

BEVCANNA

BEVCANNA ENTERPRISES INC.

Condensed Consolidated Interim Financial Statements

(unaudited)

For the six months ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(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.

August 29, 2024

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

	Notes	June 30, 2024	December 31, 2023
ASSETS		\$	\$
Current			
Cash and cash equivalents	3	59,187	139,216
Receivables	4	450,358	308,070
Inventory	5	129,108	132,434
Prepaid expenses and deposits	6	178,052	140,648
Current assets classified as discontinued operations	9	69,684	74,584
		886,389	794,952
Property, plant and equipment, net	7	11,419,299	11,676,297
Intangible assets	8	550,351	598,012
Right-of-use assets		70,541	-
		12,926,580	13,069,261
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Current			
Accounts payable and accrued liabilities	10	4,010,243	7,910,615
Deferred revenue		27,457	27,457
Short term loan payable	12,14	2,608,458	1,783,716
Lease obligation		34,379	-
Due to related parties	12	110,479	52,541
Promissory note	11	2,681,792	2,588,049
Convertible debentures	13	548,548	605,958
Current liabilities classified as discontinued operations	9	4,098,352	4,184,173
		14,119,708	17,152,509
Non-current			
CEBA loans	15	101,328	80,000
Lease obligation		36,823	-
Non-current liabilities classified as discontinued operations	9	150,000	150,000
		14,407,859	17,382,509
Shareholders' equity (deficit)			
Share capital	16	140,181,433	131,514,466
Common shares held in treasury	16	(3,790,545)	(3,790,545)
Obligation to issue shares	16	1,000,000	1,000,000
Reserve	16,17,18	27,547,401	26,937,324
Accumulated other comprehensive income		8,742	7,171
Deficit		(165,729,287)	(159,284,163)
Equity (Deficit) attribute to shareholders of the parent		(782,256)	(3,615,747)
Deficit attribute to non-controlling interest	19	(699,023)	(697,501)
		(1,481,279)	(4,313,248)
		12,926,580	13,069,261

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 August 29, 2024

"Marcello Leone"
Director, Marcello Leone

"John Campbell"
Director, John Campbell

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

BevCanna Enterprises Inc.

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

	Notes	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Revenue	21	16,495	343,953	36,031	370,497
Cost of revenue	21	(11,230)	(242,770)	(22,125)	(345,338)
Gross profit (loss)		5,265	101,183	13,906	25,159
Expenses					
Amortization	7,8	182,573	174,264	311,071	348,215
Filing expense		6,105	1,050	25,205	1,050
Investors relations		1,920	-	2,670	5,000
Marketing		174,584	8,040	321,193	20,174
Management fee	12	168,450	165,000	381,450	330,000
Legal fee		156,967	94,992	216,489	126,820
Plant operation and office expenses		59,106	121,797	224,811	446,020
Professional fee	12	1,720,836	365,992	3,696,174	1,014,698
Rent		4,421	-	4,421	-
Research and development		935	-	1,210	-
Salaries		116,841	63,720	199,467	120,661
Share-based payments	18	610,077	-	610,077	-
Travel		-	(407)	1,939	(407)
		3,202,815	994,448	5,996,177	2,412,231
Other expenses (income):					
Accretion expense		1,333	7,099	1,344	19,670
Finance cost		157,122	48,228	304,088	105,003
Foreign exchange loss (gain)		(3,556)	(16,581)	8,992	(19,565)
Other losses (gains)		-	141,333	-	141,333
Impairment of Prepaids & Deposits		-	-	9,237	-
Government grants		-	-	20,000	-
Loss on debt settlement	16	1,114,882	-	56,201	-
Net loss for the year from continuing operations		(4,467,331)	(1,073,344)	(6,382,133)	(2,633,513)
Net income (loss) from discontinued operations	9	(1,831)	(34,778)	(80,426)	(314,418)
Net loss for the year attributable to:					
Shareholders of the parent		(4,467,640)	(1,319,628)	(6,461,037)	(2,883,030)
Non-controlling interest	19	(1,522)	(33,356)	(1,522)	(64,901)
Other comprehensive income (loss)					
<i>Item that may be reclassified subsequently to income or loss:</i>					
Exchange differences on the translation of foreign operation		(6,668)	3,322	15,913	(24,423)
Total comprehensive loss		(4,475,830)	(1,349,662)	(6,446,646)	(2,972,354)
Total comprehensive loss for the year attributable to:					
Net loss from continued operations		(4,473,999)	(1,070,022)	(6,366,220)	(2,657,936)
Net income (loss) from discontinued operations		(1,831)	(279,640)	(80,426)	(314,418)
Loss per share attributes to shareholders of the parent (basic and diluted)		(0.40)	(1.10)	(0.57)	(2.42)
Weighted average number of shares outstanding (basic and diluted)		4,365,819	558,719	4,365,819	558,719

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

BevCanna Enterprises Inc.

