BEVCANNA ENTERPRISES INC.

Consolidated financial statements

For the years ended December 31, 2019 and 2018

(in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of BevCanna Enterprises Inc.

Opinion

We have audited the consolidated financial statements of BevCanna Enterprises Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended December 31, 2019 and the period from incorporation on January 31, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended December 31, 2019 and the period from incorporation on January 31, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 28, 2020

MOORE

An independent firm
associated with Moore
Global Network Limited

BevCanna Enterprises Inc.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2019	December 31, 2018
		$	$
Assets			
Current			
Cash		88,983	6,647,305
GST receivable		331,623	22,426
Marketable securities	4	149,460	-
Prepaid expenses and deposits	5	625,405	117,082
		1,195,471	6,786,813
Property and equipment	6	4,566,983	16,064
Licence	7	10,474,223	11,714,223
		16,236,677	18,517,100
Liabilities			
Current			
Trade payable and accrued liabilities	8,9	2,033,256	347,538
Due to related parties	9	66,728	25,872
		2,099,984	373,410
Non-Current			
Obligation to issue debentures	14	630,000	-
		630,000	-
Shareholders' equity			
Share capital	10	24,751,580	22,632,865
Common shares held in treasury	10	(300,858)	-
Obligation to issue shares	10	1,000,000	-
Reserve for share-based payments	10, 12	5,220,238	2,483,105
Deficit		(17,164,267)	(6,972,280)
		13,506,693	18,143,690
		16,236,677	18,517,100

Nature of operations and Going concern	1
Commitments	14
Subsequent events	17

Approved and authorized for issue on behalf of the Board of Directors on May 28, 2020

"Marcello Leone"	*"John Campbell"*
Director	Director

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

BevCanna Enterprises Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2019	Period from incorporation on January 31 to December 31, 2018
		$	$
Administration expenses			
Amortization	6,7	1,246,239	687,359
Salaries		382,765	23,850
Management		464,000	150,000
Share-based compensation		2,737,133	2,483,105
Marketing		1,122,049	46,046
Filing, listing and compliance		134,758	25,801
Interest		-	4,794
Plant operations and facilities		270,266	41,021
Professional and consulting		1,793,132	492,864
Legal		364,456	203,881
Rent		117,662	-
Research and development		808,253	2,319
Financing fees		273,758	-
Investors relations		275,058	-
Travel		186,443	54,029
		10,175,972	4,215,069
Other expenses (income):			
Listing expense	3	-	2,761,916
Foreign exchange loss		(2,104)	(4,705)
Unrealized gain on revaluation of marketable securities	4	170,240	-
Realized gain on sale of marketable securities	4	(2,278)	-
Gain on debt settlement	10	(149,843)	-
Loss and comprehensive loss		(10,191,987)	(6,972,280)
Loss per share (basic and diluted)		(0.22)	(0.32)
Weighted average number of shares outstanding (basic and diluted)		45,430,661	21,885,434

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

BevCanna Enterprises Inc.

Consolidated Statements of Changes in Shareholders' Equity
(in Canadian dollars)

