



WILDPACK BEVERAGE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022, AND SEPTEMBER 30, 2021

(Expressed in thousands of United States Dollars)

Notice of Non-review of Condensed Consolidated Interim Financial Statements

The attached condensed consolidated interim financial statements (unaudited) for the three and nine months ended September 30, 2022, and September 30, 2021, have been prepared by and are the responsibility of Wildpack Beverage Inc.'s management and have been approved by the Board of Directors. Wildpack Beverage Inc.'s independent auditor has not performed a review of the condensed consolidated interim financial statements (unaudited) for the three and nine months ended September 30, 2022.

WILDPACK BEVERAGE INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

(Expressed in thousands of United States Dollars, except for share data)

	Note	September 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		\$513	\$1,450
Cash held in trust		658	958
Accounts receivable		3,894	3,826
Sales taxes recoverable		397	326
Due from related parties	18	–	58
Inventories		7,053	10,671
Prepaid expenses and deposits		526	641
Notes receivable		19	19
		13,060	17,949
Property, plant, and equipment	9	6,440	5,820
Right-of-use assets	11	10,569	12,399
Intangible assets	10	22,424	24,207
Goodwill	6, 7, 8, 10	12,132	12,132
Other deposits		472	357
TOTAL ASSETS		65,097	72,864
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		10,856	6,882
Deferred revenue		1,421	371
Line of credit	13	–	1,017
Current portion of long-term debt	13, 14	6,509	29,987
Current portion of lease obligations	12	2,063	2,404
		20,849	40,661
Lease obligations	12	9,216	10,448
Long term debt	13, 14	26,901	391
TOTAL LIABILITIES		56,966	51,500
SHAREHOLDERS' EQUITY			
Share capital	15	36,166	36,001
Equity reserve	8	675	675
Contributed surplus		5,069	4,924
Accumulated deficit		(35,527)	(19,696)
Accumulated other comprehensive loss		1,748	(540)
TOTAL SHAREHOLDERS' EQUITY		8,131	21,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$65,097	\$72,864
Nature of operations and going concern	1		
Commitments and contingencies	23		
Subsequent events	24		

On behalf of the Board of Directors:*"Jeffrey Mason"*Jeffrey Mason
(Director)*"Mitchell Barnard"*Mitchell Barnard
(Director)

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

WILDPACK BEVERAGE INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (UNAUDITED)**

(Expressed in thousands of United States Dollars, except for share data)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
Sales	16	\$8,171	\$7,069	\$25,611	\$21,638
Cost of sales	17	8,666	5,678	25,671	18,132
Gross profit		(495)	1,391	(60)	3,506
Operating expenses					
Selling expenses		673	331	1,979	1,065
Salaries, wages, and benefits		1,587	971	5,254	1,784
Depreciation and amortization	9, 10, 11	968	397	2,858	1,003
Office and administrative		552	827	1,472	1,382
Share-based compensation	15	115	269	297	620
Professional fees		295	961	1,227	1,410
Bad debt expense		529	13	655	133
Listing expense	5	–	–	–	748
Other operating expenses (income)		200	(322)	12	87
Operating expenses		4,919	3,447	13,754	8,232
Other expenses (income)					
Bank and finance charges		4	16	25	22
Interest on long-term debt	13	1,165	361	3,588	439
Interest on lease obligations		176	166	570	473
Gain on derivative liability	14	(24)	(791)	(2,166)	(791)
Other expenses (income)		1,321	(248)	2,017	143
NET LOSS BEFORE INCOME TAXES		(6,735)	(1,808)	(15,831)	(4,869)
Deferred income tax expense (recovery)		–	(316)	–	(449)
NET LOSS		\$(6,735)	\$(1,492)	\$(15,831)	\$(4,420)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Gain on foreign currency translation		1,815	1	2,288	30
TOTAL COMPREHENSIVE LOSS		\$(4,920)	\$(1,493)	\$(13,543)	\$(4,450)
Weighted average number of common shares outstanding		101,241,490	66,854,859	101,442,205	59,171,062
Loss per share – basic		\$(0.07)	\$(0.02)	\$(0.16)	\$(0.07)
Loss per share – diluted		\$(0.07)	\$(0.02)	\$(0.16)	\$(0.07)

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

WILDPACK BEVERAGE INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

(Expressed in thousands of United States Dollars, except for share data)

		Share capital						
	Note	Number of shares	Amount	Contributed surplus	Equity reserve	Accumulated OCI	Retained earnings (deficit)	Total
At January 1, 2021		43,306,494	\$5,067	\$66	\$2,695	\$(108)	\$(5,997)	\$1,723
Safe agreements converted into shares	15	8,302,294	4,006	–	(1,239)	–	–	2,767
Amalgamation of Ponderous Panda Capital Corp.	15	5,690,737	2,490	–	(1,456)	–	–	1,034
Private Placement – May 2021	15	9,532,688	4,607	1,056	–	–	–	5,663
Debenture Warrants – June 2021	14	–	–	587	–	–	–	587
Shares issued through option exercises	15	22,646	21	(6)	–	–	–	15
Options granted to employees	15	–	–	620	–	–	–	620
Restricted stock units issued	15	–	–	32	–	–	–	32
Loss for the period		–	–	–	–	–	(4,420)	(4,420)
Other comprehensive loss – cumulative translation loss		–	–	–	–	30	–	30
At September 30, 2021		66,854,859	\$16,191	\$2,355	\$–	\$(78)	\$(10,417)	\$8,051
At January 1, 2022		100,981,921	\$36,001	\$4,924	\$675	\$(540)	\$(19,696)	\$21,364
Shares issued for restricted stock units	15	690,375	165	(165)	–	–	–	–
Share-based payments	15	–	–	296	–	–	–	296
Debenture warrants – March 2022	14	–	–	14	–	–	–	14
Loss for the period		–	–	–	–	–	(15,831)	(15,831)
Other comprehensive loss – cumulative translation loss		–	–	–	–	2,288	–	2,288
At September 30, 2022		101,672,296	\$36,166	\$5,069	\$675	\$1,748	\$(35,527)	\$8,131

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

WILDPACK BEVERAGE INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)**

(Expressed in thousands of United States dollars, except for share data)

	Note	Nine months ended September 30, 2022	Nine months ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		\$(15,831)	\$(4,420)
Adjustments for items not affecting cash:			
Depreciation and amortization		4,730	1,869
Interest expense		4,020	912
Loan forgiveness		–	(318)
Stock-based compensation expense	15	297	620
Deferred tax recovery		–	(448)
Unrealized gain on derivative liability	14	(2,166)	(791)
Listing expense		–	748
Changes in non-cash working capital:			
Accounts receivable		(68)	(1,189)
Sales taxes recoverable		(107)	(90)
Other deposits		175	57
Inventories		3,618	(8,111)
Prepaid expenses and deposits		111	(2,081)
Notes receivable		(2)	(21)
Accounts payable and accrued liabilities		2,926	4,374
Deferred revenue		1,050	(597)
Cash used in operating activities		(1,247)	(9,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of related parties		–	(264)
Line of credit		(1,018)	(75)
Repayments of long-term debt		(1,305)	(1,121)
Net proceeds from convertible debentures	14	3,805	15,001
Proceeds from promissory notes	18	996	–
Proceeds from debt	13	2,348	–
Net proceeds from private placements	15	–	5,670
Proceeds from SAFE agreements	15	–	2,643
Proceeds through options and conversions		–	14
Payments of lease obligations	12	(2,402)	(1,152)
Interest paid		(2,088)	(912)
Cash generated by financing activities		336	19,804
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment		(135)	(2,485)
Cash paid less cash acquired in acquisitions	6, 7	–	(5,180)
Cash received upon amalgamation with PPCC		–	318
Cash used in investing activities		(135)	(7,347)
Net (decrease) increase in cash and cash equivalents		(1,046)	2,971
Cash and cash equivalents, beginning of period		1,450	214
Effect of foreign exchange rate changes on cash and cash equivalents		109	(316)
CASH AND CASH EQUIVALENTS, END OF PERIOD		\$513	\$2,869