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

	Common shares		Additional paid-up capital	Common shares held in treasury	Reserve	Obligation to issue shares	Accumulated other comprehensive income (loss)	Deficit	Equity (Deficit) attributable to shareholders of the parent	Deficit attributable to non-controlling interest	Total
	Number of shares	Amount (\$)	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
Shares issued for debt settlement	87,363,286	1,747,266	(1,354,126)	1,354,126	-	-	-	-	1,787,266	-	1,787,266
10 to1 Share consolidation	(291,102,874)	-	-	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	-	-	-	-	-	-	6,159	(12,127,993)	(12,121,834)	(416,723)	(12,538,557)
Balance, December 31, 2023	32,344,878	132,828,592	(1,354,126)	(3,790,545)	26,937,324	1,000,000	7,171	(159,284,163)	(3,615,747)	(697,501)	(4,313,248)
Shares issued for debt settlement	35,285,102	7,906,967	-	-	-	-	-	-	7,906,967	-	7,906,967
Shares issued for cash	579,543	510,000	-	-	-	-	-	-	510,000	-	510,000
20 to1 Share consolidation	(58,369,046)	-	-	-	-	-	-	-	-	-	-
Conversion of convertible debt	284,090	250,000	-	-	-	-	-	-	250,000	-	250,000
Share-based payments	-	-	-	-	610,077	-	-	-	610,077	-	610,077
Net loss and comprehensive loss	-	-	-	-	-	-	1,571	(6,445,124)	(6,443,553)	(1,522)	(6,445,075)
Balance, June 30, 2024	10,124,567	140,181,433	(1,354,126)	(3,790,545)	27,547,401	1,000,000	8,742	(165,729,287)	(782,256)	(699,023)	(1,481,279)

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

BevCanna Enterprises Inc.

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

Six months ended June 30,	2024	2023
	\$	\$
Operating activities		
Net loss	(6,382,133)	(2,633,513)
Items not affecting cash:		
Amortization	311,071	348,215
Accretion expense	1,344	19,670
Finance costs	304,088	105,003
Government grant	20,000	-
Impairment of prepaids & deposits	9,237	-
Gain on debt settlement	56,201	-
Share-based payments	610,076	-
Unrealized foreign exchange loss	19,538	(44,444)
Bad debt expense	-	141,333
Changes in assets held discontinued operation	(353,632)	42,844
	(5,404,210)	(2,020,892)
Changes in non-cash working capital items:		
Receivable	(142,288)	154,334
Prepaid expenses and deposits	(46,641)	(38,942)
Inventory	3,326	41,357
Deferred revenue	192,285	192,285
Accounts payable and accrued liabilities	3,734,011	1,744,031
Due to related parties	57,938	(5,124)
Cash used in (provided by) operating activities	(1,605,579)	67,049
Investing activities		
Purchases of property, plant, and equipment	-	(6,301)
Cash used in investing activities	-	(6,301)
Financing activities		
Proceeds from short-term loan	812,065	-
Proceeds from issuance of common shares	510,000	-
Shares issued for redemption of convertible debentures	250,000	-
Repayment of principal portion of lease liabilities	(5,752)	-
Interest paid	(38,709)	-
Cash provided by financing activities	1,527,604	-
Increase (decrease) in cash and cash equivalents	(77,975)	60,748
Effect of change in foreign exchange rate on cash	(2,054)	3,270
Cash and cash equivalents, beginning	139,216	39,543
Cash and cash equivalents, ending	59,187	103,560
Supplemental non-cash information		
Accrued costs in property and equipment	230,890	291,713

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

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

1) Nature of operations and Going Concern

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 OTC Pink Market under symbol “BVNNF”, and in Germany on the Frankfurt Stock Exchange under the symbol “7BC”. The registered record office of the Company is 1108 West 8th Avenue, Vancouver, BC V6H 4C8, Canada.