	Note	Common shares Amount	Common shares Value	Common shares held in treasury	Reserve for share-based payments	Obligation to issue shares	Deficit	Total
		#	$	$	$	$	$	$
Balance, December 31, 2018		44,518,750	22,632,865	-	2,483,105	-	(6,972,280)	18,143,690
Shares issued for cash	10	501,000	500,500	-	-	-	-	500,500
Shares issued for services	10	400,000	400,000	-	-	-	-	400,000
Shares issued for debt settlement	10	2,495,136	1,271,681	-	-	-	-	1,271,681
Share issuance costs	10	-	(53,466)	-	-	-	-	(53,466)
Share-based compensation	12	-	-	-	2,737,133	-	-	2,737,133
Funds received for warrants exercise	10	-	-	-	-	1,000,000	-	1,000,000
Shares acquired	10	-	-	(300,858)	-	-	-	(300,858)
Net loss		-	-	-	-	-	(10,191,987)	(10,191,987)
Balance, December 31, 2019		47,914,886	24,751,580	(300,858)	5,220,238	1,000,000	(17,164,267)	13,506,693
Balance, January 31, 2018		-	-	-	-	-	-	-
Shares issued for cash	10	24,532,750	12,572,115	-	-	-	-	12,572,115
Shares acquired on acquisition	10	6,600,000	3,793,000	-	-	-	-	3,793,000
Conversion of special warrants	11	986,000	493,000	-	-	-	-	493,000
Share issuance costs	10	-	(425,250)	-	-	-	-	(425,250)
Shares for license agreement	10	12,400,000	6,200,000	-	-	-	-	6,200,000
Share-based compensation	12	-	-	-	2,483,105	-	-	2,483,105
Net loss		-	-	-	-	-	(6,972,280)	(6,972,280)
Balance, December 31, 2018		44,518,750	22,632,865	-	2,483,105	-	(6,972,280)	18,143,690

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

BevCanna Enterprises Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2019	Period from incorporation on January 31 to December 31, 2018
	$	$
Operating activities		
Net loss	(10,191,987)	(6,972,280)
Items not affecting cash:		
Amortization	1,246,239	687,359
Purchase of BevCanna	-	2,761,916
Share-based compensation	2,737,133	2,483,105
Gain on revaluation of marketable securities	167,962	-
Loss on debt settlement	(149,843)	-
Unrealized foreign exchange loss (gain)	(2,104)	-
	(6,192,600)	(1,039,900)
Changes in non-cash working capital items:		
GST receivable	(309,197)	(18,628)
Prepaids	(508,323)	(94,588)
Trade payable and accrued liabilities	1,825,357	347,538
Due to related parties	40,856	25,872
Cash (used in) provided by operating activities	(5,143,907)	(779,706)
Investing activities		
Purchase of property and equipment	(3,215,478)	(17,646)
Purchase of marketable securities	(550,000)	-
Proceeds from sale of marketable securities	232,578	-
Cash from amalgamation with BevCanna Operations	-	1,497,792
Purchase of licence	-	(6,200,000)
Cash used in investing activities	(3,532,900)	(4,719,854)
Financing activities		
Proceeds from issues of shares	842,809	7,527,261
Shares acquired	(300,858)	-
Warrant exercise / Share subscriptions received	1,000,000	5,044,854
Share issuance costs	(53,466)	(425,250)
Cash received from debenture application	630,000	-
Cash provided by financing activities	2,118,485	12,146,865
(Decrease) increase in cash	(6,558,322)	6,647,305
Cash, beginning	6,647,305	-
Cash, ending	88,983	6,647,305

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

1. Nature of operations

BevCanna Enterprises Inc. (formerly Nutrivida Biotech Investments Inc.) (the “Company”) was incorporated under the Business Corporations Act in British Columbia on July 13, 2017. On July 2, 2019, the Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “BEV”. The Company is planning to become a producer of cannabidiol (“CBD”) and tetrahydrocannabinol (“THC”) beverages. The head office of the Company is 1672 West 2nd Avenue, Vancouver, BC, V6J 1H4 and the registered record office of the Company is 900 – 885 West Georgia Street, Vancouver, BC, V6C 3H1.

On August 24, 2018, the Company entered into an Amalgamation Agreement with BevCanna Enterprises Inc. (“BevCanna Inc.”), a private British Columbia company incorporated on January 31, 2018, whereby the Company acquired all issued and outstanding common shares of BevCanna Inc. on a one for one basis (the “Transaction”). The Transaction was structured as a three-way amalgamation pursuant to which BevCanna Inc. amalgamated with a wholly owned subsidiary of the Company, Nutrivida Acquisition Inc. to form an amalgamated entity, BevCanna Operating Corp. (Note 3).