SUPPLEMENTAL CASH FLOW INFORMATION

22

The accompanying notes are an integral part of these condensed consolidated interim financial statements (unaudited).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

Wildpack Beverage Inc. (formerly Ponderous Panda Capital Corporation) (“Wildpack Beverage”, the “Company”) was incorporated by Certificate of Incorporation issued pursuant to the provisions of the British Columbia Business Corporations Act on March 22, 2017. The Company’s registered office is located at Suite 2900, 550 Burrard Street, Vancouver, British Columbia, V6C 0A3.

The Company’s primary business activities include filling, decorating and brokering aluminum cans, along with brokering packaging materials, and printing labels and sleeves for the United States beverage market. Wildpack Beverage completed an initial public offering (“IPO”) of its common shares on April 27, 2018, and on May 2, 2018, its common shares began trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”), under the symbol “PPCC.P” (renamed in connection with the Transaction described below to “CANS”). Wildpack Beverage Alberta Inc. (“Wildpack Alberta”) was incorporated in the Province of Alberta on March 27, 2017. On May 17, 2021, Wildpack Beverage completed the acquisition of all the issued and outstanding securities of Wildpack Alberta (the “Transaction”). The Transaction constituted Wildpack Beverage’s “Qualifying Transaction”, as such term is defined by the TSX Venture Exchange.

The Transaction was considered a reverse acquisition for accounting purposes. Wildpack Beverage did not constitute a business under IFRS 3 – *Business Combinations* (“IFRS 3”). Accordingly, the difference between the value of consideration issued and the fair market value of Wildpack Beverages’ net assets acquired is treated as a listing expense in the statement of loss and comprehensive loss (note 5). The continuing entity reflected in these condensed consolidated interim financial statements is Wildpack Alberta and its consolidated subsidiaries. Comparative results are those of Wildpack Alberta and its consolidated subsidiaries.

As part of the above Transaction, the share capital of Wildpack Alberta was effectively split on a ratio of 3.3275 for every 1 unit held and accordingly all comparative share amounts and per share amounts have been restated on this basis. Loss per share on a basic and diluted basis reflect this same effective share split.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)**Going concern**

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern. As at September 30, 2022, the Company had a working capital deficit of \$7,789, an accumulated deficit of \$35,527, and cash and cash equivalents of \$513. During the nine-month period ended September 30, 2022, the Company incurred a net loss of \$15,831 and used cash of \$1,247 in its operating activities. The Company's history of losses and cash outflows from operations represent a material uncertainty that may cast significant doubt on the Company's ability to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company's strategy is to develop into profitable operations and where merited to grow through acquisition and development. Such acquisitions and development may be funded by cash, debt, and share issuances. The Company's continuation as a going concern is dependent upon its ability to attain profitable operations and generate cash or raise equity capital or borrowings sufficient to meet current and future obligations. Further acquisitions will likely require additional financing and there can be no assurance that such financing will be available to the Company on acceptable terms. If necessary, the Company may explore opportunities to revise the due dates of its liabilities, and/or settle its liabilities through the issuance of common shares and other equity instruments. Depending on the amount of funding raised, the Company's planned acquisition initiatives may be postponed, or otherwise revised, as necessary.

These condensed consolidated interim financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the statement of financial position classifications used, 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.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

2. BASIS OF PRESENTATION

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), applicable to the preparation of the condensed consolidated interim financial statements, including IAS 34, *Interim Financing Reporting*. Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted, and these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2021. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 3 to the audited consolidated financial statements for the year ended December 31, 2021, and for the nine months ended December 31, 2020.

These condensed consolidated interim financial statements are presented in U.S. dollars unless otherwise noted. References to “\$” or “USD” are to United States dollars, while references to “C\$” are to Canadian dollars.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on November 29, 2022.

Basis of consolidation

The condensed consolidated interim financial statements incorporate the financial statements of the Company and all the entities controlled by the Company, its subsidiaries, all of which are 100% owned, as listed in the following table.

Entity	Region
Wildpack Beverage Alberta Inc.	Canada
Wildpack Holdings US Inc.	US
Wild Leaf Holdings U.S. LLC	US
Wild Leaf Ventures Group Nevada Inc.	US
CraftPac, LLC	US
Vertical Distilling, LLC	US
K.T. Murray Corporation (“Land and Sea Packaging”)	US
Nyte Beverage Inc.	Dissolved on December 31, 2021

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when control is lost.

Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give the Company the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a subsidiary’s share capital.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in note 3 of the audited consolidated financial statements for the year ended December 31, 2021, and for the nine months ended December 31, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2021, and for the nine months ended December 31, 2020.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**Estimates**

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Adjustments are made to income as appropriate in the period changes in estimates become known. There have been no changes in the nature of the significant judgements and estimates in these condensed consolidated interim financial statements as compared to the audited consolidated financial statements for the year ended December 31, 2021, and the nine months ended December 31, 2020.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

5. ACQUISITION OF WILDPACK BY WILDPACK BEVERAGE

On May 17, 2021, Wildpack Alberta completed the acquisition of all issued and outstanding equity of Wildpack Beverage (formerly, Ponderous Panada Capital Corporation). The Transaction was considered akin to a reverse acquisition as Wildpack Alberta's shareholders have the majority of the shareholding interest in Wildpack Beverage after the Transaction, the continuing business is that of Wildpack Alberta and key management primarily consist of Wildpack Alberta's former key management.

Wildpack Beverage does not constitute a business as such term is defined in IFRS 3, and accordingly the difference between the deemed consideration issued and the fair market value of Wildpack Beverage's net assets is treated as a listing expense in the statement of loss and comprehensive loss. The deemed consideration issued was calculated as the equity that Wildpack would have had to issue to provide Wildpack Beverage with an equivalent amount of equity interest as such shareholders held in Wildpack Beverage after the Transaction.

The listing expense was determined as follows:

Shares issued	\$1,042
Options granted	32
Consideration issued	\$1,074
Less: Net assets acquired (primarily cash)	326
Listing expense	\$748

The assumptions used in valuing the options granted in the year ended December 31, 2021, were as follows:

Strike price	C\$0.77
Grant date fair value of underlying share	C\$0.90
Weighted average of assumptions used:	
Expected volatility	80%
Term of option	1 year
Risk free interest rate	0.33%
Dividend rate	Nil

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

6. BUSINESS COMBINATION – CRAFTPAC, LLC

On July 2, 2021, the Company, through its wholly owned subsidiary Wildpack Holdings US Inc., acquired 100% of the outstanding securities of CraftPac, LLC (“CraftPac”). CraftPac was a privately-owned partnership specializing in can decorating in Georgia, USA. The consideration was \$1,891 consisting of \$1,791 paid in cash and \$100 in consideration payable. The transaction constitutes a business combination and was accounted for using the acquisition method prescribed by IFRS 3.

