer. Naturo also owns approximately 315 acres of prime agricultural land on the same site. Through Naturo, the Company manufactures and markets the TRACE brand of alkaline and plant-based mineral beverages, concentrates and shots to approximately 3000 retail customer stores across Canada. BevCanna’s extensive distribution network includes more than 3,000 points of retail distribution through its market-leading TRACE brand, its Pure Therapy natural health and wellness e-commerce platform, its fully licensed Canadian cannabis manufacturing and distribution network, and a partnership with #1 U.S. cannabis beverage company Keef Brands. It also offers custom beverage manufacturing on a private label basis to Canadian retail chains and to client and beverage brands. In addition, it provides white label manufacturing for non-cannabis brands with its own formula. Following the Naturo Acquisition, the Company is in the unique position of being one of the only fully licensed beverage manufacturing companies that produces and distributes both conventional and cannabinoid-based beverage and wellness products. We are creating a diversified health and wellness company, with significant infrastructure, and a global multi-channel sales and distribution network positioned for growth.

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 partnership with Stigma Grow. The Company intends to apply for its own Sales Licence imminently. 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, Health Canada issued the Standard Processing license to the Company.

Products and Services

TRACE

Each of TRACE’s plant-based products include TRACE’s proprietary fulvic and humic mineral formula, sourced from ancient organic compounds which are highly concentrated sources of trace minerals. Recognized benefits of the Health Canada-approved formulations include improvements to cognitive performance, gut health and immune function, and stimulating the body to better metabolize carbohydrates, fats and proteins, as further described below.

- Gut Health - positively affects gut bacteria, promotes cellular health and nutrient absorption.
- Immune Function – replenishes and floods the body with trace minerals, boosting antioxidants to prevent oxidative stress and helping to maintain a healthy immune system.
- Cognitive Performance - shown to help protect against cognitive degeneration and decline, keeping the mind sharp.
- Whole Body Wellness - naturally eliminate harmful substances that may be found in the bloodstream, assisting in their removal from the body.

TRACE products include Natural Alkaline Spring Water, Plant-Based Mineralized Spring Water, Natural Flavor Sparkling Spring Water, Plant-Based Mineral Concentrate with Vitamin D and Plant-Based Mineralized Immune Support Shots.

TRACE products are currently sold in more than 3,000 retailers across Canada, including 7/11, Loblaws, London Drugs, Metro and Farm Boy, and is expanding into the USA, Japan, and Philippines markets.



Keef Brands

BevCanna’s current portfolio of brand partnerships includes #1 U.S. cannabis beverage brand Keef (cannabis-infused classic soda). Through its strategic partnership, the Company intends launch Keef Brands products by the end of Summer 2021. Keef’s beverage line includes sodas like Original Cola, Root Beer, Purple Passion, Orange Crush, and Blue Razz, which have 10mg of THC a 12-ounce can. For additional details regarding the business relationship with Keef Brands, see “General Description of the business – Economic Dependence.”



White Label Agreements

The Company also has multiple white label agreements to co-manufacture branded beverages. 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 addition, the Company uses a similar model for its non-cannabis brands and products where it continues to analyze and develop different potential partnerships and agreements. The Company continues to invest time and resources into the development of white label non-cannabis beverage brands through licensing agreements and other joint ventures. In an effort to diversify geographic risk, the Company may accelerate on expanding its operations in the United States, as permitted by applicable state laws and internationally.

Specialized Skill and Knowledge

The Company leverages Naturo’s experience with respect to manufacturing and quality assurance services for manufacturing cannabis beverages in the Production Facility. Naturo is in the business of manufacturing and

packaging water, trace mineral infused beverages and a diverse catalog of consumer packaged goods (CPGs) and providing related services.

As a result of the supply agreement with Nextleaf, the Company will have the ability to utilize Rapid within its products. Made with Nextleaf's high purity cannabis distillate, Rapid's unique structure and composition allows the final ingredient to be fundamentally tasteless, odorless, and achieve optical transparency through uniform and complete dispersion in water. Ten years of prior R&D has resulted in a patent pending emulsion technology adapted to cannabinoids, to deliver rapid onset of THC, CBD, and other cannabinoids.

As part of the Company's relationship with Vertosa, the Company has agreed to infuse Vertosa emulsions, the #1 cannabis emulsion in the U.S., into its Canadian cannabis beverages. Vertosa's emulsions may accelerate onset time to an average of eight minutes, prolong shelf-life, increase bioavailability and improve the taste profile of the Company's cannabis-infused products. Vertosa's pre-suspended, water-compatible solutions are incredibly homogenous and stable products that are customized and generated onsite at ABCann Medicinals Inc. The agreement with ABCann Medicinals Inc. provides the Company with access to the emulsions for its portfolio of products.

Competitive Condition

There continue to be new entrants to the cannabis market seeking licensed producer status. However, the Company believes that the stringent application process and compliance requirements may be too onerous for some applicants. Further, in most provinces, wholesale distribution is overseen by the provincial government. In order to be able to sell its products in a province, a licensed producer has to enter into supply agreements with the applicable distributors of each province.

Effective May 8, 2019, Health Canada requires that new applicants for cultivation, processing or sales for medical purposes licences have a fully built site that meets all the requirements under the Cannabis Regulations at the time of their application. The Company believes that this requirement in addition to the extensive regulatory restrictions and large capital required for operations, is a substantial barrier for new Canadian entrants, at least in the short term.

With the legalization of the Cannabis 2.0 Products in October 2019, the Company expects that the broader range of cannabis products will be an attractive alternative and will likely appeal to a broader audience, particularly to those who are not interested in smoking. The Company has invested in new product development through research and development.

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

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

- Canopy Growth Corporation (TSX: WEED, NYSE: CGC) and Constellation Brands, Inc. (NYSE: STZ and STZ.B) are in a collaboration to develop cannabis -based beverages;
- HEXO Corp. and Molson Coors Canada, the Canadian business unit of Molson Coors Brewing Company (NYSE: TAP; TSX: TPX) have established a joint venture to pursue opportunities to develop non-alcoholic cannabis-infused beverages;
- Tilray, Inc. (NASDAQ: TLRY) and AB InBev (NYSE: ABEV) have entered into a partnership to research the production of THC and CBD infused non-alcoholic beverages;

- The Valens Company Inc. (TSX: VLNS), a manufacturer of branded and white label cannabis beverages and other cannabis products;
- Flow Beverage Corp. (TSX: FLOW), an alkaline and premium flavoured water producer and distributor;
- NewAge Inc. (NASDAQ: NBEV), an organic and health products company that competes in three major categories: health and wellness, healthy appearance and nutritional performance. NewAge sells and distributes products that include different combinations of natural health products such as CBD and noni.
- The Alkaline Water Company (NASDAQ: WTER, CSE: WTER), an alkaline and premium flavoured water producer and distributor who also produces a CBD and flavor-infused water beverage line.

