

BEVCANNA

BEVCANNA ENTERPRISES INC.

Condensed Interim Consolidated Financial Statements

(unaudited)

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102 “Continuous Disclosure Obligations”, if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity’s auditor.

November 27, 2023

BevCanna Enterprises Inc.

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

	Notes	September 30, 2023	December 31, 2022
ASSETS		\$	\$
Current			
Cash	3	157,193	135,802
Amounts receivable	4	865,225	1,193,884
Inventory	5	630,813	921,816
Prepaid expenses and deposits	6	216,814	498,995
		1,870,045	2,750,497
Property, plant and equipment	7	14,740,139	15,312,694
Intangible assets	8	3,736,078	3,736,078
		20,346,262	21,799,269
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Trade payable and accrued liabilities	10, 21	12,382,970	9,774,315
Deferred revenue		55,156	55,156
ST Loan payable	14	2,237,508	1,693,862
Due to related parties	12	61,427	105,000
Promissory note	11	2,540,663	2,431,468
Convertible debentures	13	1,084,509	1,071,425
		18,362,233	15,131,226
Non-current			
CEBA loans	15	230,000	230,000
		18,592,233	15,361,226
Shareholders' equity			
Share capital	16	131,081,326	131,081,326
Common shares held in treasury		(5,144,671)	(5,144,671)
Obligation to issue shares	16	1,000,000	1,000,000
Reserve	16, 17, 18	26,937,324	26,937,324
Accumulated other comprehensive income (loss)		(38,026)	1,012
Deficit		(151,722,951)	(147,156,170)
Equity attribute to shareholders of the parent		2,113,002	6,718,821
Equity attribute to non-controlling interest	19	(358,973)	(280,778)
		1,754,029	6,438,043
		20,346,262	21,799,269

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 22)
Subsequent events (Note 24)

Approved and authorized for issue on behalf of the Board of Directors on November 27, 2023

"Marcello Leone"
Director, Marcello Leone

"John Campbell"
Director, John Campbell

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss (unaudited)
(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue	20, 21	469,888	1,764,695	1,858,326	4,812,317
Cost of revenue	21	(338,646)	(1,605,431)	(1,336,514)	(3,982,576)
Gross profit (loss)		131,242	159,264	521,812	829,741
Expenses					
Amortization	7	193,056	212,676	578,855	622,833
Filing expense		9,100	28,041	10,150	75,148
Investors relations		15,700	20,560	20,700	184,910
Marketing		39,168	58,091	59,342	314,316
Management fee	12	150,000	165,000	480,000	547,288
Legal fee		360,182	195,729	487,002	990,306
Plant operation and office expenses		141,241	163,855	933,569	1,230,201
Professional fee		676,865	389,529	1,696,313	1,546,859
Rent		-	-	-	6,393
Research and development		-	4,702	7,700	69,772
Salaries		118,339	405,531	467,995	1,413,467
Share-based payments		-	-	-	229,724
Travel		707	5,695	707	42,651
		1,704,358	1,649,409	4,742,333	7,273,868
Other expenses (income):					
Accretion expense	13, 15	8,025	13,536	27,695	40,017
Finance cost		207,879	281,980	370,513	675,130
Foreign exchange loss (gain)		18,262	51,749	(4,849)	70,926
Loss (gains) on acquisition		-	(8,546)	-	(10,727)
Loss on discontinued operations	4	-	-	141,333	-
Loss (gain) on debt settlement		(110,237)	156,193	(110,237)	(127,027)
Loss (gain) on disposal of assets		-	523,885	-	523,885
		123,929	1,018,797	424,455	1,172,204
Net loss for the year		(1,697,045)	(2,508,942)	(4,644,976)	(7,616,331)
Net loss for the year attributable to:					
Shareholders of the parent		(4,566,781)	(2,415,919)	(4,566,781)	(7,463,635)
Non-controlling interest	19	(13,294)	(93,023)	(78,195)	(152,696)
Other comprehensive income (loss)					
<i>Item that may be reclassified subsequently to income or loss:</i>					
Exchange differences on the translation of foreign operation		1,779	17,836	(22,644)	21,035
Total comprehensive loss		(1,695,266)	(2,491,106)	(4,667,620)	(7,595,296)
Total comprehensive loss for the year attributable to:					
Shareholders of the parent		(4,565,002)	(2,398,083)	(4,589,425)	(7,442,600)
Non-controlling interest	19	(13,294)	(93,023)	(78,195)	(152,696)
Loss per share attributes to shareholders of the parent (basic and diluted)		(0.02)	(0.02)	(0.04)	(0.07)
Weighted average number of shares outstanding (basic and diluted)		111,743,700	111,519,045	111,743,700	111,519,045

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

BevCanna Enterprises Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited) (Expressed in Canadian dollars)

	Common shares		Common shares held in treasury	Reserve	Obligation to issue shares	Accumulated other comprehensive income (loss)	Deficit	Equity attributable to shareholders of the parent	Equity attributable to non-controlling interest	Total
	Number of shares	Amount (\$)								
Balance, December 31, 2021	180,120,143	120,591,809	(5,144,671)	26,590,148	1,000,000	(12,008)	(130,301,652)	12,723,626	(153,817)	12,569,809
Shares issued for debt settlement	6,839,126	1,094,260	-	(108,304)	-	-	-	985,956	-	985,956
Shares issued for options exercised	100,000	36,986	-	(9,486)	-	-	-	27,500	-	27,500
Shares issued for acquisition	49,025,197	9,318,615	-	235,242	-	-	-	9,553,857	-	9,553,857
Share-based payments	-	-	-	229,724	-	-	-	229,724	-	229,724
Net loss and comprehensive loss	-	-	-	-	-	17,661	(7,463,635)	(7,445,974)	(152,696)	(7,598,670)
Balance, September 30, 2022	236,084,466	131,041,670	(5,144,671)	26,937,324	1,000,000	5,653	(137,765,287)	16,074,689	(306,513)	15,768,176
Balance, December 31, 2022	236,084,466	131,081,326	(5,144,671)	26,937,324	1,000,000	1,012	(147,156,170)	6,718,821	(280,778)	6,438,043
Net loss and comprehensive loss	-	-	-	-	-	(39,038)	(4,566,781)	(4,605,819)	(78,195)	(4,684,014)
Balance, September 30, 2023	236,084,466	131,081,326	(5,144,671)	26,937,324	1,040,000	(38,026)	(151,722,951)	2,113,002	(358,973)	1,754,029