The estimated fair values of the assets acquired, and liabilities assumed in the acquisition of CraftPac are as follows:

Cash and cash equivalents	\$41
Accounts receivable	116
Inventories	148
Prepaid expenses and deposits	7
Property, plant, and equipment	110
Right-of-use asset	109
Intangible assets	990
Total assets acquired	\$1,521
Accounts payable and accrued liabilities	\$229
Lease obligation	109
Notes payable	135
Total liabilities assumed	\$473
Net assets acquired	\$1,048

The difference between the consideration and the net assets acquired was recorded as goodwill of \$743. Goodwill has been attributed to the Marietta facility Cash Generating Unit (“CGU”) which operates in Marietta, Georgia and performs decorating services. The goodwill is attributable to the fact that the acquisition is expected to allow the Company to enter new markets, and to maximize the expected synergies of the acquisition with the Company’s own operations.

The identifiable intangible assets consist of the following:

Intangible asset	Useful life	Amount
Customer relationships	10 years	\$870
Brand Name – CraftPac, LLC	3 years	120
Total		\$990

Consolidated revenue for the period of acquisition, July 2, 2021, to December 31, 2021, includes revenue from assets acquired in the acquisition of CraftPac of \$812. Consolidated net loss for the year ended December 31, 2021, includes net income before tax from CraftPac of \$97. Had the transaction occurred on January 1, 2021, proforma unaudited non-consolidated revenue and net loss for CraftPac for the year ended December 31, 2021, would have been approximately \$2,206 and \$185 respectively. Acquisition-related costs of \$30 are included in professional fees. These costs primarily consist of legal costs.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

7. BUSINESS COMBINATION – VERTICAL DISTILLING LLC

On August 20, 2021, the Company, through its wholly owned subsidiary Wildpack Holdings US Inc., acquired 100% of the outstanding securities of Vertical Distilling, LLC (“Vertical Distilling”). Vertical Distilling was a privately-owned partnership specializing in can filling in Colorado, USA. The consideration was \$4,109, consisting of \$3,409 paid in cash and \$700 holdback recorded as consideration payable.

The estimated fair values of the assets acquired, and liabilities assumed in the acquisition of Vertical are as follows:

Cash and cash equivalents	\$10
Accounts receivable	567
Inventories	221
Prepaid expenses and deposits	5
Right-of-use asset	641
Property, plant, and equipment	900
Intangible assets	1,420
Total assets acquired	\$3,764
Accounts payable and accrued liabilities	\$154
Term loan	248
Lease obligation	641
Total liabilities assumed	\$1,043
Net assets acquired	\$2,721

The difference between the consideration paid and the net assets acquired has been recorded as goodwill of \$1,388. The goodwill is attributable to the fact that the acquisition is expected to allow the Company to enter new markets, and the expected synergies of the acquisition with the Company’s own operations.

The identifiable intangible assets consist of the following:

Intangible asset	Useful life	Amount
Customer relationships	10 years	\$1,100
Brand Name – Vertical Distilling, LLC	3 years	320
Total		\$1,420

Consolidated revenue for the year ended December 31, 2021, includes revenue from assets acquired in the acquisition of Vertical Distilling, LLC of \$946. Goodwill has been attributed to the Longmont facility CGU which operates in Longmont, Colorado and performs filling services. Consolidated net loss for the year ended December 31, 2021, includes net income before tax from Vertical Distilling, LLC of \$157. Had the transaction occurred on January 1, 2021, proforma unaudited non-consolidated revenue and net loss for Vertical Distilling, LLC, for the year ended December 31, 2021, would have been approximately \$5,316 and \$1,398 respectively. Acquisition related costs of \$77 are included in professional fees. These costs primarily consist of legal costs.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

8. BUSINESS COMBINATION – K.T. MURRAY CORPORATION

On November 23, 2021, the Company acquired all of the issued and outstanding securities of K.T. Murray Corporation, known as Land and Sea Packaging ("Land and Sea") for consideration of \$32,984, through its wholly owned subsidiary Wildpack Holdings US Inc. The consideration consists of: (i) cash paid and payable of \$26,230; and (ii) 12,718,499 common shares issued and issuable at a fair value on the transaction date of \$0.65 per common share for an aggregate value of \$6,754. The Company is in the normal course process of final review of the assets acquired and liabilities assumed, and ongoing business acquired, as part of the purchase price accounting for the acquisition. There is a holdback included in consideration equal to \$2,454 in cash, recorded as consideration payable, and 1,189,717 common shares, with an ascribed value of \$675, recorded as equity reserve.

The estimated preliminary fair values of the assets acquired, and liabilities assumed in the acquisition of Land and Sea are as follows:

Cash and cash equivalents	\$530
Accounts receivable	2,127
Inventories	1,128
Rebate receivable	651
Property, plant, and equipment	60
Intangible assets	19,980
Total assets acquired	\$24,476
Accounts payable and accrued liabilities	\$229
Total liabilities assumed	\$229
Net assets acquired	\$24,247

The difference between the consideration paid and the net assets acquired has been recorded as goodwill of \$8,737. Goodwill has been attributed to the Grand Rapids facility CGU which operates in Grand Rapids, Michigan and performs brokering services. The goodwill is attributable to the fact that the acquisition is expected to allow the Company to sustain the business, enter new markets, and the expected synergies of the acquisition with the Company's own operations. The identification and valuation of the assets acquired, and liabilities assumed is preliminary and subject to the completion of detailed valuation analyses including analysis of the intangible assets acquired, and the fair value of property, plant, and equipment, and the ongoing business, which the Company will complete within one year of closing. Furthermore, the Company has filed its section 338 elections pertaining to the structure of the acquisition for tax related purposes however this has not yet been assessed by the relevant taxation authorities. The results of these analyses may result in revisions to the preliminary amounts of assets and liabilities recognized above.

The identifiable intangible assets consist of the following:

Intangible asset	Useful life	Amount
Customer relationships	10 years	\$13,220
Brand Name – Land and Sea Packaging	Indefinite	4,800
Supplier relationships	3 years	1,960
Total		\$19,980

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

8. BUSINESS COMBINATION – K.T. MURRAY CORPORATION (CONTINUED)

Consolidated revenue for the year ended December 31, 2021, includes revenue from assets acquired in the acquisition of Land and Sea of \$1,554. Consolidated net loss for the year ended December 31, 2021, includes net income before tax from Land and Sea of \$104. Had the transaction occurred on January 1, 2021, proforma unaudited non-consolidated revenue and net loss for Land and Sea, for the year ended December 31, 2021, would have been approximately \$22,783 and \$3,366, respectively. Acquisition related costs of \$717, primarily comprised of legal costs, are included in professional fees.

Had the transactions for CraftPac, Vertical Distilling, and Land and Sea occurred on January 1, 2021, proforma consolidated revenue and net loss for the Company, for the year ended December 31, 2021, would have been approximately \$56,146 and \$4,620 respectively.

9. PROPERTY, PLANT, AND EQUIPMENT

The following table summarizes the changes to the Company's Property, Plant, and Equipment.