The Company develops and manufactures and markets the TRACE brand of Blackwater and TRACE Alkaline water, concentrates, and powders, additionally it offers custom beverage manufacturing on a private and white label basis through its wholly-owned subsidiary Naturo. The Company also plans to provide direct-to-consumer ecommerce sales of nutraceutical products.

Going concern

As of June 30, 2024, the Company has accumulated deficits of \$165,729,287, of which the non-cash portion was \$130,329,371 or 79%, and negative working capital of \$13,233,319 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. See note 24 for details of subsequent events that are pertinent to the Company’s ability to continue as a going concern.

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, 2023, which have been prepared with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements were approved by the Company’s Board of Directors on August 29, 2024.

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

(2) Basis of presentation (continued)

(b) Basis of measurement

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

(c) Basis of consolidation

These 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") ⁽²⁾	THC/CBD beverages	Canada	100%
Naturally Pure Therapy Products Corp. ("Pure Therapy")	E-commerce wellness nutraceuticals	Canada	100%
Naturo Group Enterprises Inc. (formerly Naturo Group Investments Inc., "Naturo")	Wellness beverages & nutraceuticals	Canada	100%
Naturo Springs Inc. ("Springs") ⁽¹⁾	Bottled spring water	Canada	79%
Embark Health, Inc. ("Embark")	Manufacturing products	Canada	100%

(1) On December 12, 2023, Naturo Springs Inc. made an assignment in bankruptcy. There were no assets left before the Company filed for bankruptcy.

(2) On January 25, 2024, BevCanna Operating Corp. made an assignment in bankruptcy. There were no assets left before the Company filed for bankruptcy.

(3) On July 18, 2024, Embark Health Inc. and its subsidiary Embark Delta Inc. made an assignment in bankruptcy. There were no assets left before the Companies filed for bankruptcy.

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.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

2) Basis of presentation (continued)

(d) Functional and presentation currency

The 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 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.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

2) Basis of presentation (continued)

(e) Use of estimates and judgments (continued)

Assets held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statements of loss and comprehensive loss.

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

2) Basis of presentation (continued)

(e) Use of estimates and judgements (continued)

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 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.
- iii. 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.
- iv. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on several assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.
- v. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

3) Cash and cash equivalents

	June 30, 2024	December 31, 2023
	\$	\$
Cash deposited at banks	15,441	125,537
Cash held in trust	43,565	13,565
Cash held at e-commerce merchants	181	114
	59,187	139,216

4) Receivables

	June 30, 2024	December 31, 2023
	\$	\$
Trade receivables	335,989	418,592
GST receivable	305,605	80,714
	641,594	499,306
Allowance for doubtful accounts	(191,236)	(191,236)
	450,358	308,070

As at December 31, 2023, the Company rendered the remaining held reserve income asset amounts non-collectible resulting in a loss of discontinued operations of \$141,333.

During the six months ended June 30, 2024, there is \$nil (2023 - \$nil) bad debt expense recognized on the consolidated statement of comprehensive loss.

5) Inventory

	June 30, 2024	December 31, 2023
	\$	\$
Bottles and packaging	77,402	53,125
Finished goods	1,863	89,560
Raw materials	49,843	68,030
Write-off of inventory	-	(78,281)
	129,108	132,434

During the six months ended June 30, 2024, the Company recorded an impairment charge of \$nil (2023 - \$nil) against inventory.

6) Prepaid expenses and deposits

	June 30, 2024	December 31, 2023
	\$	\$
Prepaid expenses	178,052	140,648
	178,052	140,648

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

7) Property, plant, and equipment

	Land	Furniture and equipment	Construction- in-progress	Buildings and warehouse	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Cost						
At December 31, 2022	1,350,000	2,535,138	9,507	14,704,964	-	18,599,608
Additions	-	6,300	-	-	-	6,300
Assets put into service	-	-	(9,507)	9,507	-	-
Disposals	-	(1,468,719)	-	-	-	(1,468,719)
At December 31, 2023	1,350,000	1,072,719	-	14,714,471	-	17,137,189
At June 30, 2024	1,350,000	1,072,719	-	14,714,471	-	17,137,189
Accumulated amortization						
At December 31, 2022	-	1,307,991	-	3,338,231	30,640	4,676,862
Amortization	-	220,930	-	444,859	(2,298)	663,490
Disposals	-	(1,130,927)	-	-	-	(1,130,927)
Impairment	-	23,458	-	1,256,351	(28,342)	1,251,467
At December 31, 2023	-	421,452	-	5,039,441	-	5,460,894
Amortization	-	62,127	-	194,870	-	256,997
At June 30, 2024	-	483,579	-	5,234,311	-	5,717,890
Net book value						
At December 31, 2022	1,350,000	1,227,146	9,507	11,366,732	(30,640)	13,922,747
At December 31, 2023	1,350,000	651,266	-	9,675,029	-	11,676,297
At June 30, 2024	1,350,000	587,139	-	9,480,160	-	11,419,299