BevCanna's principal competitive advantage with the majority of the above potential competitors lies in its collective experience as an existing beverage producer and marketer, adding infusion as opposed to being a cannabis cultivator or liquor/beer producer seeking to enter the same space with an inherently high learning curve and capital expenditure requirement. In addition, another distinct advantage the Company has is the barrier to entry it has overcome by owning our its high-capacity beverage manufacturing facility and alkaline spring water aquifer located onsite as there is a moratorium on water sources in Canada.

New Products

As of the date of this AIF, the Company is currently developing additional products and brands to distribute through their well-established distribution network and sales pipeline. Such brands include Anarchist Mountain and Gräv Beverages ("Gräv") with each brand distributing its own specific products. As the Company is in its growth phase and expanding into new markets, these brands remain in their development stages. The Company anticipates these brands being distributed in 2022.

Gräv Beverages

The Gräv Beverages brand represents an easy-drinking range of cannabis-infused iced tea beverages. Formulated for wide appeal, Gräv is intended to help you relax. It is planned that Gräv will have two flavors: Matcha Green Iced Tea, and Ginger Mint Herbal Iced Tea. The teas were formulated in response to the Company's research covering North American consumers and their preferences pertaining to cannabis-infused beverages and are meant to assist people with relaxation. Gräv was one of the first brands launched by the Company in the U.S., and in Canada following the legalization of infused products in Oct 2019. The Company plans to commercialize a ready-to-drink beverage, with THC & CBD infused in a spring water base. The innovation pipeline also includes powdered drink mixes.

Anarchist Brands

The brand is inspired by the site of the Company's bottling operations on Anarchist Mountain in interior British Columbia. It's a nod to the rich history of cultivation in the region, through cannabis and the 100-plus wineries. The full brand portfolio will include a range of ready-to-drink beverages, shots, and powdered drink mixes using our THC & CBD infusion expertise. The Company intends to develop distinctive and innovative flavors for this brand.

TRACE Brand CBD Products

TRACE plans to develop new CBD-infused immune-supporting functional beverage. The beverage will be launched under the Company's health and wellness brand TRACE, and the formulation will be based on the popular mineral-infused beverages TRACE has to offer. The Company acquired the rights to develop the formulation pursuant to its exclusive license agreement with Naturo, prior to the Naturo Acquisition.

Components

Water Source

The Company, through the Naturo Acquisition, has possession of a world class bottling plant with world class equipment. The Company's high-capacity bottling facility, and spring water aquifer provides unparalleled advantages including, but not limited to:

- HACCP certified facility, GMP + GFSI operating standard, pending certification
- 40,000 square foot existing facility
- Canadian premium alkaline spring water, bottled at source
- Real estate holdings: 40,000 square foot manufacturing facility, 315-acres of Agriculture Reserved Land, alkaline spring water aquifer
- Pre-approval by Agricultural Land Commission to expand facility up to 170,000 square feet, to be used for BevCanna's expansion
- Flash pasteurization
- Ability to produce PET/RPET, aluminum, and glass form factors
- Current annual capacity: 210 million bottles
- Self-sustaining naturally alkaline aquifer for the last 70 years
- The Canadian government has halted new access to aquifers such as this, offering BevCanna a unique position compared to new market entrants

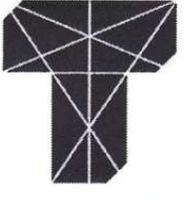


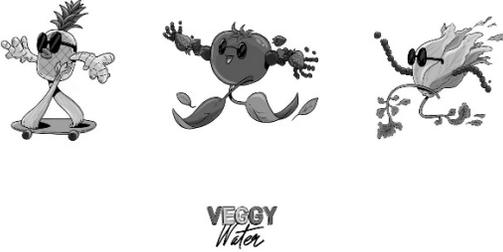
As noted in the figure above, the Company utilizes a vertically integrated process that starts from source to processing. The water is untouched by human beings and directly extracted into the bottling facility. The Company predominantly relies on its own supply chain and manufacturing process. Packaging and bottling are typically produced internally through our facilities, but, at times, we have appropriate outsourcing methods as necessary. Procurement of labels, in certain cases such as products containing THC or CBD, may be outsourced to other companies which we have agreements in place. As necessary, we have agreements in place in the United States to source any step of our supply chain.

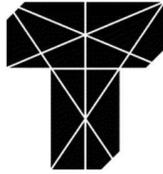
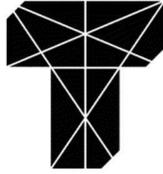
With respect to THC and CBD emulsion, as part of the Company's relationships with Vertosa and Nextleaf, the Company will infuse Vertosa and Nextleaf emulsions in its CBD and THC products, see "Description of the Business – Specialized Skill and Knowledge" for greater details.