	Computer equipment	Computer software	Office equipment	Manufacturing equipment	Leasehold improvements	Construction in progress	Total
Cost							
At January 1, 2021	\$5	\$8	\$6	\$2,066	\$254	\$–	\$2,339
Acquisitions additions	–	6	37	919	173	–	1,135
Additions	–	120	5	2,777	674	–	3,576
Dispositions	–	–	–	(158)	–	–	(158)
Transfers	–	–	–	–	–	–	–
At December 31, 2021	\$5	\$134	\$48	\$5,604	\$1,101	\$–	\$6,892
Acquisition additions	–	–	–	–	–	–	–
Additions	–	–	13	–	–	1,462	1,475
Dispositions	–	–	–	–	–	–	–
Transfers	–	–	–	424	82	(506)	–
At September 30, 2022	\$5	\$134	\$61	\$6,028	\$1,183	\$956	\$8,367
Accumulated depreciation							
At January 1, 2021	\$3	\$3	\$2	\$290	\$5	\$–	\$303
Dispositions	–	–	–	(44)	–	–	(44)
Charged in the year	1	15	3	744	50	–	813
At December 31, 2021	\$4	\$18	\$5	\$990	\$55	\$–	\$1,072
Dispositions	–	–	–	–	–	–	–
Charged in the period	1	20	6	735	93	–	855
At September 30, 2022	\$5	\$38	\$11	\$1,725	\$148	\$–	\$1,927
Net book value							
At December 31, 2021	\$1	\$116	\$43	\$4,614	\$1,046	\$–	\$5,820
At September 30, 2022	\$–	\$96	\$50	\$4,303	\$1,035	\$956	\$6,440

During the period ended September 30, 2022, the Company had construction in progress (“CIP”) additions of \$1,462 (cash purchases of \$135) and \$506 of CIP was available for use during the period and transferred.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

10. INTANGIBLE ASSETS AND GOODWILL

The following table summarizes the changes to the Company's Intangible Assets and Goodwill.

	Customer relationships	Supplier relationships	Brand name	Backlog	Total intangibles assets	Goodwill
Cost						
At January 1, 2021	\$1,530	\$-	\$1,130	\$33	\$2,693	\$1,654
Impairment	(279)	-	-	-	(279)	(391)
Additions	15,190	1,960	5,240	-	22,390	10,869
At December 31, 2021	\$16,441	\$1,960	\$6,370	\$33	\$24,804	\$12,132
Impairment	-	-	-	-	-	-
Additions	-	-	-	-	-	-
At September 30, 2022	\$16,441	\$1,960	\$6,370	\$33	\$24,804	\$12,132
Accumulated amortization						
At January 1, 2021	\$80	\$-	\$-	\$17	\$97	\$-
Impairment	(42)	-	-	-	(42)	-
Charged in the year	400	68	58	16	542	-
At December, 2021	\$438	\$68	\$58	\$33	\$597	\$-
Impairment	-	-	-	-	-	-
Charged in the period	1,192	483	108	-	1,783	-
At September 30, 2022	\$1,630	\$551	\$166	\$33	\$2,380	\$-
Net book value						
At December 31, 2021	\$16,003	\$1,892	\$6,312	\$-	\$24,207	\$12,132
At September 30, 2022	\$14,811	\$1,409	\$6,204	\$-	\$22,424	\$12,132

Goodwill

The Company tests its CGUs for impairment annually. In the year ended December 31, 2021, the Company wrote off the carrying value of the goodwill associated with the CraftPack, LLC ("CraftPack") CGU. Furthermore, the Company wrote off the carrying value of the customer relationship intangible assets related to CraftPack in the amount of \$236, as a result of the impairment test performed as at December 31, 2021. Refer to note 13 of the audited consolidated financial statements for the year ended December 31, 2021, and the nine months ended December 31, 2020.

As at September 30, 2022, the Company did not perform an impairment test of its CGUs, as the Company determined there were no indicators of impairment in accordance with the requirements of IAS 36 *Impairment of Assets*.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

11. RIGHT-OF-USE ASSETS

The Company acquired certain leases through acquisitions and entered contracts which are considered leases under IFRS. The Company recognized the following right-of-use assets upon initial recognition of these leases.

	Equipment	Office and plant premises	Total
Cost			
At January 1, 2021	\$1,778	\$4,267	\$6,045
Acquisition additions	–	2,369	2,369
Additions	2,897	3,504	6,401
Dispositions	(31)	–	(31)
At December 31, 2021	\$4,644	\$10,140	\$14,784
Acquisition additions	–	–	–
Additions	34	222	256
Dispositions	–	–	–
At September 30, 2022	\$4,678	\$10,362	\$15,040
Accumulated depreciation			
At January 1, 2021	\$141	\$214	\$355
Charged in the year	677	1,353	2,030
At December 31, 2021	\$818	\$1,567	\$2,385
Charged in the period	736	1,350	2,086
At September 30, 2022	\$1,554	\$2,917	\$4,471
Net book value			
At December 31, 2021	\$3,826	\$8,573	\$12,399
At September 30, 2022	\$3,124	\$7,445	\$10,569

12. LEASE OBLIGATIONS

The following table summarizes the changes to the Company's lease obligations.

At January 1, 2021	\$5,716
Additions	8,770
Lease payments	(2,291)
Interest accretion	657
At December 31, 2021	\$12,852
Additions	256
Lease payments	(2,402)
Interest accretion	573
At September 30, 2022	\$11,279
Current and non-current portions	
Current	\$2,063
Non-current	\$9,216

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

13. DEBT

The following table summarizes the changes to the Company's long-term debt.

	Term loan	PPP loans	Promissory notes (note 16)	Credit facility	Consideration payable	Debenture liability (note 14)	Total
At January 1, 2021	\$757	\$318	\$491	\$-	\$1,142	\$-	\$2,708
Additions	-	-	-	-	3,153	28,794	31,947
Interest	63	-	24	-	-	502	589
Repayments	(135)	-	(124)	-	(680)	-	(939)
Settlement/forgiven	-	(318)	-	-	-	-	(318)
Change in derivative fair value	-	-	-	-	-	(3,718)	(3,718)
Foreign exchange	-	-	-	-	-	109	109
At December 31, 2021	\$685	\$-	\$391	\$-	\$3,615	\$25,687	\$30,378
Additions	-	-	1,094	2,348	-	3,791	7,233
Interest	26	-	26	2	96	3,296	3,446
Repayments	(711)	-	(611)	-	(46)	(2,027)	(3,395)
Change in derivative fair value	-	-	-	-	-	(2,166)	(2,166)
Foreign exchange	-	-	-	-	-	(2,086)	(2,086)
At September 30, 2022	\$-	\$-	\$900	\$2,350	\$3,665	\$26,495	\$33,410
Current and non-current portions							
Current	\$-	\$-	\$494	\$2,350	\$3,665	\$-	\$6,509
Non-current	\$-	\$-	\$406	\$-	\$-	\$26,495	\$26,901

Credit Facility

On September 23, 2022, the Company entered into a senior secured revolving credit facility with Transportation Alliance Bank, Inc. ("TAB Bank"), for up to \$5,000 in asset-backed financing. The facility provides for a senior secured revolving credit facility, with a 2-year term, and interest only payments at the variable 30-day Secured Overnight Financing Rate ("SOFR") plus 4.85%. TAB Bank holds a first position security interest in the Company's assets. As at September 30, 2022, the Company had drawn \$2,350.