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

8) Intangible assets

	IBO relationships \$	Marketing intangibles \$	Brand (a) \$	Total \$
<i>Cost</i>				
At December 31, 2022	3,340,000	590,000	680,000	4,610,000
Additions	-	-	-	-
At December 31, 2023	3,340,000	590,000	680,000	4,610,000
Additions	-	-	-	-
At June 30, 2024	3,340,000	590,000	680,000	4,610,000
<i>Accumulated amortization</i>				
At December 31, 2022	3,340,000	590,000	81,988	4,011,988
Amortization	-	-	-	-
At December 31, 2023	3,340,000	590,000	81,988	4,011,988
Amortization	-	-	47,662	-
At June 30, 2024	3,340,000	590,000	129,650	4,059,650
<i>Net book value</i>				
At December 31, 2022	-	-	598,012	598,012
At December 31, 2023	-	-	598,012	598,012
At June 30, 2024	-	-	550,351	550,351

9) Discontinued operations

In Q4 2023, the Company made a strategic decision to exit the cannabis market, classifying the Embark and BevCanna Operating segments as discontinued operations in the consolidated financial statements. Financial information relating to the discontinued operations for the six months ended June 30, 2024 and 2023 is set out below:

	June 30, 2024 \$	June 30, 2023 \$
Revenue	-	1,017,941
Cost of Revenue	-	625,530
Gross Margin	-	365,411
Operating expenses	74,044	625,744
Income (loss) from operations	(74,044)	(260,333)
Other (income) expenses	(6,382)	54,084
Net income (loss) from discontinued operations	(80,426)	314,418

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

9) Discontinued operations (continued)

Net cash information relating to the discontinued operations for the six months ended June 30, 2024 and 2023 is set out below:

	June 30, 2024	June 30, 2023
	\$	\$
Net cash provided by (used in) operations	(3,338)	(17,268)
Net cash used in investing activities	-	-
Net cash used in financing activities	-	-
Increase (decrease) in Cash	(3,338)	(17,268)

On January 25, 2024, BevCanna Operating made an assignment to file for insolvency.

10) Accounts payable and accrued liabilities

	June 30, 2024	December 31, 2023
	\$	\$
Trade payables	2,007,853	5,225,766
Accrued liabilities	2,002,390	2,684,850
	4,010,243	7,910,615

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 June 30, 2024, the outstanding balance of the loan and accrued interest was \$2,681,792.

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.

Subsequent to June 30, 2024, the Company repaid \$50,000 of the loan principal and accrued interest to the lender. The CEO of the Company provided the \$50,000 to the Company as a shareholder loan on the same date.

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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.

Related Parties Transactions:

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

Six months ended June 30,	2024	2023
	\$	\$
Management and Consulting fees		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	120,000	120,000
Chief Executive Officer ("CEO")	265,033	150,000
Mr. Dawson-Scully (Former President)	86,666	-
Ms. Panetta (Former President)	10,500	93,335
Mr. Ciambrelli (Sr. Ops Manager and Director)	75,000	82,493
Mr. Mason (Former Director), Mr. Macdonald (Former Director) and Mr. Blank (Director)	127,650	60,000
Company controlled by CEO	120,000	-
Company controlled by individual related to CEO	227,596	68,250
Company controlled by individual related to Sr. Ops Manager and Director	232,046	-
Individual related to CEO	24,330	-
	1,288,822	574,078
Six months ended June 30,	2024	2023
	\$	\$
Share-based Compensation		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	19,446	-
Chief Executive Officer ("CEO")	148,548	-
Mr. Dawson-Scully (Former President)	-	-
Ms. Panetta (Former President)	-	-
Mr. Ciambrelli (Sr. Ops Manager and Director)	17,734	-
Mr. Mason (Former Director), Mr. Macdonald (Former Director) and Mr. Blank (Director)	-	-
Company controlled by CEO	37,041	-
Company controlled by individual related to CEO	118,921	-
Company controlled by individual related to Sr. Ops Manager and Director	32,733	-
	43,468	-
	417,891	-