Intangible Properties

The following is a complete list of trademarks of the Company, and/or controlled subsidiaries of the Company, that have active applications for registration or are registered in the jurisdictions denoted below:

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>TRACE NGB</p> <p>(T TRACE NGB & Design)</p>	1613455	Australia	REGISTERED
 <p>TRACE NGB</p> <p>(T TRACE NGB & Design)</p>	907484778	Brazil	REGISTERED
 <p>TRACE NGB</p> <p>(T TRACE NGB & Design #2)</p>	907484611	Brazil	REGISTERED
BLACKWATER	1494610 / TMA847052	Canada	REGISTERED
BLACKWATER DRINK	1462612 / TMA838319	Canada	REGISTERED
BLACKWATER EXTREME	1541905 / TMA847051	Canada	REGISTERED
THE ORIGINAL BLACKWATER	1520988 / TMA968208	Canada	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design)</p>	1649143 / TMA903579	Canada	REGISTERED
MILLER SPRINGS	1024260 / TMA556073	Canada	REGISTERED
 <p>(VEGGYWATER & Design)</p>	2089804	Canada	PENDING
 <p>(VEGGYWATER & Characters Design)</p>	2089805	Canada	PENDING
BEVCANNA	1887536 / TMA1100040	Canada	REGISTERED
LEV	1983542	Canada	PENDING
ANARCHIST MOUNTAIN	1978732	Canada	PENDING
JASE	1983543	Canada	PENDING
GRÜV	1981484	Canada	PENDING
NATURO AQUA	34141151	China	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
<p>诺雅泉</p> <p>(NATURO AQUA Variation in Chinese Characters)</p>	34158946	China	REGISTERED
TRACE	34152362	China	REGISTERED
<p>璀诗</p> <p>(TRACE Variation in Chinese Characters)</p>	34150812	China	REGISTERED
TRACE BLK	32384019	China	REGISTERED
 <p>(T Design)</p>	16454930	China	REGISTERED
TRACE	37159673	China	REGISTERED
 <p>(T Design)</p>	013767504	European Union	REGISTERED
77 BLACKWATER	302903805	Hong Kong	REGISTERED
<p>77 黑水</p> <p>[77 BLACKWATER (Chinese Characters)]</p>	302903797	Hong Kong	REGISTERED

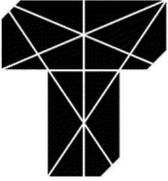
Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design)</p>	302933631	Hong Kong	REGISTERED
 <p>(T TRACE NGB & Design)</p>	D00.2015.010260/ IDM000586930	Indonesia	REGISTERED
 <p>(T TRACE NGB & Design #2)</p>	D00.2015.010262	Indonesia	PENDING
 <p>(T TRACE NGB & Design #3)</p>	D00.2015.010264/ IDM000580552	Indonesia	REGISTERED

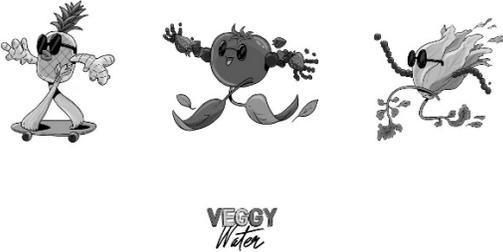
Trademark	Application / Registration Number	Jurisdiction	Status
BLACKWATER	5451969	Japan	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2014-008537 / 5799627	Japan	REGISTERED
TRACE	2013-086148 / 5657319	Japan	REGISTERED
 <p>(T TRACE NGB & Design)</p>	40-2015-13417	Korea	REGISTERED
77 BLACKWATER	N / 83738	Macau	REGISTERED
<p>77 黑水</p> <p>(77 BLACKWATER (Chinese Characters))</p>	N / 83739	Macau	REGISTERED
 <p>(T TRACE NGB & Design #1)</p>	N / 84105	Macau	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design #2)</p>	N / 84106	Macau	REGISTERED
 <p>(T TRACE NGB & Design #3)</p>	N / 88300	Macau	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2015051142	Malaysia	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2015051143	Malaysia	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2015051144	Malaysia	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design)</p>	1465293 / 1462020	Mexico	REGISTERED
 <p>(T TRACE NGB & Design) (#2)</p>	1465294 / 1462021	Mexico	REGISTERED
 <p>(T TRACE NGB & Design) (#3)</p>	1465295 / 1462022	Mexico	REGISTERED
 <p>(T TRACE NGB & Design) (#4)</p>	1465296 / 1462023	Mexico	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2014 709 786 / 576 071	Russia	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design)</p>	40201503170Y	Singapore	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2013 / 30429	South Africa	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2013-30430	South Africa	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2013-30431	South Africa	REGISTERED
 <p>(T TRACE NGB & Design)</p>	2013-30432	South Africa	REGISTERED

Trademark	Application / Registration Number	Jurisdiction	Status
 <p>(T TRACE NGB & Design)</p>	103016241 / 01703826	Taiwan	REGISTERED
 <p>(T Design)</p>	UK00913767504	United Kingdom	REGISTERED
BLACKWATER	87/735,881	USA	PENDING
 <p>(T TRACE NGB & Design)</p>	86/100,882 / 4,834,381	USA	REGISTERED
 <p>(VEGGYWATER & Design)</p>	90/568,244	USA	PENDING

Trademark	Application / Registration Number	Jurisdiction	Status
 (VEGGYWATER & Characters Design)	90/568,258	USA	PENDING
ANARCHIST MOUNTAIN	88/775,462	USA	PENDING
GRÜV	88/775,499	USA	PENDING
LEV	88/775,530	USA	PENDING

Cycles

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

Economic Dependence

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

The Company relies on its direct-to-consumer e-commerce platform from its acquisition of Pure Therapy. The acquisition provided BevCanna a proven e-commerce brand and platform to further expand and launch its own proprietary products directly into the global health and wellness market, including the burgeoning US CBD market. BevCanna projects growth in the brand achieved through new product integration, and by accelerating the growth of the existing natural health products line, leveraging the extensive e-commerce marketing expertise of the existing Pure Therapy team.

The Company and Keef Brands recently established a mutually advantageous partnership, with the Company acting as the exclusive licensee, manufacturing and distribution partner for Keef Brands in Canada, and leveraging the extensive Keef U.S. manufacturing and distribution network to access the U.S. cannabis market, which includes more than 1,000 dispensaries and delivery services across Colorado, California, Arizona, Nevada, Michigan, Oklahoma, and Puerto Rico. The partnership positions the Company for rapid growth within the U.S. market, in anticipation of positive federal regulatory reform with the U.S. federal cannabis legalization.

The Company relies on certain agreements and arrangements in place in order to distribute their product across the world. The acquisition of Exceleer provided the Company access to the European distribution network with significant number of distribution points across Europe and Asia. The acquisition is intended to accelerate the Company's expansion into the EU market. The agreement with Argentia to exclusively represent the Company's line of cannabis-infused beverages in Newfoundland, PEI and New Brunswick provided greater distribution channels in Canada.

Recently, the Company entered into an exclusive sales agency distribution agreement with Yokohama based Mirai Marketing Inc. to bring Naturo's TRACE proprietary plant-based mineral consumer products to Mirai's extensive Japanese and Philippine sales and distribution networks.