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

BevCanna Enterprises Inc.

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

Nine months ended September 30,	2023	2022
	\$	\$
Operating activities		
Net loss	(4,644,976)	(7,616,331)
Items not affecting cash:		
Amortization	578,855	622,833
Accretion expense	27,695	40,017
Finance costs	370,513	675,130
Gain on debt settlement	-	(127,027)
Loss on disposal of assets	-	523,885
Share-based payments	-	229,724
Unrealized foreign exchange (gain) loss	(42,295)	37,417
	(3,820,445)	(5,614,352)
Changes in non-cash working capital items:		
Amounts receivable	328,659	(187,918)
Prepaid expenses and deposits	282,181	222,023
Inventory	291,003	19,941
Deferred revenue	-	45,249
Trade payable and accrued liabilities	2,986,609	4,901,469
Due to/from related parties	(43,573)	(67,465)
Cash used in operating activities	24,433	(681,053)
Investing activities		
Purchase of property and equipment	(6,300)	(255,932)
Cash from acquisitions	-	971,282
Cash used in investing activities	(6,300)	715,350
Financing activities		
Proceeds from options exercised	-	27,500
Interest paid	-	(141,129)
Cash provided by financing activities	-	(113,629)
Increase (decrease) in cash	18,133	(79,332)
Effect of change in foreign exchange rate on cash	135,802	230,273
Cash, beginning	3,257	(19,756)
Cash, ending	157,193	131,185
Supplemental non-cash information		
Intangible assets acquired from acquisitions	-	5,436,580
Goodwill acquired from acquisitions	-	5,986,899
Accrued costs in property and equipment	255,498	336,012

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

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

1) Nature of operations

BevCanna Enterprises Inc. (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. The Company’s common shares are listed on the Canadian Securities Exchange (“CSE”) under the symbol “BEV”, in the United States on the OTCQB under symbol “BVNNF”, and in Germany on the Frankfurt Stock Exchange under the symbol “7BC”. The registered record office of the Company is 300 – 1008 Homer Street, Vancouver, BC V6C 2X1, Canada.

The Company develops and manufactures a range of alkaline, mineralized, and cannabinoid (“CBD”) beverages and nutraceuticals for both in-house brands and white-label customers, including the TRACE brand alkaline and mineralized beverage line produced and distributed through Naturo its wholly-owned subsidiary (Note 11). The Company also provides direct-to-customer eCommerce sales of nutraceutical products through its wholly-owned subsidiary Pure Therapy.

The Company has incurred losses and negative cash flows from operations that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. The Company intends to primarily rely on its ability to fund operations through future private placement equity financings, share for debt settlements, and/or long-term convertible or standard debt, but there is no guarantee the Company will be able to raise any such funds to address the deficiency or, if it can, on terms favorable to the Company. Further, any such equity financings, share for debt settlements, and/or convertible debt may materially dilute existing shareholders. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern.

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

2) Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the fiscal year ended December 31, 2022, which have been prepared with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These condensed interim consolidated financial statements were approved by the Company’s Board of Directors on November 27, 2023.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

2) Basis of presentation (continued)

(b) Basis of measurement

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

(c) Basis of consolidation

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

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

Details of the Company’s principal subsidiaries are as follows:

Name of subsidiary or controlled entity	Principal activity	Place of incorporation	Ownership Interest
BevCanna Operating Corp. (“BCO”)	THC/CBD beverages	Canada	100%
Naturally Pure Therapy Products Corp. (“Pure Therapy”)	Direct-to-consumer e-commerce	Canada	100%
Naturo Group Enterprises Inc. (formerly Naturo Group Investments Inc., “Naturo”)	Wellness beverages	Canada	100%
Naturo Springs Ltd. (“Springs”)	Bottled spring water	Canada	79%
Embark Health, Inc. (“Embark”)	Manufacturing products	Canada	100%

(c) Basis of consolidation (continued)

Carmanah Craft Corp. (“Carmanah”) dissolved in November 2023. There are no assets in Carmanah prior to dissolution.

Exceler Holdings Ltd (“Exceler”) dissolved in July 2023. There are no assets in Exceler prior to dissolution.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

2) Basis of presentation (continued)

(d) Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company, BCO, Naturo and Springs is the Canadian dollar. The functional currency of Pure Therapy, the e-commerce merchant, entity is the US dollar.

(e) Use of estimates and judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Actual results could differ from these estimates.

Estimation Uncertainty

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

- i. The Company makes estimates on the useful lives when determining depreciation of property and equipment and the amortization of intangible assets are dependent on estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and useful lives of assets.
- ii. The Company uses the Black-Scholes Option Pricing Model to value options and warrants granted during the year. The model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual.
- iii. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

2) Basis of presentation (continued)

(e) Use of estimates and judgements (continued)

- iv. In an acquisition that constitutes a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. Estimates are applied in the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Significant Judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

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

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

2) Basis of presentation (continued)

(f) Significant accounting policies

Refer to the audited consolidated financial statements for the year ended December 31, 2022 for a full list of significant accounting policies.