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated common share for each two pre-consolidated common shares. The consolidated financial statements and all information relating to issued and outstanding common shares and special warrants have been restated to reflect the share consolidation for the periods presented.

The Company has incurred losses and negative cash flows from operations from inception that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, convertible debentures and through private placement of common shares.

2. Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Issues Committee (“IFRIC”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(b) Basis of presentation

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.

These consolidated financial statements were approved by the Board of Directors for issue on May 28, 2020.

(c) Functional and presentation currency

The functional and presentation currency of the Company is the Canadian dollar.

2. Summary of significant accounting policies (continued)

(d) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continue to be consolidated until the date when such control ceases. Control occurs when the Company is exposed to, or has right to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Inter-company balances and transactions are eliminated on consolidation.

Name of Subsidiary	Principal Activity	Place of Incorporation	Ownership Interest
Nutrivida Acquisition Inc.	Holding Company	Canada	100%
BevCanna Operating Corp.	CBD beverages	Canada	100%

Upon closing of the Transaction, Nutrivida Acquisition Inc. amalgamated with BevCanna Inc.

(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. Actual results may differ from these estimates. 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.

Significant areas requiring the use of estimates include carrying value and recoverability of intangible asset and unrecognized deferred income tax assets. Actual results could differ from those estimates.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

2. **Summary of significant accounting policies** (continued)

(f) Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, “Financial Instruments: Classification and Measurement”.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at FVTPL.

Impairment of financial assets
IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

Financial liabilities
Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables and due to related parties are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

(g) Intangible asset

The Company has a long-term license agreement for plant operations and quality service assurance. The license is record at cost less accumulated amortization and accumulated impairment losses. Amortization of the license is a straight-line basis over 10 years. The estimated useful life and amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and impairment charges. The cost of repairment and maintenance is expensed as incurred. Depreciation is provided using the declining balance method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are remove from the property and equipment and any gain or loss is recorded to profit or loss.

The significant class of property and equipment is as follows:

Furniture and equipment	20%
Leaseholds improvements	10%
Computers	30%

Leasehold improvements are depreciated when it is ready in use.

2. Summary of significant accounting policies (continued)

(i) Impairment of assets

The Company performs impairment tests on its long-lived assets, including property and equipment and intangible asset, when new events or circumstances occur, or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is evaluated using fair value less costs to sell calculations. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

(j) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

2. Summary of significant accounting policies (continued)

(k) Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to equity reserve. The fair value of options is determined using the Black–Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Any consideration paid by plan participants on the exercise of stock options is credited to share capital.

(m) Loss per share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all “in the money” stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

2. **Summary of significant accounting policies** (continued)

(n) Adoption of the IFRS 16 "Leases"

On January 1, 2019, the Company adopted IFRS 16 which replaced IAS 17 "Leases" and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. Accordingly, comparative information in the Company's financial statements is not restated. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

On transition to IFRS 16, the Company elected to use the following practical expedients, as permitted under the standard: Grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases under IAS 17.

The adoption of the IFRS 16 has had no material impact on the Company's consolidated financial statements, as the Company currently has limited exposure to leases, except the lease mentioned in Note 6, which only has variable lease payments. Therefore, the company did not record any right of use assets and corresponding lease liabilities.

3. The Transaction

The Transaction was a reverse take-over of the Company by the shareholders of BevCanna Inc. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction was accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As BevCanna Inc. was deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of BevCanna Inc. up to the date of the Transaction.

On September 13, 2018, the Transaction was closed and the Company acquired, on a one for one basis, all issued and outstanding shares of BevCanna Inc. in exchange for 30,601,222 common shares of the Company.

	$
Consideration - shares	3,300,000
Fair value of special warrants	493,000
Total consideration paid	3,793,000
Allocation of considerations	
Net assets acquired:	
Cash	1,497,792
GST Receivable	3,798
Interco/Payable BevCanna	(493,000)
Deposits	22,494
Total identifiable net assets	1,031,084
Consideration paid over net assets acquired	2,761,916
Listing expense	2,761,916

The fair value of 6,600,000 issued common shares of the Company was estimated to be $0.50 per share using the price of a financing that was completed concurrently.