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12) Related party transactions and balances (continued)

Related Parties Balances: (continued)

As at June 30, 2024 and December 31, 2023, 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:

	June 30, 2024	December 31, 2023
	\$	\$
<i>Accounts payable and accrued liabilities:</i>		
Chief Financial Officer ("CFO") and Chief Strategic Officer ("CSO")	-	462,000
Chief Executive Officer ("CEO") (i)	183,923	616,114
Mr. Dawson-Scully (Former President)	15,000	339,000
Ms. Panetta (Former President)	-	105,921
Mr. Ciambrelli (Sr. Ops Manager and Director)	41,967	76,552
Mr. Mason (Former Director), Mr. Macdonald (Former Director) and Mr. Blank (Director)	15,450	228,403
Company controlled by CEO	6,000	-
Company controlled by individual related to CEO	134,330	343,961
Company controlled by individual related to Sr. Ops Manager and Director	-	-
Individual related to CEO (ii)	18,545	139,955
Subtotal	415,215	2,311,906
<i>Convertible Debenture</i>		
Directors	-	57,917
Subtotal	-	57,917
<i>Short-term loans</i>		
Company controlled by individual related to CEO (ii)	205,305	203,160
Individual related to CEO (ii)	171,088	169,300
Subtotal	376,393	372,460
<i>Due to related parties</i>		
Chief Executive Officer ("CEO")	105,479	47,541
Company controlled by individual related to CEO	5,000	5,000
Subtotal	110,479	52,541
Total	902,086	2,794,824

- (i) The CEO also provided a shareholder loan to the company of \$100,000 in 2022 to support its working capital needs, specifically during the period under Ceased Trade. During the period ended June 30, 2024, a full repayment of \$68,012 (2023 - \$52,459) was made on this loan. During the period ended June 30, 2024, the Company also accrued consulting fees payable to the CEO of \$120,750 (2023 - \$nil).
- (ii) Two individuals related to the CEO each provided loans that supported the Company's working capital needs, specifically for purchase order factoring to fulfill cannabis product orders for provincial boards. This financing was crucial due to the significant cash outlay required for production before delivery, with payment terms from provincial boards typically ranging between 45 to 90 days post-delivery.

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12) Related party transactions and balances (continued)

On April 22, 2022, a relative of the CEO provided a loan of \$125,000 USD, with a \$25,000 USD facilitation fee charged upfront. Due to extended repayment delays, an additional facilitation fee of \$7,517.10 USD was accrued and paid on July 27, 2023. As of June 30, 2024, \$150,000 USD remained outstanding on this loan.

On April 22, 2022, another relative of the CEO personally extended a loan of \$125,000 USD, also with a \$25,000 USD facilitation fee charged upfront. The initial fee was paid on June 26, 2022. Due to repayment delays, additional facilitation fees were accrued and paid: \$25,000 USD on March 27, 2023, and \$2,500 USD each on January 19, 2024, and March 26, 2024. As of June 30, 2024, the principal amount of \$125,000 USD remains outstanding.

These loans were essential for bridging the gap between production costs and revenue realization, allow the Company to maintain adequate inventory levels and capitalize on sales opportunities despite the cash flow timing mismatches inherent in the cannabis industry's payment cycles.

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 June 30, 2024, \$48,548 accrued interest and \$500,000 principal 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 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.

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13) Convertible debentures (continued)

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.

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 was paid during the year ended December 31, 2023.

The value of the debenture as at June 30, 2024, is \$548,548.

	\$
Balance, December 31, 2021	461,408
Addition	50,000
Accretion expense	45,553
Finance charge	42,916
Finance charge payment	(20,000)
Balance, December 31, 2022	579,876
Accretion expense	27,599
Finance charge	(1,517)
Balance, December 31, 2023	605,958
Reduction	(77,356)
Finance charge	19,945
Balance, June 30, 2024	548,548

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 11, 2023, Naturo Group entered into a loan agreement with a private lender for \$600,000, secured by a second 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.

On November 7, 2023, the Company entered into a loan agreement with a private lender for \$200,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from November 3, 2023.

On November 20, 2023, the Company entered into a loan agreement with a private lender for \$100,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from November 20, 2023.