Changes to Contracts

The Company does not expect its business to be affected in the current financial year by renegotiation or termination of any contracts or sub-contracts.

Environmental Protection

The Company complies with all applicable relevant governmental regulations.

Employees

As of the date of this AIF, the Company has a total of 16 employees. This number excludes independent contractors who provide services as independent contractors.

Foreign Operations

The Company relies extensively on its new ventures into foreign markets. Through acquisitions and distribution channels, the Company plans to globalize its market share. For current foreign operations, please see certain disclosure in *"Description of the Business – Economic Dependence"* and *"General Development of the Business – Three Year History"*

Lending

The Company's operations generally do not include any lending operations.

Bankruptcy and Similar Procedures

There were no bankruptcy, receivership or similar proceedings involving the Company or its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Company or its subsidiaries, within the three most recently completed financial years, or during or proposed for the current financial year.

Reorganizations

The Company completed the Naturo Acquisition in February 2021. For additional details, see *"General Development of the Business – Naturo Acquisition"*.

Social or Environmental Policies

The Company has not implemented any specific social or environmental policies that are fundamental to the Company's operations. However, the Company ensures that it complies with local environmental laws, Global Food Safety Initiative (GFSI) and Good Manufacturing Practice (GMP) standards and Health Canada compliance standards as applicable to the Company's cannabis products or TRACE brands. As the Company grows, it intends to develop strict policies and guidelines to be following throughout the organization.

5.2 Risk Factors

Investors should carefully consider the risks set out below and other information contained in or incorporated by reference in this AIF, including those risks contained in the AIF under the heading "Risk Factors". The operations of the Company are highly speculative and notably involve risks inherent to the Company's capacity to successfully implement its solutions with the customers it is currently servicing and its ability to market such solutions. The risks and uncertainties set out below and the additional risks and uncertainties incorporated by reference herein are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the

Company currently deems immaterial, may also impair the Company's operations. If any of the risks actually occur, the Company's business, operating results and financial condition. As a result, the trading price of the Common Shares could decline and investors could lose part or all of their investment. The Company's business is subject to significant risks and past performance is no guarantee of future performance.

Global Pandemic (COVID-19)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, leading to an economic downturn. The extent and duration of the COVID-19 pandemic, the reactions of governments, private sector participants and the public to the pandemic and the associated disruption to business and commerce generally, and the extent to which these will continue to affect our business, financial condition and results of operation in particular will all depend on future developments which are highly uncertain and many of which are outside the control of the Company and cannot be predicted with confidence. Such developments include the ultimate geographic spread, intensity and duration of the pandemic (including the possibility of additional waves), potential mutations of the COVID-19 virus, the ability of governments to administer COVID-19 vaccines to the public in a timely manner, new information which may emerge concerning the severity of COVID-19, the effectiveness and intensity of measures to contain COVID-19 or address its impact (including any potential increase in the duration or intensity of restrictions on public gatherings, restrictions on the operation of non-essential businesses), short and longer-term changes to travel patterns or travel restrictions imposed by governments and the other economic impacts of the pandemic and the reactions to it.

Given the uncertainties, we cannot predict the extent or duration of the COVID-19 pandemic and the reactions to it, including the possibility that it may result in a prolonged global recession and may also have the effect of exacerbating the potential impact of the other risks disclosed in this Risk Factors section. The Company cautions that current global uncertainty with respect to the spread of COVID-19 and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of COVID-19 on the Company's business and operations remain unknown, the rapid spread of COVID-19 could have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, all of which may have a material adverse impact on the Company's business, financial condition and operations.

Negative Cash Flow from Operating Activities

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

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

Limited Operating History

The Company was incorporated on July 13, 2017 and has a limited operating history. The Company is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the preliminary stage of operations.

Risk Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of

the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

History of Net Losses

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

Competition

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

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. The demand for products may increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Management of growth

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

Risks Related to Estimations of the Size of the Company's Target Market

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Protection of intellectual property

The Company intends to aggressively assert its rights under trade secret, patents, trademark and copyright laws to protect any intellectual property that it creates, including product design, product research and concepts and recognized trademarks. These rights may be protected through the acquisition of patents and trademark registrations, the maintenance of trade secrets, the development of trade dress, and, where appropriate, litigation against those who are, in the Company's opinion, infringing these rights.

The Company may initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights. In addition, while the Company is not aware that its services or proprietary rights infringe the proprietary rights of third parties, the Company may receive notices from third parties asserting that it has infringed their patents, trademarks, copyrights or other intellectual property rights. Any such claims could be time-consuming, result in costly litigation, cause service stoppages or lead the Company to enter into royalty or licensing agreements rather than disputing the merits of such claims. An adverse outcome in litigation or similar proceedings could subject the Company to significant liabilities to third parties, require expenditure of

significant resources to develop non-infringing technology, require disputed rights to be licensed from others, or require the Company to cease operating its business, any of which could have a material adverse effect on the Company's business, operating results and financial condition.

Legal and Regulatory risk

In Canada, the Cannabis Act came into force on October 17, 2018, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act coming into force, only the sale of medical cannabis was legal. The Cannabis Act and regulations thereunder provides a licensing and regulatory scheme governing the production, importation, exportation, testing, packaging, labelling, delivery, transportation, sale, possession and disposal of cannabis for non-medical (i.e., adult use) use, and medical use. Further, on October 17, 2019, targeted amendments to the Cannabis Act and Cannabis Regulations came into force, adding three new authorized classes of cannabis for sale: edibles, extracts and topicals.

The Company is dependent upon regulatory approvals and licences for its ability to grow, process, package, store and sell its products. Achievement of the Company's business objectives are contingent, in part, upon ongoing compliance with regulatory requirements implemented by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Further, BevCanna is subject to ongoing inspections by Health Canada to monitor BevCanna's compliance with its licencing requirements. BevCanna's existing licences and any new licences that it may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time in the event that BevCanna is found not to comply. Should BevCanna fail to comply with the applicable regulatory requirements or with conditions set out under its licences or should its licences be revoked, BevCanna may not be able to continue producing or distributing cannabis in Canada.