The fair value of 986,000 special warrants, each of which is to be automatically converted into 1 common share of the Company without further consideration, was estimated to be $0.50 per warrant using the price of a financing that was completed concurrently.

4. Marketable securities

	Year ended December 31, 2019			
	Nextleaf shares $	Nextleaf warrants (i) $	Higharchy shares $	Total $
Beginning of the period	-	-	-	-
Purchases	250,000	-	300,000	550,000
Sales	(232,578)	-	-	(232,578)
Remeasurement recognized in statement of loss	38,015	91,745	(300,000)	(170,240)
Realized gain recognized in statement of loss	2,278	-	-	2,278
End of the period	57,715	91,745	-	149,460

(i) The fair value of the warrants was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 1.71%, expected life of 1.2 years, expected volatility of 112%, and dividend yield of nil.

During the year ended December 31, 2019, the Company participated in a private placement of Nextleaf Solutions Ltd. ("Nextleaf"), a company whose common shares are publicly traded and listed on the CSE in Canada under the ticker symbol "OILS". Pursuant to the terms of this non-brokered private placement, the Company received a total of 714,286 units of Nextleaf at a unit price of $0.35 per unit, equating to a total investment of $250,000. Each unit consisted of one common share and one warrant, with each warrant entitling the holder to purchase one common share at $0.70 until March 14, 2021.

During the year ended December 31, 2019, the Company participated in a private placement of Higharchy Ventures Ltd. ("Higharchy"), a private company incorporated under the laws of the Province of British Columbia. Pursuant to the terms, the Company received a total of 750,000 shares of Higharchy at a share price of $0.40 per unit, equating to a total cost of $300,000 and a fair value of zero. The Company determined the fair value of its investment based on its net realizable value. Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of Higharchy and has assessed the high likelihood of a loss other-than-temporary, the Company write down impairment of its entire investment in Higharchy.

5. Prepaid expenses and deposits

	December 31, 2019 $	December 31, 2018 $
Prepaid expenses	293,112	117,082
Deposit on investment	332,293	-
Total	625,405	117,082

6. Property and equipment

	Furniture and equipment $	Construction in progress $	Leasehold improvements $	Computers $	Total $
Cost					
Additions	12,752	-	2,845	2,049	17,646
At December 31, 2018	12,752	-	2,845	2,049	17,646
Additions	154,331	4,360,824	32,072	9,931	4,557,158
At December 31, 2019	167,083	4,360,824	34,917	11,980	4,574,804
Accumulated amortization					
Amortization	1,275	-	-	307	1,582
At December 31, 2018	1,275	-	-	307	1,582
Amortization	4,474	-	-	1,765	6,239
At December 31, 2019	5,749	-	-	2,072	7,821
Net book value					
At December 31, 2018	11,477	-	2,845	1,742	16,064
At December 31, 2019	161,334	4,360,824	34,917	9,908	4,566,983

7. Licence agreement

On September 12, 2018, the Company entered into a 10-year licence agreement with two 10-year renewal options with Naturo Group Investments Inc. (“Naturo”) and Naturo Springs Ltd. (“Springs”), both related parties (the “Licence Agreement”), whereby Naturo will provide the Company with certain manufacturing and quality assurance services for manufacturing beverages in Naturo’s facility, and whereby the Company entered into a lease agreement with Naturo and Springs to lease a portion of the land, aquifer and facilities controlled by Naturo and/or Springs in order to facilitate the development of the Company’s business. The agreement shall be automatically renewed for 2 successive terms of 10 years if not terminated by either party. The Company agreed to pay Naturo $12,400,000 pursuant to the Licence Agreement, 50% of which was paid with by common shares and the remaining portion in cash. The carrying amount is being amortized over the 10 years of the Licence Agreement. During the year ended December 31, 2019, the amortization expense for the Licence Agreement was $1,240,000 (2018 - $685,777).

