

51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

BevCanna Enterprises Inc. (the “**Company**”)
PO Box 33957 Vancouver D CSC
Vancouver, BC, V6J 4L7

Item 2 Date of Material Change

January 28, 2022.

Item 3 News Release

The news release dated January 28, 2022 was disseminated via Businesswire.

Item 4 Summary of Material Change

The Company announced the closing of its acquisition of solventless cannabis extraction and delivery technology provider Embark Health Inc. (“**Embark**”).

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

The Company announced the closing of its acquisition of solventless cannabis extraction and delivery technology provider Embark.

This acquisition was pursuant to the agreement dated September 19, 2021, as amended November 12, 2021 (the “**Agreement**”), by and among Embark, 1323977 B.C. Ltd. (“**Subco**”), a wholly-owned subsidiary of the Company, Bruce Dawson-Scully, in his capacity as shareholder representative and not in his personal capacity, and certain shareholders of Embark, pursuant to which the Company acquired all of the issued and outstanding securities of Embark (each an “**Embark Security**”) by way of a three-cornered amalgamation (the “**Transaction**”) as previously announced on September 20, 2021.

Transaction Details

Pursuant to the Agreement, the Company acquired all of the issued and outstanding Embark Securities by way of a “three-cornered” amalgamation (the “**Amalgamation**”) whereby Subco, a wholly-owned subsidiary of the Company, and Embark amalgamated pursuant to the provisions of the *Business Corporations Act* (British Columbia) to form one corporation.

Pursuant to the Amalgamation, the Company issued to holders (each, a “**Embark Shareholder**”) of common shares of Embark (each an “**Embark Share**”) an aggregate of 54,926,021 common shares of the Company (each, a “**Company Share**”, and such Company Shares issued as consideration for the Transaction, (the “**Consideration Shares**”) as consideration for the purchase price of \$21M, plus an estimated closing working capital adjustment of \$3,716,705. The purchase price is subject to a final working capital adjustment to be determined within 90 days of closing. The Consideration Shares are subject to voluntary resale restrictions, with 1/12th of the Consideration Shares being released from the resale restriction on the last day of each month following the closing of the Amalgamation (the “**Closing**”) for a period of one year.

The Amalgamation also provided for the issuance of preferred shares of the Company to each Embark Shareholder which entitle the holders to receive earn-out payments of an aggregate of up to \$9,199,442,

contingent upon Embark achieving up to \$92,178,280 EBITDA over the next three completed financial years following the Closing. The earn-out payments will be made by the issuance of Company Shares pursuant to conversion of the preferred shares (at a rate equal to the then current 5-day VWAP), redemption of preferred shares for cash, or a combination of both conversion and redemption, at the Company's sole discretion.

In connection with the Closing, each warrant of Embark (each, an "**Embark Warrant**") which was issued and outstanding immediately prior to the Closing was cancelled and its holder received, in exchange therefor, a number of warrants (each, a "**Replacement Warrant**") to purchase one Company Share dependent on the exercise price of the Embark Warrant. Each Replacement Warrant entitles the holder to acquire a Company Share (each, a "**Warrant Share**") at a price of \$1.47 per Warrant Share for a period of two years from the Closing.

All of the securities issued in the Transaction were issued pursuant to an exemption from applicable securities laws. No finder's fee was paid in connection with the Transaction. There has been no change in management of the Company on closing.

The material change is fully described in Item 4 above and in the attached news release which has been filed on SEDAR.

5.2 *Disclosure for Restructuring Transactions*

Not Applicable.

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

N/A

Item 7 Omitted Information

None

Item 8 Executive Officer

John Campbell, Chief Financial Officer
Telephone: 1-604-569-1414

Item 9 Date of Report

January 28, 2022.

BevCanna Closes Acquisition of Solventless Cannabis Extraction and Delivery Technology Provider Embark Health Inc.

Acquisition will be a robust driver of growth for BevCanna and will accelerate its already strong growth trajectory

VANCOUVER, BC, January 28, 2022. Innovative health and wellness beverages and products company, [BevCanna Enterprises Inc. \(CSE:BEV, Q:BYNNE, FSE:7BC\)](#) (“BevCanna” or the “Company”) announces today the closing of its acquisition of solventless cannabis extraction and delivery technology provider Embark Health Inc. (“Embark”).