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

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

Transportation Risks

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

Risks Inherent in an Agricultural Business

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

Shelf Life Inventory

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

Political Risks

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

Litigation Risk

All industries are subject to legal claims, with and without merit. We may be, from time to time, involved in various claims, legal proceedings and complaints or dispute resolution arising in the ordinary course of business. Defence and settlement costs can be substantial, even for claims that are without merit. Due to the inherent uncertainty of the litigation process, the litigation or dispute resolution process could take away from management time and effort and the resolution of any particular legal proceeding to which we may become subject could have a material adverse effect on our business, results of operations and financial position.

Restrictions on Sales Activities

The cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

Unfavourable Publicity or Consumer Protection

The Company believes the cannabis is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise

even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Reputation Loss

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

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

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

Product Development

The medical and Adult-Use cannabis industries are in their early stages of development and it is likely that the Company, and its competitors, will seek to introduce new products in the future including Cannabis 2.0 products. In

attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. As well, the Company may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Brand Promotion

A critical component of the Company's future growth is its ability to promote and sustain its brands, which it believes can be achieved by providing a high-quality user experience. An important element of the Company's brand promotion strategy is establishing a relationship of trust with its consumers. In order to provide a high-quality user experience, the Company has invested and will continue to invest substantial amounts of resources in the development of products, infrastructure, fulfilment and customer service operations. If the Company's consumers are dissatisfied with the quality of the products sold to them or the customer service they receive and their overall customer experience, the Company's consumers may stop purchasing products from it.

The Company is Reliant on its Facilities

The Company's activities and resources are focused on its Production Facility. The Company's current licences under the Cannabis Act are specific to this facility. Adverse changes or developments affecting the Company's facilities, including but not limited to disease or infestation of the Company's crops, a fire, an explosion, a power failure, a natural disaster or a material failure of the Company's security infrastructure, could reduce or require it to entirely suspend its production of cannabis. A significant failure of the Company's site security measures and other facility requirements, including any failure to comply with regulatory requirements, could have an impact on its ability to continue operating under its cannabis licences or its prospects of renewing its cannabis licences, and could also result in a suspension or revocation of the cannabis licences. The Company's facilities continue to operate with routine maintenance. The Company will bear many, if not all, of the costs of maintenance and upkeep of the facilities, including replacement of components over time. The Company operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements. Certain contemplated capital expenditures of the Company may require Health Canada approval. There is no guarantee that Health Canada will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of operations of the Company.

Vulnerability to Rising Energy Costs

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

Operating Risk and Insurance Coverage

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

Reliance on Key Personnel and Advisors

The success of the Company will be largely dependent upon the performance of its key officers, consultants, and employees. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Additional financing

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

Potential Volatility of Market Price of Shares

Securities traded on the CSE have, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Shares.

In addition, the market price of the Shares is likely to be highly volatile. Factors that could cause fluctuation in the market price of the Shares include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally or those in our industry in particular;
- sales of Shares by our shareholders;
- changes in the financial projections or outlook of the Company, as provided publicly, or our failure to meet such projections;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements and filings with securities commissions;
- rumours and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws and regulations applicable to our business;
- any significant change in our management;
- the current outbreak of COVID-19 and any future emergency and spread of similar pathogens;
- general economic conditions and slow or negative growth of our markets; and
- other events and factors outside of the Company's control.

The Company is unable to predict whether substantial amounts of Shares will be sold in the open market. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares. In assessing the risk of an investment in the Company's Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of the Company. An investment in our Shares is suitable only for those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment.

PART 6 DIVIDENDS AND DISTRIBUTIONS

The Company has not declared any cash dividends on its Shares since its inception and intends to retain its earnings to finance growth and expand its operations. It does not anticipate paying any dividends on its Shares or on any other classes of its securities in the foreseeable future.

Under the BCBCA, the Company may declare or pay a dividend in property, including in money, unless there are reasonable grounds for believing that the Company is insolvent, or the payment of the dividend would render the Company insolvent.

PART 7 DESCRIPTION OF CAPITAL STRUCTURE

7.1 Common Shares

The authorized capital of the Company consists of an unlimited number of Shares without par value and without special rights and restrictions. As at August 30, 2021, 176,173,351 Shares were issued and outstanding.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of the Company, are entitled to receive such dividends in any financial year as the Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common

Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

7.2 Constraints

There are no constraints on the ownership of securities of the Company.

7.3 Ratings

Neither the Company, nor any of its subsidiaries, has received any ratings.

PART 8 MARKET FOR SECURITIES

8.1 Trading Price and Volume

The Shares have been listed on the CSE under the trading symbol “BEV” since July 2, 2019. The following table sets forth the reported intraday high and low prices and the trading volume for the Shares on the CSE, as applicable, on a monthly basis for each month of the financial year ended December 31, 2020 and to the date of this AIF:

Month	High (\$)	Low (\$)	Volume Traded
August 1, 2021 to August 30, 2021	0.51	0.36	3,135,888
July 2021	0.55	0.455	4,253,828
June 2021	0.69	0.48	4,462,066
May 2021	0.78	0.45	7,644,889
April 2021	0.98	0.65	5,787,220
March 2021	1.05	0.80	12,680,117
February 2021	1.47	0.80	19,788,691
January 2021	1.27	0.74	19,346,331
December 2020	1.07	0.44	23,712,769
November 2020	0.52	0.29	20,404,051
October 2020	0.36	0.21	24,868,148
September 2020	0.275	0.19	6,408,897
August 2020	0.25	0.175	2,946,436
July 2020	0.325	0.225	6,663,979
June 2020	0.33	0.245	1,663,160
May 2020	0.355	0.30	1,272,981
April 2020	0.25	0.37	4,712,918
March 2020	0.42	0.205	3,321,248
February 2020	0.53	0.32	9,120,218
January 2020	0.43	0.335	1,988,306

8.2 Prior Sales

Except as disclosed in the table below, during the year ended December 31, 2020 and to the date of this AIF, the Company did not issue any class of securities other than the Shares.