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14) Short term loans (continued)

On December 2, 2023, the Company entered into a loan agreement with a private lender for \$200,000, secured by a second mortgage on property in Bridesville, BC. The loan carries a 15% interest rate, with a term of twelve months from December 2, 2023.

On December 6, 2023, the Company entered into a secured note agreement with two private lenders for \$320,000, secured by the general assets of the Company. The loan carries a 15% interest rate, with a term of twelve months from December 6, 2023. The interest payable for the twelve months was prepaid on the date of issuance as an interest reserve to be deducted.

During the six months ended June 30, 2024, the Company secured \$1,062,065 through subscriptions for Secured Promissory Notes with various subscribers. The notes expire in one year and have maturity dates between January 18 to April 24, 2025, accruing interest at 15% per annum. The total interest payable is deducted from the principal amount in advance on the closing date.

On May 8, 2024, the Company converted \$250,000 of short-term loans into private placement subscriptions by issuing 284,090 common shares of the Company at \$0.88 per share.

	June 30, 2024	December 31, 2023
	\$	\$
Mortgage advance/Secured note	2,232,065	1,420,000
Purchase order factoring – individuals related to CEO	376,394	363,716
	2,608,458	1,783,716

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.

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15) CEBA loans (continued)

On January 1, 2024, the CEBA 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	120,000
Accretion expense	10,022
Reclassified as discontinued operations	(150,000)
Balance, December 31, 2022	80,000
Balance, December 31, 2023	80,000
Addition	20,000
Interest accrued	1,328
Balance, June 30, 2024	101,328

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.

16) Share Capital

Authorized

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

Issued

During the three months ended June 30, 2024, the Company issued 6,472,860 common shares, as adjusted for the 1:20 reverse stock split, common shares to settle \$4,590,882 of debt owed to various vendors. The common shares had a fair value of \$5,870,224 and the Company recognized a loss on the settlement of debt of \$1,279,342. A portion of the shares issued for debt settlement included transferable share purchase warrants. A total of 1,152,937 warrants are issued and exercisable at a price of \$0.60 per warrant share and expired on June 19, 2026. The warrants vested immediately upon issuance and have a fair value of \$610,077 using the Black-Scholes Option Pricing method.

On May 21, 2024, the Company closed a non-brokered private placement for \$510,000 by issuing 579,543 common shares of the Company.

On May 8, 2024, the Company converted \$250,000 of short-term loans into private placement subscriptions by issuing 284,090 common shares of the Company at \$0.88 per share.

During the three months ended March 31, 2024, the Company issued 29,096,332 (1,454,816 common shares, as adjusted for the 1:20 reverse stock split) common shares to settle \$2,909,633 of debt owed to various vendors. The common shares had a fair value of \$2,036,743 and the Company recognized a gain on the settlement of debt of \$872,890.

During the year ended December 31, 2023, the Company issued 87,363,286 common shares to settle \$3,057,715 of debt owed to various vendors. The common shares had a fair value of \$1,747,266 and the Company recognized a gain on the settlement of debt of \$1,310,449.

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16) Share Capital (continued)

On December 14, 2023, the Company transferred 1,142,857 of common shares held in trust to settle \$40,000 of debt owed to one vendor.

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 June 30, 2024, these warrants remained outstanding and unexercised. As a result, the amount remained to be classified as obligations to issue shares on the consolidated statement of financial position as at June 30, 2024.

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 year ended December 31, 2023, no shares were issued or exercised.
A summary of the changes in the share options are presented below:

	Options outstanding	Weighted- average exercise price
At December 31, 2022	4,600,000	0.52
Forfeited	(4,000,000)	0.54
Share consolidation	(540,000)	-
At December 31, 2023	60,000	3.54
Forfeited	(1,250)	100.00
Share consolidation	(57,000)	-
At June 30, 2024	1,750	50.00

The following table summarizes information about the stock options outstanding and exercisable at June 30, 2024:

Expiry date	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price \$	Weighted average remaining contractual life
July 31, 2024	35,000	35,000	2.50	0.08
Share consolidation	(33,250)	(33,250)	-	-
	1,750	1,750	50	0.08

During the six months ended June 30, 2024, the Company recognized share-based payments expense of \$610,077 (2023 - \$nil).