3) Cash

	September 30, 2023	December 31, 2022
	\$	\$
Cash deposited at banks	151,481	108,696
Cash held in trust	-	25,000
Cash held at e-commerce merchants	5,712	2,106
	157,193	135,802

4) Amounts receivable

	September 30, 2023	December 31, 2022
	\$	\$
Trade receivables	995,380	1,051,242
Reserve income asset	-	182,232
GST payable	(252,396)	(98,854)
Other receivables	122,241	96,073
	865,225	1,230,693
Allowance for doubtful accounts	-	(36,809)
	865,225	1,193,884

Reserve income asset balances comprise amounts (eCommerce payments) being processed by banks and not released to the Company as at December 31, 2022.

As at June 30, 2023 the Company rendered the remaining held reserve income asset amounts non-collectible resulting in a loss of discontinued operations of \$141,332.

During the nine months ended September 30, 2023, there is \$nil (2022 - \$nil) bad debt expense recognized on the condensed interim consolidated statement of comprehensive loss.

5) Inventory

	September 30, 2023	December 31, 2022
	\$	\$
Bottles and packaging	6,261	6,261
Finished goods	279,091	393,344
Raw materials	345,461	1,768,573
Impairment of inventory	-	(1,246,362)
	630,813	921,816

During the nine months ended September 30, 2023, the Company recorded an impairment charge of \$nil against inventory.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

6) Prepaid expenses and deposits

	September 30, 2023	December 31, 2022
	\$	\$
Prepaid expenses	216,814	494,995
Deposits on equipment	-	4,000
	216,814	498,995

7) Property, plant and equipment

	Land	Furniture and equipment	Construction- in-progress	Buildings and warehouse	Total
	\$	\$	\$	\$	\$
Cost					
At December 31, 2021	1,350,000	1,623,018	1,828,688	13,484,926	18,286,632
Acquired (Note 11)	1,272,653	-	-	4,727,347	6,000,000
Additions	-	213,742	9,507	30,000	253,249
Disposal	(1,272,653)	-	-	(4,727,347)	(6,000,000)
At December 31, 2022	1,350,000	1,836,760	1,838,195	13,514,926	18,539,881
Additions	-	6,300	-	-	6,300
At September 30, 2023	1,350,000	1,843,060	1,838,195	13,514,926	18,546,181
Accumulated amortization					
At December 31, 2021	-	194,405	1,828,688	368,585	2,391,678
Depreciation	-	306,775	-	528,734	835,509
At December 31, 2022	-	501,180	1,828,688	897,319	3,227,187
Depreciation	-	197,615	-	381,240	578,855
At September 30, 2023	-	698,795	1,828,688	1,278,559	3,806,042
Net book value					
At December 31, 2022	1,350,000	1,335,580	9,507	12,617,607	15,312,694
At September 30, 2023	1,350,000	1,144,265	9,507	12,236,367	14,740,139

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets

	IBO relationships (a) \$	Marketing intangibles (b) \$	Brand (c) \$	Total \$
<i>Cost</i>				
At December 31, 2021	3,340,000	590,000	680,000	4,610,000
Additions	-	-	5,436,580	5,436,580
At December 31, 2022	3,340,000	590,000	6,116,580	10,046,580
Additions	-	-	-	-
At September 30, 2023	3,340,000	590,000	6,116,580	10,046,580
<i>Accumulated amortization</i>				
At December 31, 2021	3,340,000	590,000	29,342	3,959,342
Depreciation	-	-	126,732	126,732
Impairment	-	-	2,224,428	2,224,428
At December 31, 2022	3,340,000	590,000	2,380,502	6,310,502
Depreciation	-	-	-	-
Impairment	-	-	-	-
At September 30, 2023	3,340,000	590,000	2,380,502	5,178,197
<i>Net book value</i>				
At December 31, 2022	-	-	3,736,078	3,736,078
At September 30, 2023	-	-	3,736,078	3,736,078

(a) Acquisition of Naturo Group Investments Inc.

On December 11, 2020, and as amended on January 31, 2021, the Company entered into an amalgamation agreement to complete the acquisition of all issued and outstanding securities of Naturo (the "Acquisition"), primarily to secure its access to the water bottling facility and the water source rights for the cannabis beverage business. Based in British Columbia, Canada, Naturo develops and manufactures beverages and consumer products for in-house brands and private label clients. Naturo owns an alkaline spring water aquifer and a HACCP certified manufacturing facility. It also owns and operates nationally distributed house brands across Canada. The acquisition closed on February 19, 2021.

The consideration for the acquisition of Naturo consisted of the following:

- a) 50,000,000 common shares of the Company were issued to the former shareholders of Naturo with a fair value of \$1.30 per share;
- b) The Company assumed the obligations to issue:
 - (i) 450,000 common shares of the Company pursuant to outstanding options in Naturo exercisable at \$0.25 until July 31, 2024,
 - (ii) 26,250,000 common shares of the Company pursuant to outstanding warrants in Naturo exercisable at \$0.50 until August 19, 2021, and
 - (iii) Common shares of the Company as may be issuable pursuant to a convertible debenture in Naturo in the principal amount of \$1,468,373 convertible at \$0.40 per share, maturing on January 27, 2023 (Note 13) and accruing interest at an annual rate of 10% which is also convertible into shares.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

8) Intangible assets (continued)

Acquisition of Naturo Group Investments Inc (continued)

At the time of the Acquisition, the Company determined that Naturo constituted a business as the operation of Naturo meets the definition of a business as defined under IFRS 3 *Business Combinations*, and accounted for it as such on the date that control was acquired. The Company has recognized the identifiable assets and liabilities acquired at their estimated fair values at the closing date of the Acquisition.