Security	Date of Issuance	Number of Securities	Issue Price or Exercise Price per Security (\$)	Expiry Date (if applicable)
Options ⁽¹⁾	January 23, 2020	100,000	\$0.50	January 23, 2023
Options ⁽¹⁾	March 25, 2020	2,566,667	\$0.50	March 25, 2023
Debentures ⁽²⁾	April 14, 2020	(see note 2)		April 14, 2023
Options ⁽¹⁾	July 20, 2020	500,000	\$0.30	July 20, 2020
Options ⁽¹⁾	September 18, 2020	500,000	\$0.30	September 18, 2022
Warrants ⁽³⁾	September 18, 2020	844,800	\$0.40	September 18, 2022
Warrants ⁽⁴⁾	October 6, 2020	231,000	\$0.30	October 6, 2021
Options ⁽¹⁾	October 6, 2020	100,000	\$0.30	October 6, 2022
Warrants ⁽⁵⁾	October 23, 2020	500,000	\$0.40	October 23, 2022
Options ⁽¹⁾	November 20, 2020	7,200,000	\$0.40	November 20, 2021
Options ⁽⁶⁾	November 20, 2020	600,000	\$0.40	November 20, 2022
Options ⁽¹⁾	December 4, 2020	700,000	\$0.40	December 4, 2022
Warrants ⁽⁷⁾	January 8, 2021	2,333,333	\$2.00	January 8, 2022
Options ⁽¹⁾	February 8, 2021	100,000	\$1.00	February 8, 2022
Naturo Options ⁽⁸⁾	February 22, 2021	450,000	\$0.25	July 31, 2024
Naturo Warrants ⁽⁹⁾	February 22, 2021	26,250,000	\$0.50	August 19, 2021
Naturo Debentures ⁽¹⁰⁾	February 22, 2021	(see note 10)	\$0.40	January 27, 2023
Options ⁽¹¹⁾	April 19, 2021	1,000,000	\$1.50	May 19, 2023

(1) All of these Options vested immediately.

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

(3) On September 18, 2020, the Company completed a Unit Offering. Each Unit was comprised of one Common Share and one Warrant with each Warrant exercisable into one Common Share at an exercise price of \$0.40 per Share until September 18, 2022.

(4) On October 6, 2020, the Company completed a Unit Offering. Each Unit was comprised of one Common Share and one Warrant with each Warrant exercisable into one Common Share at an exercise price of \$0.30 per Share until October 6, 2021.

(5) On October 23, 2020, the Company completed a Unit Offering. Each Unit was comprised of one Common Share and one-half of one Warrant with each full Warrant exercisable into one Common Share at an exercise price of \$0.40 per Share until October 23, 2022.

(6) Of the 600,000 Options, 300,000 Options are exercisable for a period of two years and one-fourth vest on date of grant and one-fourth will vest every three months thereafter, the remaining 300,000 Options will vest based upon achieving certain performance milestones.

- (7) On January 8, 2021, the Company completed a Unit Offering. Each Unit was comprised of one Common Share and one Warrant with each full Warrant exercisable into one Common Share at an exercise price of \$2.00 per Share until January 8, 2022. These Warrants are subject to an acceleration provision of the Company whereby, in the event of the Common Shares have a closing price on the CSE (or such other exchange on which the Shares may be traded at such time) of greater than \$2.25 per Common Share for a period of 5 consecutive trading days at any time after four months and one day from the closing of this Unit Offering, the Company may accelerate the expiry date of the Warrants by giving notice via news release to the holders thereof and, in such case, the Warrants will expire on the 30th day after the date on which the news release is disseminated by the Company.
- (8) For details, see “General Development of the Business – Naturo Acquisition”
- (9) For details, see “General Development of the Business – Naturo Acquisition”
- (10) For details, see “General Development of the Business – Naturo Acquisition”
- (11) The Company entered into a sales agency agreement with a consultant to provide sales agent and promotion services. The Company granted 1,000,000 Options to the consultant and the Options vest based on certain revenue performance conditions.

PART 9 ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table summarizes the Company’s securities that remain in escrow or subject to restrictions on transfer as of the date hereof:

Designation of Class	Number of Securities held in Escrow or that are subject to a Contractual Restriction on Transfer	Percentage of class
Common Shares	9,858,723 ⁽¹⁾	5.60% ⁽²⁾

- (1) 713,117 Common Shares are subject to the Escrow Agreement pursuant to NP 46-201; 2,564,254 Common Shares are subject to the Voluntary Escrow Agreement on a voluntary basis with escrow restrictions on the same basis as those imposed by NP 46-201; and 6,581,352 Common Shares are subject to voluntary escrow agreements entered into by shareholders in connection with the Naturo Acquisition.
- (2) Percentage based on 176,173,351 Common Shares issued and outstanding as of the date of this AIF.

PART 10 DIRECTORS AND EXECUTIVE OFFICERS

10.1 Name, Occupation and Security Holding

The table below sets out certain information regarding the directors and executive officers of the Company as at the date of this AIF. The directors of the Company are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with the Company’s articles or until such director’s earlier death, resignation or removal.

Name Province/State Country of Residence and Position(s) with the Company ⁽¹⁾	Principal Occupation during past Five Years ⁽²⁾	Periods during which Director or Executive Officer has Served	Number and Percentage of Common Shares Owned, or Controlled or Directed ⁽²⁾
Marcello Leone ⁽³⁾ Vancouver, BC <i>CEO, Chairman and Director</i>	Since its inception, Mr. Leone has been the CEO and a director of the Company. From March 2013 until its acquisition by the Company in February 2021, Mr. Leone was a director and CEO of Naturo Group Investments Inc., a private British Columbia corporation that holds the Trace and Blackwater brands of nutritional water beverages. Mr. Leone is also the founder of Naturo Group Investments Inc.	September 13, 2018 to present (Director and Officer)	1,232,979 0.70%