Term Loan

In the period ended December 31, 2020, the Company arranged an \$850 term loan with Fulton Bank N.A. ("Fulton"). The loan has a maturity date of June 25, 2027, has monthly interest and principal payments of \$11, and a fixed interest rate of 3.21% per annum. Collateral for this loan is provided by the Company consisting of a \$300 restricted cash deposit (classified as cash held in trust) and marketable securities pledged by an individual related to the Company for a minimum fair market value of \$1,500.

Based on the financial information as at December 31, 2021 of Wild Leaf Holdings U.S. LLC, and based on the terms and conditions of the credit agreement between Wild Leaf Holdings U.S. LLC and Fulton Bank N.A. dated June 24, 2020, the Company did not have an unconditional right to defer settlement of the Fulton term loan and Fulton equipment loan (described below) (the "Fulton loans") for at least twelve months after the reporting period. As a result, the Fulton loans were classified as current in their entirety. As at September 30, 2022, the Company had repaid in full all outstanding Fulton debt and the credit agreement is no longer applicable.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

13. DEBT (CONTINUED)**Term Loan (continued)**

The Debenture Units (note 14) agreement contains cross-default clauses that are linked to the covenants for the Fulton loans. Notwithstanding the December 31, 2021 presentation of the debenture liability as current, the Company was not and is not in default under the cross-default provisions in the debenture agreement. Conditions at December 31, 2021, and prior to repayment of the Fulton debt, gave Fulton the right, not exercised, to accelerate payment of the loan; if Fulton had exercised that right, the debenture holders would have had the right to accelerate payment on the debentures. Consequently, the Company did not have the unconditional right to defer the settlement of the debenture liabilities for at least twelve months, because the ability to defer repayment was conditional upon the action of others. As at September 30, 2022, the cross-default clause was no longer applicable given that the Fulton loans were fully repaid, the debenture liabilities have been classified as non-current.

Line of credit**General**

The Company had a revolving line of credit with Fulton Bank, obtained on June 25, 2020, which had an availability of \$400. Interest is calculated at the London Inter-Bank Offered Rate ("LIBOR") plus 2.81%. See interest rate risk disclosure for details on LIBOR considerations. As at September 30, 2022, the total drawn line of credit was \$nil (December 31, 2021 - \$1,017) as the amounts were repaid, and the line of credit extinguished, in full during the period then ended.

Equipment

The Company also had a revolving equipment line of credit with Fulton Bank, obtained on June 25, 2020, which had an availability of \$765. Interest is calculated at the LIBOR plus 2.81%, as of the day that is two-London Business days before the application date. Each piece of equipment is individually a loan, with a five-year term and amortization period.

During the period ended September 30, 2022, the Company repaid in full all amounts owing to Fulton (Term Loan and Lines of Credits above) and incurred early payment penalties of \$23 which are included in the statement of loss and comprehensive loss.

Paycheck Protection Program Loans

The paycheck protection programs are granted pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") enacted by the US government. They are legal form debt granted at a fixed interest rate of 1% per annum, with a maturity date in April 2022, with the ability to be prepaid at any time without fees. On March 9, 2021, the full principal amount of the loan was forgiven and recorded in cost of sales.

Promissory note

Wild Leaf Holdings U.S. LLC assumed a \$416 promissory note, through the acquisition of CraftPack, LLC ("CraftPack") and Lucky Clover Packaging, LLC ("Lucky Clover"), with an individual related to the Company. The interest rate is 6% per annum and compounded monthly. The loan matures in 2026.

During the nine-month period ended September 30, 2022, the Company entered into promissory notes with related parties (note 18).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

13. DEBT (CONTINUED)**Consideration payable**

As at September 30, 2022, the Company has \$3,665 in consideration payable in cash and \$675 payable in shares (December 31, 2021 – \$3,615 and \$675, respectively) resulting from the acquisitions of Lucky Clover and CraftPack, acquired on June 25, 2020, Vertical, and Land and Sea (notes 7 and 8). Refer to note 5 of the audited consolidated financial statements for the year ended December 31, 2021, and the nine months ended December 31, 2020, for further information on the Lucky Clover and CraftPack acquisitions.

14. DEBENTURE UNITS

On March 31, 2022, the Company closed a public offering of 5,007 debenture units for gross proceeds of \$4,007 (“Series 3” debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000, which is convertible into common shares of the Company at a conversion price of C\$1.00 per common share and matures four years from the closing date; and (ii) 500 common share purchase warrants (“Warrants S3”) of the Company. Interest is paid quarterly.

Each Warrant S3 entitles the holder thereof to purchase one common share at C\$1.50 per share for a period of two year, expiring March 31, 2024. In connection with the March 2022 offering, the underwriters received a cash commission equal to \$150 and the Company also issued compensation warrants to the underwriters entitling them to purchase an aggregate of 50,420 common shares at a price of C\$1.00 per share until March 31, 2024.

On November 23, 2021, the Company issued 20,000 debenture units, for consideration of \$14,795 (“Series 2” debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000 which is convertible into common shares of the Company at a conversion price of C\$1.51 per common share and matures on November 23, 2025; and (ii) 332 common share purchase warrants (“Warrants S2”) of the Company. Each Warrant S2 entitles the holder thereof to purchase one common share at C\$1.81 per share for a period of two years, expiring November 23, 2023.

On June 30, 2021, the Company issued 20,000 debenture units for consideration of \$15,017 (“Series 1” debentures). Each debenture unit consists of (i) one 8% senior unsecured convertible debenture having a face value of C\$1,000, which is convertible into common shares of the Company at a conversion price of C\$1.51 per common share and matures on June 30, 2025; and (ii) 332 common share purchase warrants (“Warrants S1”) of the Company. Each Warrant S1 entitles the holder thereof to purchase one common share at C\$1.81 per share for a period of two years, expiring June 30, 2023.

At any time following the expiry of 36 months after issuance, the Company may, at its option, redeem pro rata all or part of the convertible debentures, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price which is equal to 110% of the principal amount thereof, plus any accrued and unpaid interest that would otherwise be payable to the holder from the time of the optional redemption until maturity.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

14. DEBENTURE UNITS (CONTINUED)

The Company may force the conversion of all but not less than all of the principal amount of the then outstanding convertible debentures at the conversion price if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange is greater C\$1.50 (Series 3 issuance) for the proceeding ten consecutive trading days and C\$2.19 (Series 1 and Series 2 issuances) for the preceding 20 consecutive trading days. Holders having their convertible debentures converted will receive accrued and unpaid interest thereon in cash.

The Company determined that the convertible debenture is a compound instrument consisting of (i) a host debt component, which has been presented within debt (note 13); (ii) a derivative liability, which has been presented within debt (note 13), and (iii) warrants which have been presented within contributed surplus. The Company exercised judgement in determining the fair value of the derivative liability. The valuation is considered to be level 3 in the fair value hierarchy.

To split the convertible debenture up into its components, a new hypothetical security is defined, called the "cash-only part of the convertible bond" (COCB). This results in a system of two coupled Black-Scholes equations for the value of the convertible bond, which will consider the relation between the debt and option components. The warrant valuation model is based on the model for Bermudan style options, which is a tree-type approach based on the Cox-Rubinstein Binomial Model.