8. Accounts payable and accrued liabilities

	December 31, 2019 $	December 31, 2018 $
Trade payables	695,755	260,447
CapEx payables	1,337,501	-
Accrued liabilities	-	87,091
Total	2,033,256	347,538

9. Related party transactions and key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel during the year ended December 31, 2019 and the period from incorporation on January 31, 2018 to December 31, 2018 was as follows:

	Year ended December 31, 2019 $	Period from incorporation on January 31 to December 31, 2018 $
Management fees	307,500	175,800
Share-based payments	1,498,136	-
Total	1,805,636	175,800

Accounts payable and accrued liabilities:

At December 31, 2019, the following is included in accounts payable and accrued liabilities in relation to transactions with related parties, which are non-interest bearing, unsecured and due on demand:

- $nil (December 31, 2018 - $30,000) for services provided by the President of the Company.
- $22,331 (December 31, 2018 - $31,500) for services provided by the Chief Strategy Officer of the Company (“CSO”).

Due to related parties:

At December 31, 2019, the following is included in due to related parties, which are non-interest bearing, unsecured and due on demand:

- $66,728 (December 31, 2018 - $25,872) owing for products and services provided by a company owned by the President and the Chief Executive Officer (“CEO”) of the Company.

10. Share capital

On January 22, 2019, the Company consolidated its share capital on the basis of one post-consolidated share for each two pre-consolidated shares issue and outstanding. The present consolidated financial statements disclose all share references on a post-consolidation basis.

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

During the year ended December 31, 2019, the Company repurchased on the open market 667,000 common shares at a cost of $300,858.

10. Share capital (continued)

During the year ended December 31, 2019, the Company entered into the following share capital transactions:

a. On December 24, 2019, the Company issued 1,000,000 common shares at a price of $0.50 for a debt settlement of $500,000 with a contractor;
b. On November 18, 2019, the Company issued 892,857 common shares at a price of $0.45 for a debt settlement of $401,786 with a contractor;
c. On November 14, 2019, the Company issued 1,000 common shares at a price of $0.50 for the stock option exercise;
d. On October 9, 2019, the Company issued 30,172 common shares at a price of $0.50 for a debt settlement of $15,086 with a consultant;
e. On October 9, 2019, the Company issued 25,000 common shares at a price of $0.50 for a debt settlement of $12,500 with a director;
f. On August 29, 2019, the Company issued 455,107 common shares at a price of $0.55 for a debt settlement of $250,309 with a consultant;
g. On May 1, 2019, the Company issued 100,000 common shares at a price of $1.00 for $100,000 pursuing to the management services agreement with a company controlled by a director;
h. On May 1, 2019, the Company issued 300,000 common shares at a price of $1.00 for $300,000 pursuing to the services agreement with a company controlled by a director;
i. On March 25, 2019, the Company issued 500,000 common shares for proceeds of $500,000;
j. On March 25, 2019, the Company issued 40,000 common shares for a debt settlement of $40,000 with a consultant;
k. On January 16, 2019, the Company issued 52,000 common shares for a debt settlement of $35,000 with the director.
l. The share issuance costs for these transactions amounted to $53,466 (2018 - $425,251).

During the year ended December 31, 2019, the Company completed share for debt settlement transactions with vendors, consultants and related parties in total of $1,421,524 and realized a gain on debt settlement of $149,843 (December 31, 2018 - $Nil).