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17) Stock options (continued)

The estimated grant date fair value of the options and warrants granted during the year ended December 31, 2023 and 2022 was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2024	2023
Risk-free interest rate	3.88%	1.49%
Expected life (years)	2.00	1.33
Annualized volatility	133.7%	120.7%
Dividend rate	0%	0%

18) Share purchase warrants

A summary of the changes in the share purchase warrants are presented below, there were no changes in the twelve months ended December 31, 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
Forfeited	(3,000,000)	5.00
Share consolidation	(4,751,313)	
At December 31, 2023	527,924	14.7
Forfeited	(527,924)	5.00
Granted	1,152,937	0.60
At June 30, 2024	1,152,937	0.60

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 six months ended June 30, 2024, 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	(416,723)
Balance, December 31, 2023	(697,501)
Share of net loss for the period	(1,522)
Balance, June 30, 2024	(699,023)

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19) Non-controlling interest (Continued)

On December 12, 2023, Naturo Springs Inc. made an assignment in bankruptcy. There were no assets left before the Company filed for bankruptcy.

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 June 30, 2024 and December 31, 2023, 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 six months ended June 30, 2024.

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 on 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.

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20) Financial instruments (continued)

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

For the period ended	June 30, 2024	June 30, 2023
Customer A	0.0%	69.9%
Customer B	0.0%	14.2%
Customer C	61.7%	13.8%
Customer D	28.0%	0.5%
Total	89.7%	98.3%

The amount receivable from these customers constitutes 0%, 0%, 11.8% and 0.1% respectively (2023 – 6.3%, 8.1%, 0.2% and 9.8%) of the amount receivable and \$54,684 remains outstanding subsequent to June 30, 2024. \$305,605 of receivable is GST and Excise tax refunds from the Receiver General. Management believes there is minimal risk regarding the collectability of this amount.

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 due to changes in interest rate. The Company is exposed to interest rate risk on its cash and debt instruments and has determined that 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.

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21) Segmented information

The Company determines its reportable segments based on the nature of operations and includes two operating segments: alkaline and mineralized beverages and supplements and eCommerce. The alkaline and mineralized beverages include the development and manufacturing of TRACE brand and other beverages and supplements. The eCommerce segment includes direct-to-customer sales of natural health products including nutraceutical and hemp-based CBD products.

The Company' financial information by reportable segment for the six months ended June 30, 2024 is as follows:

Six months ended June 30, 2024:

	Conventional Beverage	ECommerce	Total
	\$	\$	\$
Revenue from external customers	36,031	-	36,031
Cost of revenue	22,125	-	22,125
Depreciation and amortization	311,071	-	311,071
Other selling, general and administrative expenses	5,678,752	6,354	5,685,106
Segment income (loss)	(5,975,917)	(6,354)	(5,982,271)
Segment assets	12,807,522	119,058	12,926,580
Segment liabilities	14,341,677	66,182	14,407,859

Six months ended June 30, 2023:

	Conventional Beverage	ECommerce	Total
	\$	\$	\$
Revenue from external customers	370,497	-	370,497
Cost of revenue	345,225	113	345,338
Depreciation and amortization	348,215	-	348,215
Other selling, general and administrative expenses	2,055,609	8,407	2,064,016
Segment income (loss)	(2,378,552)	(8,520)	(2,387,072)
Segment assets	15,208,189	337,229	15,545,418
Segment liabilities	10,896,491	181,732	11,078,223

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21) Segmented information (continued)

The Company' financial information by geography for the six months ended June 30, 2024 and year ended December 31, 2023 is as follows:

	Canada \$	U.S.A. \$	Total \$
<i>Assets</i>			
As at June 30, 2024			
Current	767,331	119,058	886,389
Non-current	12,040,191	-	12,040,191
Total assets	12,807,522	119,058	12,946,580
As at December 31, 2023			
Current	674,111	120,841	794,952
Non-current	12,274,309	-	12,274,309
Total assets	12,948,420	120,841	13,069,261
<i>Revenue</i>			
For the six months ended June 30, 2024	36,031	-	36,031
For the six months ended June 30, 2023	370,497	-	370,497
<i>Net income (loss)</i>			
For the six months ended June 30, 2024	(6,356,661)	(9,559)	(6,366,220)
For the six months ended June 30, 2023	(2,717,262)	(8,520)	(2,725,782)

22) Commitments and contingencies

(a) Commitments

Contractual Obligations

	Carrying amount \$	Contractual cash flows \$	Under 1 year \$	1-3 years \$
As at June 30, 2024				
Trade payable and accrued liabilities	4,010,423	4,010,423	4,010,423	-
Due to related parties	110,479	110,479	110,479	-
Promissory note	2,681,792	2,681,792	2,681,792	-
ST Loan Payable	2,608,458	2,608,458	2,608,458	-
Convertible debentures	548,548	548,548	548,548	-
Lease obligation	71,202	77,887	42,484	35,403
CEBA loan	101,328	101,328	101,328	-
Total	10,132,050	10,138,735	10,103,332	35,403

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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, 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.