The fair value of the debenture liability and warrants at the issuance dates, December 31, 2021, and September 30, 2022, was determined using the following assumptions:

Issuance – Series 1

	September 30, 2022	December 31, 2021	June 30, 2021
Share price	\$0.15 (C\$)	\$0.54 (C\$)	\$0.95 (C\$)
Volatility	74.45%	57.20%	55.52%
Risk-free Rates	C\$ Swap Curve	C\$ Swap Curve	C\$ Swap Curve
Dividends	0%	0%	0%
Credit Spread	16.50%	13.35%	16.23%

The company recognized \$Nil in contributed surplus for the period ended September 30, 2022 (December 31, 2021 – \$587). The fair value of the warrants on the issuance date was \$587.

Issuance – Series 2

	September 30, 2022	December 31, 2021	November 23, 2021
Share price	\$0.15 (C\$)	\$0.54 (C\$)	\$0.83 (C\$)
Volatility	73%	56.20%	52.54%
Risk-free Rates	C\$ Swap Curve	C\$ Swap Curve	C\$ Swap Curve
Dividends	0%	0%	0%
Credit Spread	16.50%	13.35%	13.11%

The company recognized \$Nil in contributed surplus for the period ended September 30, 2022 (December 31, 2021 – \$416). The fair value of the warrants on the issuance date was \$416.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

14. DEBENTURE UNITS (CONTINUED)**Issuance – Series 3**

	September 30, 2022	March 31, 2022
Share price	\$0.15 (C\$)	\$0.30 (C\$)
Volatility	71.97%	57.60%
Risk-free Rates	C\$ Swap Curve	C\$ Swap Curve
Dividends	0%	0%
Credit Spread	16.50%	13.91%

The company recognized \$14 in contributed surplus for the period ended September 30, 2022 (December 31, 2021 - \$Nil). The fair value of the warrants on the issuance date was \$14.

The following table summarize the changes to the Company's convertible debentures.

	Series 1		Series 2		Series 3		Total
	Host debt	Derivative liability	Host debt	Derivative liability	Host debt	Derivative liability	
Gross proceeds	\$12,009	\$3,315	\$12,673	\$2,523	\$3,778	\$215	\$34,513
Less: transaction costs	(909)	–	(817)	–	(202)	–	(1,928)
Balance at initial recognition	\$11,100	\$3,315	\$11,856	\$2,523	\$3,576	\$215	\$32,585
At January 1, 2021	\$–	\$–	\$–	\$–	\$–	\$–	\$–
Initial recognition	11,100	3,315	11,856	2,523	–	–	28,794
Interest, net	430	–	72	–	–	–	502
Change in fair value	–	(2,159)	–	(1,559)	–	–	(3,718)
Foreign exchange (gain) loss	(154)	(75)	178	160	–	–	109
At December 31, 2021	\$11,376	\$1,081	\$12,106	\$1,124	\$–	\$–	\$25,687
Initial recognition	–	–	–	–	3,576	215	3,791
Interest, net	686	–	540	–	43	–	1,269
Change in fair value	–	(997)	–	(1,023)	–	(146)	(2,166)
Foreign exchange (gain) loss	(780)	(17)	(943)	(19)	(319)	(8)	(2,086)
At September 30, 2022	\$11,282	\$67	\$11,703	\$82	\$3,300	\$61	\$26,495

Interest, net includes accrued interest, accretion, and interest paid (note 13).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

15. SHARE CAPITAL**Authorized share capital**

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

Issued common shares

The following table summarizes the changes to the Company's common shares issued:

	Note	Number of common shares	Amount
At January 1, 2021		43,306,494	\$5,067
Conversion of SAFE agreements into shares		3,335,971	1,237
SAFE agreements issued in shares		4,966,323	2,769
Private placement (president's list)		2,110,747	816
Private placement (other than president's list)		7,421,941	3,791
Amalgamation of Ponderous Panda Capital Corp.	5	1,188,915	1,042
Conversion of Wild Leaf Holdings U.S. LLC Preferred shares		4,501,822	1,448
Equity bought deal		22,680,412	13,731
Acquisition of Land and Sea	8	11,446,650	6,079
Exercise of options		22,646	21
At December 31, 2021		100,981,921	\$36,001
Conversion of restricted share units		690,375	165
At September 30, 2022		101,672,296	\$36,166

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

15. SHARE CAPITAL (CONTINUED)**Share options**

The Company recorded total share-based compensation of \$115 for the three-month period ended September 30, 2022, and \$297 for the nine-month period then ended September 30, 2022 (September 30, 2021 – \$267 and \$620, respectively) of which \$215 related to share options for the nine-month period ended September 30, 2022 (September 30, 2021 - \$502).

The share options outstanding and exercisable as of September 30, 2022, are as follows:

Expiry date	Exercise price (\$C)	Options Outstanding		Options Exercisable
		Number of shares issuable on exercise	Remaining life (years)	Number of shares issuable on exercise
December 2, 2022	0.55	284,000	0.17	284,000
May 19, 2023	1.20	100,000	0.63	75,000
August 1, 2023	0.27	3,354,120	0.84	3,354,120
December 9, 2023	0.70	300,000	1.19	300,000
July 25, 2024	0.45	748,686	1.82	748,686
May 19, 2025	0.90-1.17	1,863,000	2.64	1,397,250
December 25, 2025	0.55	852,000	3.24	-
October 1, 2026	0.83	300,000	4.01	300,000
Total		7,801,806		6,459,056

The weighted average remaining life of options outstanding is 1.73 years. The weighted average assumptions used in valuing these options are as follows:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Number of share options granted	1,136,000	2,781,891
Grant date fair value	C\$0.15	C\$0.77 - 1.20
Expected volatility	51%-54%	60%
Term	0.5-4.5 years	2.71 years
Risk free interest rate	0.31%-1.24%	0.59%
Dividend rate	Nil	Nil

Restricted share units

Under the Restricted Share Units (“RSU”) plan, employees and directors of the Company were awarded RSUs as approved by the Board of Directors. This plan utilizes notional units that become vested in accordance with the terms set at the time of grant, including certain performance conditions. The Company expects that all of the performance criteria will be met. There were 1,885,554 RSUs granted and 690,375 RSUs that vested converting to shares issued in the nine-month periods ended September 30, 2022. The total expense recognized in the period is \$82 (September 30, 2021 – \$118).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

15. SHARE CAPITAL (CONTINUED)**Equity reserve – Simple Agreement for Future Equity (“SAFE”)**

The Company issued SAFEs which entitle holders to common shares of the Company based on the occurrence of certain events. On January 12, 2021, the SAFE held by non-arm’s length related party was converted into common shares of the Company. The Company issued 3,335,972 (1,002,546 before share split) common shares at an effective conversion price of \$1.23 (C\$1.62). The Company paid \$2 in legal fees related to this transaction.

On January 18, 2021, February 1, 2021, and February 16, 2021, Wildpack raised gross proceeds of \$2,134 (C\$2,724), \$389 (C\$499), and \$279 (C\$353) respectively, through SAFE’s. The SAFE entitles the holders to common shares in the amount calculated by converting the value of the SAFE into common shares of the Company, on certain events, at the lessor of: (i) a 20% discount to the pre-money valuation of an equity financing where equal to or greater than \$2,369 (CA\$3,000) of proceeds are raised by the Company; and (ii) a valuation cap of \$39,477 (C\$50,000). Upon completion of the brokered private placement, the SAFEs converted into 4,966,323 common shares at a 20% discount to a pre-money valuation of the Company, with an effective per share price of \$0.57 (C\$0.72). The SAFE is classified as equity reserve. The Company paid \$33 (C\$42) in legal fees in connection with these issuances. A portion of the SAFE gross proceeds is the conversion of the Promissory Note. This is reflected as a non-cash financing activity, debt settlement through SAFE agreements, on the statement of cash flows (note 22).