Name Province/State Country of Residence and Position(s) with the Company ⁽¹⁾	Principal Occupation during past Five Years ⁽²⁾	Periods during which Director or Executive Officer has Served	Number and Percentage of Common Shares Owned, or Controlled or Directed ⁽²⁾
Martino Ciambrelli Vancouver, BC <i>Director</i>	Since 2013 until its acquisition by the Company in February 2021, Mr. Ciambrelli was a director and the President of Naturo Group Investments Inc. Mr. Ciambrelli has 35 years of experience in sales development and management of consumer brands with a focus on the food and beverage industry. From July 2011 to February 2013, he served as Director of Business Development, Pacific at AirSprint Inc. From March 2001 to July 2011, he served as Regional Manager of Western Canada at Johnvince Foods. His experience includes work with Pepsi Co, Hostess/Frito Lay, Chupa Chups, Lindt, Ricola and JVF Planters.	November 14, 2018 to present (Director) September 13, 2018 to March 3, 2021 (President)	495,000 ⁽⁴⁾ 0.28%
Phil Fontaine ⁽³⁾ Calgary, Alberta <i>Director</i>	Mr. Fontaine (O.C. O.M.) is the former National Chief of the Assembly of First Nations. He is the longest serving National Chief in the Assembly's history and the only one to be elected for three terms. He was instrumental in negotiating the Indian Residential Schools Settlement agreement, which is the largest class action settlement in Canadian history. He is a citizen of the Sagkeeng First Nation in Manitoba. Mr. Fontaine holds honorary doctorate degrees from Brock University, the University of Windsor, Lakehead University, the University of Winnipeg, the Royal Military College of Canada, the University of Manitoba, Brandon University, the University of Calgary, Guelph University, the University of New Brunswick, Niagara University of New York State, the University of Western Ontario, Ryerson University, Queen's University and Laurentian University. Mr. Fontaine also acts as a Senior Advisor to the Royal Bank of Canada.	May 10, 2021 to present	Nil ⁽⁵⁾ 0.00%
John Campbell ⁽³⁾ Vancouver, BC <i>Chief Strategy Officer, CFO, Corporate Secretary and Director</i>	From September 2018 to July 2019 and from January 2020 to present, Mr. Campbell has served as the Chief Financial Officer of the Company. Since 2011, Mr. Campbell has been the Chairman and Chief Financial Officer of Triview Capital Ltd. Since July 2016, Mr. Campbell has served as a director of Sixty North Gold Mining Ltd., a company listed on the CSE. From August 2013 until December 2014, Mr. Campbell served as the Managing Director of Second City Capital Partners. Mr. Campbell is a member of the Chartered Professional Accountants of British Columbia, a certified public accountant (Illinois – non - practicing), and a Chartered Financial Analyst (Illinois – non – practicing). Mr. Campbell has over 30 years of investment management experience as a securities analyst, investment banker, M&A specialist, and money manager with Camlin Asset Management Ltd., CWC Capital Ltd., Pemberton Securities and The Jim Pattison Group. He was also an adjunct professor of Simon Fraser University teaching the MBA entrepreneurial program.	September 13, 2018 to present (Director) November 1, 2018 to present (Chief Strategy Officer) September 13, 2018 to July 29, 2019 (CFO) January 24, 2020 to Present (CFO and Corporate Secretary)	2,135,863 ⁽⁶⁾⁽⁷⁾ 1.21%
Melise Panetta Harley, Ontario <i>President</i>	Ms. Panetta has been the President of the Company since March 2021. Ms. Panetta is a highly experienced sales, marketing and commercial leader within the consumer-packaged goods sector, having held senior and executive roles at global companies such as General Mills, PepsiCo and S.C. Johnson. She has also led commercial efforts in the cannabis space as Sproutly Canada's Chief Commercial Officer.	March 3, 2021 to present	56,931 ⁽⁸⁾⁽⁹⁾ 0.03%
Total:			3,920,773

⁽¹⁾ The Company has derived the information with respect to securities ownership from the SEDI profiles of the respective directors and officers as at the date of this AIF.

- (2) Based on 176,173,351 Common Shares issued and outstanding as of the date of this AIF on an undiluted basis. Such amount does not include securities held by the directors and executives that are convertible or exercisable into Common Shares.
- (3) Member of the Audit Committee.
- (4) Does not include 625,000 Options held by Mr. Ciambrelli as of the date of this AIF.
- (5) Does not include 300,000 Options held by Mr. Fontaine as of the date of this AIF.
- (6) Does not include 675,000 Options held by Mr. Campbell as of the date of this AIF.
- (7) Includes 1,389,500 Common Shares held jointly with Shen-Wen Lin.
- (8) Does not include 600,000 Options held by Ms. Panetta as of the date of this AIF.
- (9) Includes 25,975 Common Shares held indirectly by Ms. Panetta through Melise Panetta Consulting, a company controlled by Ms. Panetta.

As of the date of this AIF, the directors and executive officers of the Company beneficially own, or control or direct, directly or indirectly, as a group 3,920,773 Shares representing approximately 2.22% of all outstanding Shares on an undiluted basis.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

To the best of management's knowledge, no director or executive officer of the Company is, or within the ten years before the date of this AIF has been, a director, chief executive officer or chief financial officer of any company that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued while the director or executive officer was acting in the capacity of director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the best of management's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets: or
- (b) has, within ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties and Sanctions

To the best of management's knowledge, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

10.3 Conflicts of Interest

The Company may from time to time become involved in transactions which conflict with the interests of the directors and the officers of the Company or the interest of these persons could conflict with those of the Company. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interest of the Company.

PART 11 PROMOTERS

Each of Messrs. Leone, Campbell and Ciambrelli is a promoter of the Company within the meaning of applicable securities laws, each respectively controlling 0.70%, 1.22% and 0.28% of the outstanding Common Shares of the Company.

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

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

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

PART 12 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

12.1 Legal Proceedings

There were no material legal proceedings that the Company is or was a party to, or that any of its property is or was subject of, during the year ended December 31, 2020 and to the date of this AIF.

12.2 Regulatory Actions

There have not been any:

- (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the year ended December 31, 2020 and to the date of this AIF and any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely to be considered important to a reasonable investor in making an investment decision; and
- (b) settlement agreements that the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the year ended December 31, 2020 and to the date of this AIF.

PART 13 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except for transactions and private placements of securities as disclosed herein, no: (a) director or executive officer of the Company; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Shares; or (c) any associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company, other than an interest arising solely from the ownership of Shares where such person received no extra or special benefit or advantage not shared on a pro rata basis by all shareholders.

PART 14 TRANSFER AGENTS AND REGISTRARS

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

PART 15 MATERIAL CONTRACTS

Other than those listed below and those entered into in the ordinary course of the Company's business, there are no material contracts of the Company which were entered into in the most recently completed financial year or which were entered into before the most recently completed financial year but are still in effect as of the date of this AIF.