This acquisition was pursuant to the agreement dated September 19, 2021, as amended November 12, 2021 (the “Agreement”), by and among Embark, 1323977 B.C. Ltd. (“Subco”), a wholly-owned subsidiary of BevCanna, Bruce Dawson-Scully, in his capacity as shareholder representative and not in his personal capacity, and certain shareholders of Embark, pursuant to which BevCanna acquired all of the issued and outstanding securities of Embark (each an “Embark Security”) by way of a three-cornered amalgamation (the “Transaction”) as previously announced on September 20, 2021.

“Completing the acquisition of Embark Health is a significant milestone in BevCanna’s strategic transformation into a diversified health and wellness company,” said John Campbell, CFO and Chief Strategic Officer of BevCanna. “Embark’s solventless cannabis extraction and enhanced delivery technology will be a robust driver of growth for the Company, further diversifying our unique portfolio of brands and adding valuable intellectual property and four innovative adult-use cannabis brands to our range of offerings.”

“The acquisition also bolsters BevCanna’s balance sheet,” noted Mr. Campbell. “Embark brings \$17 million in tangible and intangible assets, including direct ownership of \$11 million in equipment and the use of a modern production facility in Delta, BC.¹ This acquisition brings BevCanna to over \$100 million in unaudited assets on the balance sheet and \$2.9 million in long-term liabilities.”

Deal Highlights:

- The combined entity will have over \$100M in assets on the balance sheet and \$2.9 million in long-term liabilities.
- Adds a unique range of valuable brands, across all three cannabis 2.0 categories, that enables BevCanna to sell differentiated and complementary adult-use and wellness products
 - includes the “Hazel” Hash Stick, to which BevCanna now holds the exclusive worldwide license, and is the first-of-its-kind in Canadian market.
- Adds a state-of-the-art production facility in Delta, BC, with \$17M¹ in tangible and intangible assets including direct ownership of \$11M¹ in equipment.
- The deemed price of the BevCanna Shares being issued to former Embark securityholders in the transaction is \$0.45 per share, which represents a 146 per cent premium to the volume weighted average trading price of the BevCanna Shares on the CSE for the five trading days preceding the date of this announcement.
- Bolsters beverage portfolio with the addition of proprietary nanotechnology and rapid onset delivery technology for beverage, topical and edible products, allowing BevCanna to vertically integrate its supply for select in-house and white-label clients.
- Adds innovative solventless extraction technology that enables BevCanna to offer hash, bubble hash, live rosin and other adult-use cannabis products.

- Adds experienced management and operations team members who are pioneers in cannabis, extraction, and drug delivery technology, including:
 - Bruce Dawson-Scully, Founder and Chief Executive Officer of WeedMD (TSXV:ENTG)
 - Marcus “Bubbleman” Richardson, best known as the founding pioneer of bubble hash
 - Michael West, global extraction expert who developed, designed, and built more than a dozen world class extraction facilities for companies such as Cresco Labs (CSE:CL)
- Diversifies the business between cannabis and wellness with an emphasis on novel technology and high-growth product categories.
- Enables cross-utilization of existing licenses, including:
 - Health Canada-issued adult-use sales license that gives BevCanna the ability to sell its products directly to provincial distribution boards across Canada.
 - Health Canada-issued medical sales license that allows for expanded distribution of direct-to-customer.
- Exposure to the protein-enhanced and functional food industry with majority ownership of ProteinQuest, which produces a wide range of proprietary hemp seed-derived protein powders, cooking oils, and beverages.

¹ *Unaudited*

About Embark Health Inc.

Embark has extensive manufacturing and intellectual property assets related to high-end solventless cannabis extracts, including bubble hash, traditional pressed hash, rosin, dry sift and its innovative and best-selling Hazel Hash Stick. Embark is also equipped to produce a range of cannabis concentrates, liquid and powder beverage mixes, topicals and edible products.

With four adult-use brands in the Canadian marketplace, across all three cannabis 2.0 product categories that feature the solventless and enhanced delivery, Embark boasts a complete adult-use product offering that includes beverages, topicals, solventless extracts and hash. Embark is also the majority owner of ProteinQuest, which applies Embark's innovative and proprietary technology to the protein-enhanced and functional food industries with initial commercial products utilizing hemp seed, positioning it for further growth in the health and wellness industry.

Transaction Details

Pursuant to the Agreement, BevCanna acquired all of the issued and outstanding Embark Securities by way of a “three-cornered” amalgamation (the “Amalgamation”) whereby Subco, a wholly-owned subsidiary of BevCanna, and Embark amalgamated pursuant to the provisions of the *Business Corporations Act* (British Columbia) to form one corporation.