Equity reserve – Put option

On January 19, 2021, the Put Option was exercised at the option of the Wild Leaf Holdings U.S. LLC preferred unit holders, originating from the Acquisition, and Wildpack issued 1,352,914 common shares, composed of 1,320,563 preferred units held and a 32,378 anti-dilution unit adjustment. The effective price per share was \$1.08 (C\$1.37) The Company paid CA\$10 in legal fees related to this transaction.

Private placement

During the year ended December 31, 2021, the Company conducted a private placement of subscription receipts and units, at a price of \$0.71 (C\$0.90) per subscription receipt. For a certain round of investors (the “president’s list), the subscription receipts were converted immediately into shares and warrants, and the Company received gross proceeds of \$1,352 (C\$1,700) and incurred related transaction costs of \$245 (C\$308), for net proceeds of \$1,107 (C\$1,392).

For the remaining investors (the “other than president’s list”), the proceeds were held by an escrow agent pending meeting certain conditions, including the closing of the transaction. The remainder of the offer has gross proceeds of \$5,694 (C\$6,879), related transaction costs of \$1,138 (C\$1,976), and net proceeds of \$4,556 (C\$4,904). The private placement and transaction closed on May 17, 2021, and the remaining subscription receipts were converted into shares and warrants as outlined above. The costs associated with the issuance of the private placement have been classified as equity.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

15. SHARE CAPITAL (CONTINUED)**Equity bought deal**

On November 23, 2021, the Company closed an equity bought deal for an aggregate of 22,680,412 units (the "Units") of the Company at a price of C\$0.97 per Unit for aggregate gross proceeds to the Company of C\$22,000. Each Unit consisted of one common share and one-half common share purchase warrant of the Company. Each Warrant is exercisable to acquire one common share of the Company for a period of 36 months from the closing of the bought deal at an exercise price of C\$1.26 per warrant, subject to adjustment in certain events.

Warrants

The following table summarizes the changes to the Company's warrants:

	Expiry	Number of warrants	Exercise price (C\$)
At January 1, 2021			
May 2021 Amalgamation	May 17, 2023	4,766,344	\$1.10
June 2021 Debenture (Warrants S1)	June 30, 2023	7,568,200	\$1.81
November 2021 Equity Bought Deal	November 23, 2024	11,340,206	\$1.26
November 2021 Debentures (Warrants S2)	November 23, 2023	7,302,983	\$1.81
November 2021 Bought Deal Compensation Warrants	November 23, 2023	1,360,825	\$0.97
At December 31, 2021		32,338,558	
March 2022 Debentures (Warrants S3)	March 31, 2024	2,503,500	\$1.50
March 2022 Compensation Warrants	March 31, 2024	50,420	\$1.00
At September 30, 2022		34,892,478	

The weighted average assumptions used in valuing these warrants are as follows:

	Three months ended September 30, 2022	Nine months ended September 30, 2022	Year ended December 31, 2021
Number of warrants issued	-	2,553,920	32,338,358
Share price on warrant issue date	-	C\$0.30	C\$0.83-C\$1.10
Expected volatility	-	58%	60%
Term	-	2 years	2.35 years
Risk free interest rate	-	0.93%	0.21% - 0.59%
Dividend rate	-	Nil	Nil

The Company recognized \$14 in contributed surplus for the period ended September 30, 2022 (December 31, 2021 - \$1,003).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

16. REVENUE BY NATURE

Revenue includes the following categories:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Tolling and packaging sales	\$7,312	\$6,862	\$23,362	\$21,004
Freight income	800	196	1,644	599
Warehousing income	59	11	605	35
Total	\$8,171	\$7,069	\$25,611	\$21,638

17. COST OF SALES BY NATURE

Cost of sales includes the following categories:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Raw materials	\$5,088	\$3,513	\$15,885	\$11,222
Salaries, wages, benefits	1,484	1,000	4,588	3,192
Depreciation and amortization	491	312	1,458	997
Other operating expenses	1,603	853	3,740	2,721
Total	\$8,666	\$5,678	\$25,671	\$18,132

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

18. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**Key management compensation**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Board and the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), Chief Operating Officer ("COO"), and Chief Growth Officer ("CGO"). Compensation provided to key management personnel for the nine-month periods ended September 30, 2022, and September 30, 2021, were as follows:

	September 30, 2022	September 30, 2021
Short-term employee benefits, including salaries	\$1,208	\$647
Share-based compensation	257	620
Total	\$1,465	\$1,267

Related party transactions

The Company has entered into employment agreements with each of the officers, including CEO, COO, CGO, and CFO. Under the employment agreements, the officers receive a base salary, extended benefits and are eligible for an annual performance-based bonus and long-term incentive awards determined at the discretion of the Board of Directors. During the nine-month period ended September 30, 2022, the Company and COO separated and agreed to a severance payout which is included in the short-term employee benefits. For the three and nine-month ended September 30, 2022, personnel who are not part of key management received share-based compensation of \$30 and \$40, respectively (September 30, 2021 – \$nil and \$nil). As at September 30, 2022, due from related parties for routine business expense reports was \$nil (December 31, 2021 – \$58).

Promissory Notes

The Company entered into the following short-term loans and promissory notes with certain directors and related parties of the Company:

- \$300, during the three-month period ended September 30, 2022.
- \$195 during the three-month period ended June 30, 2022.
- \$100, during the three-month period ended March 31, 2022. On April 1, 2022, the loan and accrued interest was paid in full.
- \$500 during the period ended March 31, 2022. On April 28, 2022, the loan and accrued interest was paid in full.

The terms of all the promissory notes and loans are based on prevailing market rates and are at an annual interest rate of 12% and are all payable on demand.

Grand Rapids – Building Rent

On December 1, 2021, the Company entered into an 8-year term lease agreement at prevailing market rates for its Land and Sea operations in Grand Rapids, Michigan, with Q4 Development LLC, an entity owned by an employee of the Company. The total lease liability as at September 30, 2022 is \$1,432 (September 30, 2021 – \$Nil) of which \$152 is current and \$1,280 is non-current.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

19. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern as well as to provide optimal returns to shareholders, while satisfying other stakeholders. Management adjusts the capital structure as necessary to support the Company's manufacturing operations and strategy.

The Company considers its capital to be its debt and share capital reduced by accumulated deficit and accumulated other comprehensive loss.

The Company is not subject to externally imposed capital requirements, and there were no changes in the Company's approach to capital management for the three and nine month period ended September 30, 2022.

20. FINANCIAL RISK MANAGEMENT**Fair value**

The carrying amount of cash and cash equivalents, cash held in trust, accounts receivable, due from related parties, notes receivable, accounts payable and accrued liabilities, line of credit, current portion of long-term debt, on the condensed consolidated interim statements of financial position approximate their fair value due to their short-term nature. The derivative liability associated with the debenture is measured at fair value at each reporting period.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. As at September 30, 2022, the Company's credit exposure consists primarily of the carrying amounts of cash and cash equivalents, cash held in trust and accounts receivables. The maximum exposure to credit risk for cash and cash equivalents, cash held in trust and accounts receivable approximates the amounts recorded on the condensed consolidated interim statements of financial position.