- The Carmanah Agreement. Please see *"General Development of the Business – Three Year History - 2020"* for more information.
- The Exceler Agreement. Please see *"General Development of the Business – Three Year History - 2020"* for more information.
- The Pure Therapy Agreement. Please see *"General Development of the Business – Three Year History - 2020"* for more information.
- The Naturo Amalgamation Agreement. Please see *"General Development of the Business – Three Year History – 2020 and Subsequent to December 31, 2020"* for more information.

PART 16 INTERESTS OF EXPERTS

Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, are the Company's auditors and have prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2020 and the year ended December 31, 2019. Dale Matheson Carr-Hilton Labonte LLP report that they are independent of the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

PART 17 ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans are contained in the Company's information circular for the Company's most recent annual meeting of shareholders held on December 9, 2020. The information circular is available on SEDAR at www.sedar.com. Additional financial information is provided in the Company's annual audited consolidated financial statements and management's discussion & analysis for the year ended December 31, 2020.

The Audit Committee Charter

The text of the audit committee charter (the **"Audit Committee Charter"**) is attached as Schedule A to this AIF.

Composition of the Audit Committee

The Company's Audit Committee is currently comprised of three directors, consisting of Marcello Leone (Chair), John Campbell and Phil Fontaine. Mr. Fontaine is "independent" as defined in NI 52-110. All of the Audit Committee

members are “financially literate”, as defined in NI 52-110, as all have the industry experience necessary to understand and analyze financial statements of the Company, as well as the understanding of internal controls and procedures necessary for financial reporting.

The Audit Committee is responsible for review of both interim and annual financial statements for the Company. For the purposes of performing their duties, the members of the Audit Committee have the right at all times, to inspect all the books and financial records of the Company and any subsidiaries and to discuss with management and the external auditors of the Company any accounts, records and matters relating to the financial statements of the Company. The Audit Committee members meet periodically with management and annually with the external auditors.

Relevant Education and Experience

For a summary of the experience and education of the Audit Committee members see “*Director and Executive Officers – Name, Occupation and Security Holding*” above.

Reliance on Certain Exemptions

At no time since incorporation has the Company relied on the exemption provided in section 2.4 of NI 52-110 (De Minimis Non-Audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions). It is not anticipated that the Company will rely on any of the above exemptions.

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of NI 52-110.

Audit Committee Oversight

At no time since incorporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the audit committee. It is not anticipated that the Company will adopt specific policies and procedures.

External Auditor Service Fees

In the following table, “audit fees” are fees billed by the Company’s external auditor for services provided in auditing the Company’s annual financial statements for the subject year. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of the Company’s financial statements. “Tax fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All other fees” are fees billed by the auditor for products and services not included in the foregoing categories.

The aggregate fees billed by the Company’s external auditor during the year ended December 31, 2020 and the year ended December 31, 2019, by category, are as follows:

Financial Year Ended	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
Year Ended December 31, 2020	\$55,000	\$671	N/A	Nil
Year Ended December 31, 2019	\$61,000	\$457.50	\$2,400	Nil

⁽¹⁾ “Audit Fees” include fees necessary to perform the annual audit of the Company’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial

statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services.

SCHEDULE "A"

BevCanna Enterprises Inc. (the "Corporation")

AUDIT COMMITTEE CHARTER

1. MANDATE

The audit committee will assist the board of directors of the Corporation (the "Board") in fulfilling its financial oversight responsibilities. The committee will review and consider, in consultation with the Corporation's external auditors, the financial reporting process, the system of internal control over financial reporting and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Corporation's business, operations and risks.

2. COMPOSITION

The Board will appoint, from among their membership, an audit committee after each annual meeting of the shareholders of the Corporation. The audit committee will consist of a minimum of three directors.

2.1 *Independence*

A majority of the members of the audit committee must be "independent" (as defined in Sec. 1.4 of National Instrument 52-110 (Audit Committees)) ("**NI 52-110**").

2.2 *Expertise of Committee Members*

A majority of the members of the audit committee must be "financially literate" (as defined in Sec. 1.6 of NI 52-110) or must become financially literate within a reasonable period of time after their appointment to the committee. At least one member of the committee must have accounting or related financial management expertise.

3. MEETINGS

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Corporation's Chief Financial Officer and external auditors in separate executive sessions.

4. ROLES AND RESPONSIBILITIES

The audit committee shall fulfill the following roles and discharge the following responsibilities:

4.1 *External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, or performing other audit, review or attestation services, including the resolution of disagreements between management and the external auditors regarding financial reporting. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board that the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation;

- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors;
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards; and
- (f) review and approve the Corporation's hiring policies regarding partners and employees, and former partners and employees, of the present and former external auditor of the Corporation.

4.2 Internal Control

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

4.3 Financial Reporting

The audit committee shall review the financial statements and financial information of the Corporation prior to their release to the public. In carrying out this duty, the audit committee shall:

General

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions;
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate;

Annual Financial Statements

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered;
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public;

Interim Financial Statements

- (f) review and approve the interim financial statements prior to their release to the public;
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public; and

Release of Financial Information

- (h) where reasonably possible, review and approve all public disclosure containing financial information, including news releases, prior to release to the public. An audit committee must be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and must periodically assess the adequacy of those procedures.

4.4 Non-Audit Services

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the audit committee.

Delegation of Authority

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

De-Minimis Non-Audit Services

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
 - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
 - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Pre-Approval Policies and Procedures

- (c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
 - (i) the pre-approval policies and procedures are detailed as to the particular service;
 - (ii) the audit committee is informed of each non-audit service; and
 - (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

4.5 Other Responsibilities

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;

- (c) ensure that significant findings and recommendations made by management and the external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

4.6 Reporting Responsibilities

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

5. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

6. GUIDANCE – ROLES & RESPONSIBILITIES

The audit committee should consider undertaking the actions described in the following guidance, which is intended to provide the audit committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

6.1 Internal Control

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management;

6.2 Financial Reporting

General

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Corporation's adoption of them;

Annual Financial Statements

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee;

Interim Financial Statements

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements;
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
 - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
 - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
 - (iii) generally accepted accounting principles have been consistently applied;
 - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
 - (v) there are any significant or unusual events or transactions;
 - (vi) the Corporation's financial and operating controls are functioning effectively;
 - (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
 - (viii) the interim financial statements contain adequate and appropriate disclosures;

6.3 Compliance with Laws and Regulations

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";

- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges; and

6.4 Other Responsibilities

- (a) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.