The Company performed an evaluation of the underlying assets and liabilities acquired and determined that the total net assets obtained supported a valuation of approximately \$15,420,746 and the excess of \$71,185,661 was allocated to goodwill, which primarily consisted of the assembled workforce, access to additional production capacity and the expected synergies from combining the operation and distribution network.

The purchase price allocation determined at the closing date of the Acquisition of Naturo is as following:

<i>Consideration:</i>	\$
Fair value of common shares issued	61,772,161
Fair value of warrants	21,941,126
Fair value of options	529,976
Settlement of inter-company balances	234,144
Settlement of pre-existing relationship (Note 10)	2,129,000
	<u>86,606,407</u>
<i>Net assets acquired:</i>	
Cash	23,625
Marketable securities (note 7)	585,715
BevCanna common shares, repurchased (Note 18)	4,832,171
Property, plant and equipment (Note 9)	11,514,182
Right-of-use asset	15,731
Liabilities assumed	(302,879)
Debt assumed	(2,012,836)
Intangible asset – brand	680,000
Non-controlling interest	85,037
Total net assets	<u>15,420,746</u>
Goodwill (Note 12)	<u>71,185,661</u>
	<u>86,606,407</u>

During the year ended December 31, 2021, the Company reviewed Naturo's goodwill and intangible assets and determined that the carrying amount of the goodwill was fully impaired. As a result, an impairment loss of \$71,185,661 was recorded against the goodwill account balance and reduced the carrying value of the goodwill as at December 31, 2021 to \$nil (Note 9).

BevCanna Enterprises Inc.

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8) Intangible assets (continued)

(b) Acquisition of Embark

On January 28, 2022, the Company completed the acquisition of Embark Health Inc. (“Embark”). Embark develops and manufactures high-end solvent less cannabis extracts, concentrates, liquid, powder beverage mixes, topicals and edible products. On closing of the transaction, the Company issued 54,925,889 common shares to acquire all of the issued and outstanding common shares of Embark. Embark became a wholly-owned subsidiary of the Company. On September 30, 2022, there were 5,900,692 common shares returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition. The net number of shares issued for the acquisition was 49,025,197 common shares.

The consideration for the acquisition of Embark including the following:

- 54,925,889 common shares (“Consideration Shares”) were issued to the former shareholders of Embark as consideration for the purchase price of \$9.69 million.
- In September 2022, 5,900,692 common shares valued at \$1.09 million returned to treasury pursuant to the finalization of the working capital adjustment clause of the Acquisition.
- The Consideration Shares are subject to resale restriction over a one-year period in equal portions.

At the time of the Acquisition, the Company determined that Embark constituted a business as the operation of Naturo meets the definition of a business as defined under IFRS 3 *Business Combinations*, and accounted for it as such on the date that control was acquired. The Company has recognized the identifiable assets and liabilities acquired at their fair values at the closing date of the Acquisition.

The Company performed an evaluation of the underlying assets and liabilities acquired and determined that the total net assets obtained supported a valuation of approximately \$3,712,138 and the excess of \$5,986,899 was allocated to goodwill.

<i>Consideration:</i>	\$
Fair value of common shares and warrants issued	9,069,661
Fair value of warrants	380,422
Fee paid associated with the Acquisition	248,954
	9,699,037
<i>Net assets acquired:</i>	
Cash	971,282
Accounts Receivable	268,087
Inventory	417,850
Right-of-use asset	1,166,982
Property, Plant and Equipment	6,000,000
Intangible asset - Brand	5,436,580
Accounts Payable	(2,332,054)
Right-of-use liabilities	(900,241)
Loan payable	(6,790,000)
Convertible debenture	(526,348)
Total net assets	3,712,138
Goodwill (Note 12)	5,986,899
	9,699,037

BevCanna Enterprises Inc.

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8) Intangible assets (continued)

(b) Acquisition of Embark (continued)

During the year ended December 31, 2022, the Company reviewed Embark's assets and found the following impairments:

- Goodwill was fully impaired, resulting in an impairment loss of \$5,986,899
- Brand value was partially impaired, resulting in an impairment loss of \$2,224,428

For the nine months ended September 30, 2023, Embark has contributed a net gain of \$307,920 (2022 – loss \$2,917,394) to the consolidated statements of comprehensive loss of the Company.

9) Goodwill

The goodwill represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assets identified in the calculated purchase price. The goodwill recognized on acquisition is attributable mainly to the expected future growth potential, expanded production capability, expanded customer base as well as expected synergies to the combined operations as a result of the completion of the acquisitions.

For the purposes of assessing impairment of goodwill and non-financial assets, the Company must identify its CGUs. Determination of what constitutes a CGU is subject to management judgment. Among all the CGUs of the Company, there was one CGUs that was allocated to goodwill in 2022: Embark Health Inc.

Embark CGU belongs to the Cannabis segment as they pertain to development, production and manufacturing of cannabis products.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. As at December 31, 2022, the Company has the carrying amount of goodwill at \$5,986,899 (2021 - \$3,209,198) due to the following:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning	-	-
Acquisition of Embark	-	5,986,899
Impairment of Embark	-	(5,986,899)
Balance, ending	-	-

As at December 31, 2022, before recognizing the impairment charge, the carrying amount of goodwill allocated to the Embark CGU is \$5,986,899 (2021 – \$0)

At December 31, 2022, the Company tested its CGUs for impairment. The inputs for the calculated recoverable amounts below are not based on observable market data. As such, the recoverable amounts for Embark CGUs are categorized in Level 3 of the fair value measurement hierarchy.