During the period from incorporation on January 31, 2018 to December 31, 2018, the Company entered into the following share capital transactions:

m. The Company issued 1,300,050 common shares at a price of $0.10 per share to the Chief Executive Officer of the Company;
n. Pursuant to a Licence Agreement, the Company issued 12,400,000 shares at $0.50 per share to Naturo (Note 6);
o. Pursuant to the Transaction, on September 13, 2018, the Company acquired an aggregate of 6,600,000 common shares with a value of $3,300,000 (Note 1);
p. The Company issued 986,000 common shares with a price of $0.50 per share pursuant to the conversion of special warrants for proceeds of $493,000 (Note 11);
q. The Company closed a series of private placements for cash as follows:

Number of shares #	Price per share $	Proceeds $
50	0.02	1
7,150,000	0.10	715,000
11,051,172	0.50	5,525,586
6,331,529	1.00	6,331,529
24,532,751		12,572,116

10. Share capital (continued)

r. On December 14, 2018, the Company issued 1,267,925 common shares for proceeds of $1,267,925.

As a condition to completion of the offering, the Company entered into agreements with the subscriber for the ongoing advancement of certain strategic initiatives.

The compensation of the services includes:

i. The issuance of 3,000,000 warrants, each warrant will be exercisable into one fully paid and non-assessable common share in the capital of the Company at an exercise price of $0.50 per warrant share. These warrants will vest and become exercisable the earliest of (a) the date on which the board of directors of the Company formally approves a strategy to market the Company's products for commercial sale in the United States of America, (b) the date on which any class of shares in the capital of the Company are listed on a recognized stock exchange in North America, or (c), the date of any change of control of the Company. The fair value of the warrants was $2,483,105 and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 2.04%, expected life of 5 years, expected volatility of 100%, and dividend yield of nil.

ii. The issuance of 1,000,000 warrants, each warrant will be exercisable into one common share at an exercise price of $0.50 per warrant share. These warrants will vest the earlier of (a) the Company entering into a letter of intent, (b) a memorandum of understanding, or (c) a definitive agreement, with an unrelated third-party company or person which is at arm's length to both the Company and the subscriber to a project introduced and facilitated by the subscriber. On June 28, 2019, the Company entered into an amending agreement to change the vesting date to June 28, 2019. The fair value of the warrants was $800,888 and was estimated using the Black Scholes Option Pricing Model with the following assumptions: risk-free rate of 1.39%, expected life of 5 years, expected volatility of 92%, and dividend yield of nil. During the year ended December 31, 2019, the Company received $1,000,000 of proceeds towards the exercise of these warrants. At the end of the year December 31, 2019, these warrants are still pending to close.

iii. $25,000 per month for seven months starting December 2018.

iv. $26,340 per month for one year starting January 2019.

11. Special warrants

a. Prior to the Transaction, the Company completed private placements in aggregate of 3,268,500 special warrants at a price of $0.50 per special warrant, for gross proceeds of $1,634,250. Share issue costs for the issuances amounted to $46,532. Each special warrant was convertible into one common share of the Company, with a conversion price of $0.50 per special warrant.

b. Prior to the Transaction, an aggregate of 2,282,500 special warrants had been converted into common shares of the Company.

c. During the period ended December 31, 2018, the Company issued 986,000 common shares on automatic conversion of the remaining special warrants mentioned in (a) and (b).

12. 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. Expiry date for each option is determined by the board of directors at the time such option is granted. All options under the plan are non assignable, non transferrable and only exercisable by the optionee.

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

	Options outstanding	Weighted average exercise price
	#	$
At December 31, 2018 and January 31, 2018	-	-
Granted	5,000,000	0.47
Exercised	(1,000)	0.50
At December 31, 2019	4,999,000	0.47

The following table summarizes information about the share options outstanding and exercisable at December 31, 2019:

Exercise price	Number of share options outstanding	Number of share options exercisable	Weighted average exercise price	Weighted average remaining contractual life
$	#	#	$	
0.50	1,250,000	1,250,000	0.50	4.2
0.50	1,999,000	1,999,000	0.50	2.5
0.59	50,000	50,000	0.59	2.7
0.50	700,000	700,000	0.50	2.8
0.33	1,000,000	1,000,000	0.33	3.0
	4,999,000	4,999,000	0.47	3.1