During 2022, the Company received a claim for unpaid vacation pay, regular wages, and wage deferral from a former employee. The company disputes the claims, stating that all vacation pay has been settled, the individual did not work during the claimed period for regular wages, and shares were accepted instead of wage deferral repayment. As of February 21, 2024, the Employment Standards Branch determined the individual is entitled to a reduced amount of wages and interest of \$3,797. This was settled and paid in full in February of 2024.

During the year 2023, the Company involved an action initiated by a service provider seeking payment of invoices totaling \$3,018.75 for cleaning services rendered over three months in 2022. The claimant also sought reimbursement for tribunal-related fees and interest on the outstanding amount. Although the claim was indirectly against another party, it appears the company involved does not bear direct liability for invoice repayment. The tribunal ruled in favor of the claimant, ordering payment of \$3,134.45.

In 2023, the Company received a claim of \$4,800.62 for Canada-wide freight services provided. Claiming the outstanding balance as immediately due and payable, the cargo company also included dispute-related fees and expenses. On February 8, 2024, the Civil Resolution Tribunal ruled in favor of the cargo company, ordering payment of \$4,950.62.

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 June 30, 2024, the Company paid \$120,000. The outstanding balance stands at \$103,560 at June 30, 2024.

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.

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

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.

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 six months ended June 30, 2024.

24) Subsequent Events

Bankruptcy Filing

On July 19, 2024, the Company's wholly-owned subsidiary, Embark Health Inc. (and its wholly-owned subsidiary Embark Delta Inc.) filed for bankruptcy. Manning & Associates Inc. was appointed trustee of the estate of the bankrupt by the official receiver subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors.

Acquisition of Greenflame Distribution Ltd.

On July 25, 2024, the Company announced it has entered into a share exchange agreement dated July 24, 2024 (the "Agreement") to acquire health and wellness nutraceutical products company Greenflame Distribution Ltd. ("Greenflame"), an arm's-length private British Columbia corporation (the "Acquisition"). Greenflame owns a proprietary product portfolio. Closing of the transaction is subject to regulatory approval.

Non-brokered Private Placement

On August 2, 2024, the Company closed the first tranche of its non-brokered private placement for common shares of the Company at a price of \$0.60 per common share for aggregate gross proceeds of \$232,850 for a total of 388,082 common shares (the "Offering"). The remainder of the Offering may close in one or more additional tranches.

BevCanna Enterprises Inc.

Condensed Consolidated Interim Statements (Unaudited)
(Expressed in Canadian dollars)

24) Subsequent Events (continued)

Amended and Restated Financial Statements and Management's Discussion and Analysis

On August 12, 2024, the Company filed amended and restated financial statements with an amended and restated corresponding management's discussion and analysis (the "Amended Financial Reports") for the three months ended March 31, 2024 (the "Financial Period") to correct accounting for the items identified below. It was identified by the Company's management and Board of Directors that the original financial statements for the Financial Period contained errors that were primarily due to the Company's recognition of certain Professional Fees in the Financial Period. Specifically, the Company identified there was a net understatement of accrued Professional Fees in the Financial Period.

Non-brokered Private Placement

On August 14, 2024, the Company closed the second tranche of its previously announced non-brokered private placement for common shares of the Company at a price of \$0.60 per Common Share for aggregate gross proceeds of \$100,000 for a total of 166,666 Common Shares (the "Offering"). The remainder of the Offering may close in one or more additional tranches.

Appointment of Independent Director & Audit Committee

On August 19, 2024, the Company announced the appointment of Richard (Rich) Coleman as an independent director of the Company and as a member of the Company's Audit Committee, effective August 19, 2024. Mr. Coleman replaces Marcello Leone on the Company's Audit Committee.

Promissory Note Payment

Subsequent to the period ended June 30, 2024, the Company made \$80,000 payments towards the Promissory note principal.

Shareholder Loan Financing

Subsequent to the period ended June 30, 2024, the CEO of the Company provided \$170,300 shareholder loan financing to the Company for the repayment of Promissory note principal and working capital.