BevCanna Enterprises Inc.

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9) Goodwill (continued)

For the Embark CGU, the estimated recoverable amount calculated was using discounted cash flow model based on 2023 to 2026 revenues, less costs of disposal. This resulted in a recoverable amount of \$4,002,193, exceeded by the CGU carrying amount of \$5,436,580. The exceeding amount was allocated to fully reduce the carrying amount goodwill to \$nil. The fair value of the remaining assets was higher than the recoverable amount and as a result, no further impairment charge was recorded against them. The discount cash flow model used reflected the value-in-use of the Company. A 1% change in the recoverable amount is a difference of approximately \$40,022 and would not yield a different result. As a result, the Company recorded impairment losses of \$5,986,899 on goodwill for the Embark CGU.

For the nine months ended September 30, 2023, the Company did not recognize any additional goodwill.

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. As at September 30, 2023, the Company recorded \$nil impairment charge related to its goodwill.

10) Accounts payable and accrued liabilities

	September 30, 2023	December 31, 2022
	\$	\$
Trade payables	7,556,195	6,589,179
Accrued liabilities	4,321,636	2,675,216
Excise tax payable	505,139	508,639
	12,382,970	9,774,316

11) Promissory note

The promissory note was acquired as part of the debt assumed on the acquisition of Naturo (Note 11). On August 5, 2017, Naturo entered into a promissory note for \$2,500,000 with an interest rate of 8%, payable quarterly, and due on August 5, 2020. On August 5, 2020, the promissory note was extended for one year. The loan is secured by the land of Naturo and the personal guarantee of the CEO under the general security agreement ("GSA"). Upon assumption by the Company, the promissory note was valued at \$2,545,479. After the expiry on August 5, 2021, the promissory note had been rolled forward on a month-to-month basis carrying an interest rate of 8%, payable monthly and due on demand.

As at September 30, 2023, the outstanding balance of the loan and accrued interest was \$2,540,663.

The Company has the option to repay the loan in full or in part at any time. The promissory note is presented as a current liability on the consolidated statement of financial position because the Company expects to settle or redeem the promissory note within the next twelve months.

12) Related party transactions and balances

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

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12) Related party transactions and balances (continued)

Related Parties Transactions:

The remuneration of directors and key management personnel was as follows:

Nine months ended,	September 30, 2023	September 30, 2022
	\$	\$
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	180,000	180,000
Chief Executive Officer ("CEO")	225,000	277,659
President	225,000	-
Former President	123,335	150,003
Former President	153,607	134,998
Directors	75,000	90,000
Company controlled by individual related to CEO	105,000	102,285
Individual related to CEO	7,500	12,543
Share-based payments		
CFO & CSO	-	155,177
President	-	6,950
	1,094,442	1,109,614

Related Parties Balances:

As at September 30, 2023 and 2022, the following amounts were included in accounts payable and accrued liabilities in relation to transactions with related parties, which were non-interest bearing, unsecured and due on demand:

Nine months ended,	September 30, 2023	September 30, 2022
	\$	\$
<i>Accounts payable and accrued liabilities:</i>		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	399,000	147,000
Chief Executive Officer ("CEO") (i)	599,941	359,181
President	225,000	-
Former President	116,421	47,002
Former President	151,926	54,125
Directors	254,750	92,500
Company controlled by individual related to CEO	304,586	73,500
Individual related to CEO (ii)	539,464	419,002
	2,591,088	1,192,310

BevCanna Enterprises Inc.

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12) Related party transactions and balances (continued)

- (i) The CEO also provided a shareholder loan to the company of \$100,000 in 2022. During the period ended September 30, 2023, a partial repayment of \$38,450 was made on this loan.
- (ii) Two individuals related to the CEO each provided \$125,000 USD in purchase order factoring to the Company for productions. The financing fee is \$25,000 USD each. \$25,000 USD principal was repaid during 2022. At the end of September 30, 2023, \$275,000 USD remained outstanding. Subsequent to September 30, 2023, additional financing fees of \$25,000 USD and \$10,000 CAD were incurred for the extended repayment period.

13) Convertible debentures

BevCanna Debentures

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

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

The initial liability component of the Debentures was calculated at the present value of interest payments and expected return using an effective interest rate of 16% per annum. The equity component was determined using the residual method whereby, the fair value of the equity component is arrived at by deducting the amount determined separately for the liability from the face value of the instrument. As a result, the fair value of the conversion feature was determined to be \$118,252 and was recognized into the equity reserve of the Company.

On February 8, 2021, the Company completed an early redemption for \$115,000 of the debenture and paid \$124,532 towards the outstanding principal and accrued interest. On the same date, the Company converted \$15,000 of the debentures into 20,000 common shares. The Company reclassified \$3,754 from equity reserves to share capital related to this conversion.

On September 30, 2023, \$18,521 accrued interest remains outstanding for the BevCanna Debenture.

Naturo Debenture

On January 27, 2021, Naturo completed a debt settlement with an individual related to the CEO of the Company (Note 15) by issuing a convertible debenture for \$1,505,021 with an interest bearing at 10% per annum, payable monthly and maturing in 24 months. The debenture is convertible to common shares of the Company at \$0.40 per share at any time at the discretion of the debenture holder. Upon assumption by the Company on the Acquisition Date, the convertible debenture was valued at \$1,468,373 (Note 8).