The following weighted average assumptions were used for Black-Scholes valuation of the share options granted during the year ended December 31, 2019 and 2018:

	2019	2018
Risk-free interest rate	1.66%	-
Expected life	3.5 years	-
Annualized volatility	79%	-
Dividend rate	0%	-

During the year ended December 31, 2019, 1,000 (2018 - nil) share options with a weighted average exercise price of $0.50 were exercised for proceeds of $500 (2018 - $nil), and 5,000,000 (2018 - nil) share options with a weighted average exercise price of $0.47 and a Black Scholes valuation of $1,936,245 (2018 - $nil) were granted by the Company and vested immediately.

13. Financial instruments

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 models 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 and cash equivalents, GST receivable, prepaid expenses and deposits and trade and other payables included in the consolidated statement of financial position at December 31, 2019 approximate their fair value due to their short terms to maturity.

The marketable securities are measured at their fair value at December 31, 2019 consisted of the Nextleaf shares, which is measured using level 1 input and Nextleaf warrants, which is measured using level 3 inputs.

The fair value of the Nextleaf warrants is determined by the Black-Scholes option pricing model using the historical volatility as an estimate of future volatility. At December 31, 2019, if the volatility used was increased by 10% the impact would be an increase to the derivative assets on warrants of $13,652, with a corresponding decrease to comprehensive loss.

The investment in Higharchy is measured at the fair value at December 31, 2019 using level 3 inputs due to the inability to verify its value from publicly available information.

Financial instruments and related 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 year ended December 31, 2019.

14. Commitments

JD Agreement

On April 1, 2019, the Company entered into a joint development agreement ("JD Agreement") to develop cannabis infused beverages. The Company was committed to provide funding of up to US$500,000. As of December 31, 2019, US$500,000 has been funded and US$ Nil remains to fund. The Company has an irrevocable and exclusive right and option to purchase and acquire any or all of the right title and interest in and to other party of the JD Agreement and/or its assets and the other party's intellectual property ("Option"). The option is exercisable through the issuance of common shares and released on performance milestones being met as follows:

- US$1,000,000 on launch of a powdered drink line within 3 months;
- US$1,000,000 on launch of a line of water drinks within 9 months;
- US$1,400,000 on attainment of US$7,500,000 in revenues;
- US$1,400,000 on attainment of US$16,500,000 in revenue.

14. Commitments (continued)

JD Agreement (continued)

Upon exercise of the option, the Company will commit to inject an additional US$1,000,000 to support the working capital needs of the JD Agreement.

Obligation to issue debenture

At December 31, 2019, the Company received proceeds of $630,000 for the issuance of debentures. The debentures did not close during the year.

15. Capital disclosures

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.

16. Income taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2019	Period from incorporation on January 31, 2018 to December 31, 2018
Net loss	$ (10,191,987)	$ (6,972,280)
Statutory income tax rate	27.00%	27.00%
Expected income tax (recovery)	$ (2,752,000)	$ (1,883,000)
Change in foreign exchange rates and other	362,000	(140,000)
Permanent Difference	771,000	1,368,000
Share issue cost	1,000	23,000
Change in unrecognized deductible temporary differences and other	1,618,000	632,000
Total income tax recovery	$ -	$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2019	Period from incorporation on January 31, 2018 to December 31, 2018
Deferred tax assets (liabilities)		
Property and equipment	$ 1,951,000	$ 16,007
Canadian eligible capital (CEC)	520,000	185,000
Share issue costs and other	93,000	(250,141)
	2,564,000	(49,134)
Unrecognized deferred tax assets	(2,564,000)	49,134
Net deferred tax assets	$ -	$ -

17. Subsequent events

- On January 13, 2020, the Company concluded the share exchange agreement with Carmanah Craft Corp. ("Carmanah"), and paid 8,941,176 in shares at a price of $0.425 to the shareholders of Carmanah on January 14, 2020 to acquire 100% of the outstanding shares of Carmanah. The acquisition of Carmanah includes $300,000 cash and intangibles consist of an extensive library of cannabis genetics, including six auto flower seed varieties.