Pursuant to the Amalgamation, BevCanna issued to holders (each, a “Embark Shareholder”) of common shares of Embark (each an “Embark Share”) an aggregate of 54,926,021 common shares of BevCanna (each a “BevCanna Share”, and such BevCanna Shares issued as consideration for the Transaction, the “Consideration Shares”) as consideration for the purchase price of \$21M, plus an estimated closing working capital adjustment of \$3,716,705. The purchase price is subject to a final working capital adjustment to be determined within 90 days of closing. The Consideration Shares are subject to voluntary resale restrictions, with 1/12th of the Consideration Shares being released from the resale restriction on the last day of each month following the closing of the Amalgamation (the “Closing”) for a period of one year.

The Amalgamation also provided for the issuance of preferred shares of BevCanna to each Embark Shareholder which entitle the holders to receive earn-out payments of an aggregate of up to \$9,199,442, contingent upon Embark achieving up to \$92,178,280 EBITDA over the next three completed financial years following the Closing. The earn-out payments will be made by the issuance of BevCanna Shares pursuant to conversion of the preferred shares (at a rate equal to the then current 5-day VWAP), redemption of preferred shares for cash, or a combination of both conversion and redemption, at BevCanna's sole discretion.

In connection with the Closing, each warrant of Embark (each, an "Embark Warrant") which was issued and outstanding immediately prior to the Closing was cancelled and its holder received, in exchange therefor, a number of warrants (each, a "Replacement Warrant") to purchase one BevCanna Share dependent on the exercise price of the Embark Warrant. Each Replacement Warrant entitles the holder to acquire a BevCanna Share (each, a "Warrant Share") at a price of \$1.47 per Warrant Share for a period of two years from the Closing.

All of the securities issued in the Transaction were issued pursuant to an exemption from applicable securities laws. No finder's fee was paid in connection with the Transaction. There has been no change in management of BevCanna on closing.

This news release does not constitute an offer to sell or a solicitation of an offer to buy the securities described herein in the United States. The securities described herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Act"), or any state securities laws and may not be offered or sold in the United States or to the account or benefit of a U.S. person absent an exemption from the registration requirements of such Act.

About BevCanna Enterprises Inc.

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

Based in British Columbia, Canada, BevCanna owns a pristine alkaline spring water aquifer and a high capacity 40,000-square-foot, HACCP certified manufacturing facility, with a bottling capacity of up to 210M bottles annually. BevCanna's extensive distribution network includes more than 3,000 points of retail distribution through its market-leading TRACE brand, its Pure Therapy natural health and wellness e-commerce platform, its fully licensed Canadian cannabis manufacturing and distribution network, and a partnership with #1 U.S. cannabis beverage company Keef Brands.

Forward-Looking Disclaimer

This news release contains forward-looking statements. All statements, other than statements of historical fact that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements in this news release include statements regarding: the positive impact of the Transaction on BevCanna's beverage portfolio; the prospective synergies between the business of BevCanna and Embark; the integration of Embark's technology in BevCanna's supply chain; the projected growth of BevCanna as a result of the Transaction; and the growth of Embark in the health and wellness industry. The forward-looking statements reflect management's current expectations based on information currently available and are subject to a number of risks and uncertainties that may cause outcomes to differ materially from those discussed in the forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to their inherent uncertainty. Factors that could cause actual results or events to differ materially from current expectations include, among other things: changes in consumer perception of the cannabis industry; general market conditions; risks associated with the COVID-19 pandemic; and other

factors beyond the control of the parties. BevCanna expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law, and the Company does not assume any liability for disclosure relating to any other company mentioned herein.

This news release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about BevCanna's expected increase in assets on a post-Closing basis, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set out in the above paragraphs. The actual financial results of BevCanna on a post-Closing basis may vary from the amounts set out herein and such variation may be material. BevCanna and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, BevCanna undertakes no obligation to update such FOFI. FOFI contained in this news release was made as of the date hereof and was provided for the purpose of providing further information about BevCanna's anticipated future business operations on a post-closing basis. Readers are cautioned that the FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein.

On behalf of the Board of Directors:

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

For investor enquiries, please contact:

Shannon Devine, MZ North America
203-741-8811
BVNNF@mzgroup.us

For media enquiries or interviews, please contact:

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