On June 28, 2021, the Company entered into a debenture amendment and cancellation agreement with the related party to settle the \$1,505,020 in the convertible debenture plus a \$500,000 payable for finance charge, with a receivable of \$2,005,020 from the CEO of the Company. There was \$nil gain or loss on the settlement of these balances.

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13) Convertible debentures (continued)

Upon the settlement, the convertible debenture has an outstanding balance of \$1,525,459 for the principal and accrued interest. Following the settlement, the excess \$20,439 accrued interest payable remains outstanding as of September 30, 2023.

Embark Debenture

On February On January 28, 2022, the Company completed the acquisition of Embark Health Inc. ("Embark"). The debenture is convertible to common shares of the Company at a price equal to the lesser of: (A) a 15% discount to the price attributable to the Shares issued in connection with the Qualified Financing; and (B) the Maturity Conversion Price of \$2.00 per share at any time at the discretion of the debenture holder. Upon assumption by the Company on the Acquisition Date, the convertible debenture was valued at \$526,348.

The value of the debenture as at September 30, 2023, is \$1,084,509.

	\$
Balance, December 31, 2021	461,408
Acquisition (Note 11)	526,348
Addition	50,000
Accretion expense	45,553
Accretion expense (Embark)	(34,799)
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	1,071,426
Accretion expense	27,599
Finance charge	(14,516)
Balance, September 30, 2023	1,084,509

14) Short term loans

The Company entered into three short-term loans over the year 2022:

- The related party loans are non-interest-bearing and are repayable at any time.
- The purchase order factoring of individuals related to the CEO consisted of two individuals each providing \$125,000 USD with a \$25,000 USD financing fee each. \$25,000 USD of the principal was repaid during 2022, resulting in \$275,000 USD outstanding.
- The Company entered into several factoring agreements against purchase order receivables with several creditors.

On July 11th, 2023, Naturo Group entered into a loan agreement with a private lender for \$600,000, secured by a 2nd mortgage on property in Bridesville, BC. The loan carries a 13.5% interest rate for the first two months, with an original term of three months, which has subsequently been extended to twelve months.

Subsequent to September 30, 2023, the Company entered into a loan agreement with a private lender for \$200,000, secured by a 2nd mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from November 3rd, 2023.

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14) Short term loans (continued)

	September 30, 2023	December 31, 2022
	\$	\$
Related party	-	30,000
Mortgage advance	600,000	-
Purchase order factoring – individuals related to CEO	371,801	372,461
Purchase order factoring – Embark	1,265,707	1,291,401
Balance, December 31, 2022	2,237,508	1,693,862

15) CEBA loans

In April 2020, the Government of Canada funded the loan program Canada Emergency Business Account ("CEBA"). Companies were offered a \$40,000 non-interest-bearing loan with 25% loan forgiveness automatically applied if \$30,000 of the loan was repaid prior to December 31, 2021.

The repayment terms have since extended to December 31, 2023, and the loan offer has increased to \$60,000 with 33.33% of forgiveness automatically applied if 66.66% of the payment is received prior to December 31, 2023. The loan is repayable at any time without penalty, but amounts repaid cannot be readvanced.

If the term loan is not repaid by Dec 31, 2023, the term loan will automatically renew with a maturity date of December 31, 2025, subject to interest at 5% per annum, with payments of interest due monthly. In the event of default, the loan payable becomes due immediately.

	\$
Balance, December 31, 2021	99,978
Acquisition (Embark Acquisition)	120,000
Accretion expense	10,022
Balance, December 31, 2022	230,000
Balance, September 30, 2023	230,000

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

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16) Share capital

Authorized

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

Issued

During the nine months ended September 30, 2023, no shares were issued.

During the year ended December 31, 2022, the Company entered into the following share capital transactions:

- On January 19, 2022, the Company issued 100,000 common shares to an external investor upon their exercise of stock options at the price \$0.275 per share.
- On January 27, 2022, the Company issued 54,925,889 common shares valued at \$10,161,289 pursuant to the acquisition of Embark (Note 11).
- On February 23, 2022, the Company issued 6,839,126 common shares to settle \$1,368,226 of debt owed to various vendors. The common shares had a fair value of \$1,094,260 and the Company recognized a loss on the settlement of debt of \$273,966.

Obligations to issue shares:

During the year ended December 31, 2019, the Company received \$1,000,000 of proceeds towards the exercise of certain share purchase warrants issued during 2018.

As at September 30, 2023, these warrants remained outstanding and unexercised. As a result, the amount remained to be classified as obligations to issue shares on the condensed interim consolidated statement of financial position as at September 30, 2023.

17) Stock options

In 2018, the Company adopted an incentive stock option plan ("Plan"). Pursuant to the Company's stock option plan, directors may authorize the granting of options to directors, officers, employees and consultants of the Company. The expiry date for each option is determined by the board of directors at the time such option is granted. All options under the plan are non-assignable, non-transferrable and only exercisable by the optionee.

During the nine months ended September 30, 2023, no shares were issued or exercised.

During the year ended December 31, 2022:

- On February 23, 2022, the Company granted 2,000,000 options with an exercise price of \$0.20 to a consultant and a director. The options vested 100% on the date of grant.

A summary of the changes in the share options are presented below:

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17) Stock options (continued)

	Options outstanding	Weighted-average exercise price
At December 31, 2021	9,901,865	0.48
Granted	2,000,000	0.20
Exercised	(100,000)	0.28
Forfeited	(7,201,865)	0.38
At December 31, 2022	4,600,000	0.52
Forfeited	(3,000,000)	0.63
At September 30, 2023	1,600,000	0.30

The following table summarizes information about the share options outstanding and exercisable at September 30, 2023:

Expiry date	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price \$	Weighted average remaining contractual life
October 5, 2023	1,000,000	1,000,000	0.28	0.01
February 28, 2024	250,000	250,000	0.50	0.41
July 31, 2024	350,000	350,000	0.25	0.84
	1,600,000	1,600,000		0.26

During the nine months ended September 30, 2023, the Company recognized share-based payments expense of \$nil (2022 - \$229,724).