- On February 14, 2020, the Company entered into an amended second lease agreement with Naturo allowing the Company an increased area of the premises for permitted use from 5,500 sq. ft. to 12,289 sq. ft. for the remaining term of the lease. The Company agreed to pay $1,253,400 for the additional space and displacement fee to Naturo. $600,000 was paid in cash in the year ended December 31, 2019. On March 6, 2020, the Company issued 1,537,411 common shares at a price of $0.425 per share for the balance of the displacement fee.

- On February 19, 2020, the Company issued 1,000,000 common shares at a price of $0.50 and 851,764 common shares at a price of $0.425 for a debt settlement of $862,000 with a contractor. On the same date, the Company amended the consultant agreement and issued 1,000,000 common shares at a price of $0.50 to the contractor for the service in respect of outdoor cultivation of Cannabis plants exclusively to the Company.

- Subsequent to the year ended December 31, 2019, the Company has acquired a demand loan from Naturo for $226,000. The loan bears zero interest rate and payable on demand with no maturity date.

- On April 14, 2020, the Company completed a non-brokered financing of $630,000 by way of issuance of convertible debentures (the "2020 Debentures"). The 2020 Debentures carry an interest rate of 8.0% per annum payable semi-annually, with a maturity date of April 14, 2023. The 2020 debentures are convertible to common shares of the Company at $0.75 per share.

- On April 14, 2020, the Company completed shares for debt settlement transactions with various consultants and vendors in the amount of $758,500 by issuing 1,896,250 common shares, of the total $329,500 of the settled amount is with related parties.

- On April 14, 2020, the Company completed a non-brokered private placement of $300,000 for 705,879 common shares.

- On April 28, 2020, the Company completed shares for debt settlement transactions with various consultants and vendors in the amount of $217,100 by transferring 542,750 common shares held in treasury of the Company, of the total $197,100 of the settled amount is with related parties.

17. **Subsequent events (continued)**

- On April 30, 2020, the Company entered into an exclusive license agreement with CanCore Concepts Inc., ("Licensor"), a Colorado corporation whereby granting exclusive rights to the Company using the intellectual property of the Licensor including name, logo and artwork. The Company will also obtain the license to use the intellectual property to manufacture and sell Licensed products in Canada. The initial term of the agreement is three years and the Company will pay the Licensor through an exclusive purchase of Goods under the Sale of Goods Agreement. As part of the contract, the Company is also committed to invest $150,000 USD in Serovita Holding Corp. ("Serovita") pursuant to convertible debentures as follows:
  - $25,000 USD by April 30, 2020
  - $25,000 USD by May 15, 2020
  - $50,000 USD by May 31, 2020
  - $50,000 USD by June 30, 2020

  On April 30, 2020, the Company paid $25,000 USD to secure the contract. Subsequent to the year ended December 31, 2019, the Company invested $50,000 USD to-date. The convertible promissory note matures on June 30, 2024 and bears a 10% interest per annum, compounded monthly, exercisable immediately to January 31, 2022 at $0.70 per common share. The Company can exercise the warrant to convert the loan into common shares prior to June 30, 2022. Interest is payable on conversion date or on maturity date.

- On May 8, 2020, the Company entered into an intellectual property and trademark license agreement with Capna Intellectual, Inc. ("Capna"), a California company whereby granting rights to use Capna's Licensed IP to manufacture, advertise, distribute and sell certain products. The initial term of the agreement is five years with automatic extension of additional five years unless terminated. The Company will pay Capna a fixed percentage of royalty of net profits.

- Since December 31, 2019, the outbreak of the coronavirus, also known as "COVID-19," has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. The effect that these events will have such as the ability for the Company to raise capital, the Company cannot determine their financial impact at this time.

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