The estimated grant date fair value of the options granted during the nine months ended September 30, 2023 and 2022 was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2023	2022
Risk-free interest rate	1.49%	1.49%
Expected life (years)	1.33	1.33
Annualized volatility	120.7%	120.7%
Dividend rate	0%	0%

BevCanna Enterprises Inc.

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18) Share purchase warrants

A summary of the changes in the share purchase warrants are presented below, there were no changes in the nine months ended September 30, 2023.

	Warrants outstanding	Weighted- average exercise price
At December 31, 2021	5,542,133	\$ 1.13
Granted	5,279,237	1.47
Exercised	(2,542,133)	1.87
At December 31, 2022	8,279,237	1.12
At September 30, 2023	8,279,237	1.12

The following table summarizes information about the share options outstanding and exercisable at September 30, 2023:

Expiry date	Exercise price	Number of shares options outstanding	Weighted average remaining contractual life
	\$		
December 14, 2023	0.50	3,000,000	0.21
January 27, 2024	1.47	5,279,237	0.33
	1.12	8,279,237	0.28

19) Non-controlling interest

The non-controlling interest attributes to the common shares representing 21% equity interest in Naturo Springs Ltd. held by non-controlling interest holders and is related to the consideration transferred in the acquisition of Naturo as described in Note 11. During the nine months ended September 30, 2023, the continuity of equity attributable to the non-controlling interest is as follows:

	Amount
Balance, December 31, 2021	(153,817)
Share of net loss for the period	(126,961)
Balance, December 31, 2022	(280,778)
Share of net loss for the period	(78,195)
Balance, September 30, 2023	(358,973)

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20) Financial instruments

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The carrying value of the Company's financial assets and liabilities including cash, amounts receivable and deposits and trade and other payables included in the consolidated statement of financial position as at September 30, 2023 and December 31, 2022, approximate their fair value due to their short terms to maturity.

Financial risks

The Company's activities expose it to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are credit risk, foreign exchange risk, liquidity risk and interest rate risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. There have been no significant changes in the Company's exposure to these financial risks in the nine months ended September 30, 2023.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and trade receivables. The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to trade receivables as large amounts of its trade receivable are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support trade receivables. Trade receivables are shown net of any provision made for impairment of the receivables. Due to this factor, the Company believes that no additional credit risk, beyond the amounts provided for collection loss, is inherent in trade receivable.

Among amounts receivable, there is reserve income asset which primarily comprises balances either held back by the banks or amount recoverable from the government authority. Management believes the risk of loss on the reserve income asset to be minimal.

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20) Financial instruments (continued)

There are two customers accounting for more than 10% of gross revenue the Company generated during nine months ended:

For the period ended	September 30, 2023	September 30, 2022
Customer A	58.0%	38.9%
Customer B	29.0%	7.0%
Customer C	2.5%	19.1%
Total	89.5%	65.0%

The amount receivable from these customers constitutes 17.4%, 0% and 0% respectively (2022 – 19.3%, 1.3% and 20.7%) of the amount receivable and has been fully received subsequent to September 30, 2023.

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company's exposure to currency risk is limited as the majority of its sales and expenditures are denominated in the same currency as its functional currency.

21) Segmented information

The Company determines its reportable segments based on the nature of operations and includes three operating segments: alkaline and mineralized beverages and supplements, CBD beverage and eCommerce. The alkaline and mineralized beverages include the development and manufacturing of TRACE brand and other beverages and supplements. The CBD beverage include the development and/or production of cannabinoid beverages and supplements for both in-house brands and white-label customers. The eCommerce segment includes direct-to-customer sales of natural health products including nutraceutical and hemp-based CBD products.

The Company's financial information by reportable segment for the nine months year ended September 30, 2023 is as follows:

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21) Segmented information (continued)

Nine months ended September 30, 2023:

	Non-Cannabis Beverage \$	Cannabis Beverage \$	ECommerce \$	Total \$
Revenue from external customers	707,404	1,150,922	-	1,858,326
Cost of revenue	573,283	763,231	113	1,336,514
Depreciation and amortization	101,959	476,896	-	578,855
Other selling, general and administrative expenses	776,002	3,378,953	8,523	4,163,478
Segment income (loss)	(743,840)	(3,468,158)	(8,636)	(4,220,521)
Segment assets	16,046,727	4,263,847	35,688	20,346,262
Segment liabilities	12,229,296	6,176,897	186,040	18,592,233

Nine months ended September 30, 2022:

	Non-Cannabis Beverage \$	Cannabis Beverage \$	ECommerce \$	Total \$
Revenue from external customers	497,038	3,792,213	523,066	4,812,317
Cost of revenue	525,335	2,956,826	500,415	3,982,576
Depreciation and amortization	112,150	510,683	-	622,833
Other selling, general and administrative expenses	859,313	5,676,999	114,723	6,651,035
Segment income (loss)	(999,760)	(5,352,295)	(92,072)	(6,444,127)
Segment assets	16,158,104	14,911,167	347,521	31,416,792
Segment liabilities	11,556,719	3,925,475	166,421	15,648,615

BevCanna Enterprises Inc.

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Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

21) Segmented information (continued)

The Company' financial information by geography for the nine months ended September 30, 2023 and year ended December 31, 2022 is as follows:

	Canada \$	U.S.A. \$	Total \$
<i>Assets</i>			
As at September 30, 2023			
Current	1,834,357	35,688	1,870,045
Non-current	18,476,217	-	18,476,217
Total assets	20,310,574	35,688	20,346,262
As at December 31, 2022			
Current	2,402,976	347,521	2,750,497
Non-current	19,048,772	-	19,048,772
Total assets	21,451,748	347,521	21,799,269
<i>Revenue</i>			
For the nine months ended September 30, 2023	1,858,326	-	1,858,326
For the nine months ended September 30, 2022	4,289,251	523,066	4,812,317
<i>Net income (loss)</i>			
For the nine months ended September 30, 2023	(4,636,453)	(8,523)	(4,644,976)
For the nine months ended September 30, 2022	(7,524,259)	(92,072)	(7,616,331)

22) Commitments and contingencies

(a) Commitments

Contractual Obligations

	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-3 years \$
As at September 30, 2023				
Trade payable and accrued liabilities	12,382,970	12,382,970	12,382,970	-
Due to related parties	61,427	61,427	61,427	-
Promissory note	2,540,663	2,522,033	2,522,033	-
ST Loan Payable	2,237,508	2,237,508	2,237,508	-
Convertible debentures	1,084,509	1,084,509	1,084,509	-
CEBA loan	230,000	230,000	-	230,000
Total	18,537,077	18,518,447	18,288,447	230,000

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

22) Commitments and contingencies (continued)

(b) Contingencies

The Company is a party to a variety of agreements in the ordinary course of operation, under which it may be obligated to indemnify third parties with respect to certain matters. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company. Management assesses such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to claims, proceedings or litigation that are pending against the Company or unasserted claims that may result in such proceedings, if the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's consolidated financial statements.

During 2021, the Company received a claim for an alleged settlement of damages. Legal advice obtained as at the time the financial statements were prepared indicated that it is likely that the claim could result in an award of \$125,000 (Note 13), as such, the company has expensed this amount as a loss on debt settlement in 2021. This was settled and paid in full in July of 2023

Subsequent to September 30, 2023, the Company settled a legal dispute regarding a lease agreement breach. As part of the agreement, the Company will pay \$40,000 in common shares when a "Cease Trade Order" (CTO) is lifted by the BCSC. The Parties will cooperate to make this payment within 30 days of the agreement.

The Company is a defendant in a legal dispute initiated by another party seeking payment. As of June 22, 2023, the outstanding amounts, inclusive of interest at a rate of 21% per annum, were as follows:

- BevCanna: \$118,504
- Embark: \$17,605
- Naturo: \$87,451

The Company will continue to accrue interest on these amounts until the judgment is paid in full. During the period ended September 30, 2023, the Company paid \$40,000, and an additional \$10,000 was paid subsequent to the period ended September 30, 2023. The outstanding balance stands at \$173,560.

The Company is involved in other litigation and disputes arising in the normal course of operations. Management is of the opinion that the outcome of any potential litigation will not have a material adverse impact on the Company's financial position or results of operations. Accordingly, no provisions for the settlement of other outstanding litigation and potential claims have been accrued.

23) Capital management

The Company's objective when managing capital is to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company's main source of funds is from its ability to raise public and/or private equity or loan financing. The Company manages the capital structure and makes appropriate adjustments to it based upon changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In 2022 the capital focus was on reduction of expenses and conservation of cash. This was completed through the development of purchase order factoring.

BevCanna Enterprises Inc.

Notes to the Condensed Interim Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2023 and 2022

(Expressed in Canadian dollar, unless otherwise noted)

23) Capital management (continued)

The Company's investment policy is to invest its available cash in Canadian chartered banks and from time to time in guaranteed term deposits at fixed interest rates established at the time of investment. All its funds are available for project and corporate objectives.

The Company considers cash to include amounts held in banks. The Company places its cash with institutions of high credit worthiness.

The Company is not subject to any externally imposed capital requirements. There is no change in the way the Company manages its capital during the nine months ended September 30, 2023.

24) Subsequent Events

Write down

On October 3, 2023, the Company's majority-owned subsidiary, Springs has taken significant steps to restructure its operations, including outsourcing its plastic bottle blowing manufacturing. As part of this initiative, Springs has entered into a contract with an arms-length third party to sell its specialized plastic bottle blowing equipment for a nominal amount. Additionally, as Springs undertakes a strategic shift and no longer plans to engage in new production activities, the decision has been made to write down the carrying value of the building improvements. This includes a write-down of \$337,793 for the bottling production equipment and a write-down of \$1,228,009 for the building improvements. These adjustments reflect Springs' commitment to streamline its operations and repurpose resources in accordance with its revised business strategy.

Debt

On October 28, 2023, Naturo received a \$200,000 short-term mortgage loan from a third-party. The loan is secured with a second charge on Naturo's land and property at Bridesville. The loan is due in twelve months, bearing an interest of 15% per annum.

On November 20, 2023, Naturo received a \$100,000 short-term mortgage loan from a third-party. The loan is secured with a second charge on Naturo's land and property at Bridesville. The loan is due in twelve months, bearing an interest of 15% per annum.

Revocation Order

On November 6, 2023, the Company received notice of a significant development in its regulatory status. The Failure-to-File Cease Trade Order (FFCTO) issued by regulatory authorities in British Columbia and Ontario has been successfully revoked. This revocation allows the Company to resume trading activities and securities transactions, marking a pivotal advancement in the Issuer's financial standing and operations.

Shares Resumed Trading

On November 8, 2023, the Company's common shares resumed trading on the Canadian Securities Exchange (CSE)