Credit risk associated with cash and cash equivalents and cash held in trust is managed by investing these financial assets in instruments held with reputable US banks. The Company earns revenue from a variety of customers under various credit terms and is therefore exposed to credit risk.

The following table outlines the aging of the Company's accounts receivable:

	September 30, 2022		December 31, 2021	
	Gross	Allowance	Gross	Allowance
Not past due	\$1,749	\$29	\$4,209	\$1,149
Past due 1-30 days	1,091	75	654	146
Past due 31-90 days	1,151	631	158	6
Past due 91-120 days	142	115	106	7
Past due greater than 120 days	1,661	1,050	12	5
Total	\$5,794	\$1,900	\$5,139	\$1,313

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (Continued)**

The movement in the allowance for doubtful accounts in respect of accounts receivable during the period was as follows:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of period	\$1,429	\$116
Additional allowance (net)	471	1,313
Balance, end of period	\$1,900	\$1,429

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital (equity and debt) markets is hindered. The Company has in place a planning and budgeting process to help determine the funds needed to support the Company's operating requirements on an ongoing basis as well as its planned capital expenditures. Management is required to exercise judgment to ensure that disclosures relating to liquidity and the Company's ability to continue as a going concern are appropriate. To this end, the Company manages liquidity risk by trying to maintain an adequate level of cash and cash equivalents to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis and matches the maturity dates of its cash equivalents to capital and operating needs.

As at September 30, 2022, the Company had cash and cash equivalents of \$513 (December 31, 2021 – \$1,450) to settle current liabilities of \$20,849 (December 31, 2021 – \$40,661). Management actively monitors the cash needs of the Company. Going concern is disclosed in note 1.

The undiscounted contractual maturity of all financial liabilities is as follows:

	Carrying amount	Contractual undiscounted cash flows	Within 1 year	2 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$10,856	10,856	10,856	–	–
Long term debt	33,410	43,185	6,509	36,676	–
Lease obligation	11,279	13,382	3,047	9,562	773
Total	\$55,545	\$67,423	\$20,412	\$46,238	\$773

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

20. FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk**

Market rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates or other price risk. Market risk reflects interest rate risk, currency risk and other price risk. The Company does not hold any financial instruments which are subject to price risk.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Company's interest rates on its capital lease obligations, debentures, and debt are fixed or fixed relative to SOFR or LIBOR. Management monitors its interest rates compared to market rates on a regular basis. The Company does not use derivative instruments to reduce its exposure to interest rate risk. The Company's previously held loans with Fulton bank that were based on London Inter-bank Offered Rate (LIBOR) settings that are currently scheduled to cease publication after June 30, 2023. As at September 30, 2022, these amendments did not affect the Company's financial statements as the Company repaid and extinguished the Fulton loans. The Company is working with its lenders on the replacement of the affected rates, where applicable, which is not expected to result in a significant change to the Company's interest rate risk management strategy or interest rate risk.

Currency risk

The Company operates in Canada and the USA and is exposed to foreign exchange risk with respect to transactions which are not denominated in the functional currency of the relevant entity. As at September 30, 2022 this risk is not considered significant as the functional currency of all legal entities, with the exception of Wildpack Beverage Alberta Inc. and Wildpack Beverage Inc, is the US dollar and substantially all of these entities' financial instruments are held in US dollars. The Debentures (note 14) are denominated in Canadian dollars, while the presentation currency is in US dollars. As a result, there is a foreign exchange gain/loss generated.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

21. SEGMENT INFORMATION**Reportable segments**

The operating segments of the Company are based on the reports which are reviewed by the chief operating decision maker (“CODM”) in making strategic resource allocation decisions. The Company considers its CODM to be its CEO and CFO, who evaluate the operations of each reportable segment.

The Company has four reportable segments, being filling, decorating, brokering, and corporate. The CODM reviews the net loss of each of these segments in allocating resources and evaluating operating performance. The corporate reporting segment covers the Company’s non-allocated, general overhead expenses, such as legal, compliance, accounting, head-office staff, and other such items. This reporting segment is reviewed for cost control and budgetary considerations. This segment supports the Company’s ability to expand through either acquisition of or building new locations.

The following table summarizes the Company’s reportable segment information for the nine-months ended.

	Filling		Decorating		Brokering		Corporate		Total	
	September 30, 2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	\$3,701	4,751	\$7,818	16,887	14,092	\$–	\$–	\$–	\$25,611	21,638
Net income (loss)	(2,886)	(1,894)	(1,759)	1,771	2,274	–	(13,460)	(4,297)	(15,831)	(4,420)
Non-current assets	12,113	10,596	11,311	8,587	28,484	–	127	5,579	52,035	24,762

The following table summarizes the Company’s reportable segment information for the three-months ended.

	Filling		Decorating		Brokering		Corporate		Total	
	September 30, 2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	\$693	1,669	\$2,696	5,400	\$4,782	\$–	\$–	\$–	\$8,171	\$7,069
Net income (loss)	(1,476)	(624)	(525)	156	734	–	(5,468)	(1,024)	(6,735)	(1,492)
Non-current assets	12,113	10,596	11,311	8,587	28,484	–	127	5,579	52,035	24,762

The Company conducts activities in two geographic areas: United States, and Canada. For the three- and nine-month periods ended September 30, 2022, and September 30, 2021, there are no customers that represented more than 10% of the Company’s consolidated revenue and accounts receivable. The majority of the Company’s operations are located in the United States, with immaterial operations and corporate functions located in Canada.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for share data)

22. SUPPLEMENTAL CASH FLOW

The following table summarizes non-cash financing and investing activities for the nine-month periods ended September 30, 2022, and September 30, 2021.

	September 30, 2022	September 30, 2021
Debt settlement through SAFE	\$–	\$79
Settlement of commissions payable by issuing SAFE	–	37
Forgiveness of shareholders loan payable with private placement	–	239
Broker compensation settled in equity units	1	103
Change in derivative liability	(2,166)	(791)

23. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, involved in various claims, legal proceedings, tax assessments and complaints arising in the ordinary course of business from third parties. The Company cannot reasonably predict the likelihood or outcome of these actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations. Accordingly, no provision or further disclosure has been made as the likelihood of a material outflow of economic benefits in respect of such claims is considered remote. In forming this assessment, management has considered the professional advice received and tax laws in place in the various jurisdictions, and the facts and circumstances of each individual claim. In the opinion of management, all such claims and suits are adequately covered by insurance, or are provided in the financial statements or, if not so covered or provided for, the results are not expected to materially affect the Company's financial position or results of operations.

The facility in Baltimore is scheduled to receive a new filling unit, to improve efficiency and overall product quality. A second filling unit is ordered and will be produced and deployed to Las Vegas. The committed outstanding amount payable for this equipment is approximately \$750 and is anticipated to be paid in 2022. This equipment currently sits in CIP as it is not available for use at period end. Subsequent to period end, the Company paid another \$200 and received delivery of one of the filling units which has been commissioned and currently operating.

24. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2022, the Company entered into a long-term packaging supply and manufacturing agreement with EHPlabs LLC ("EHPlabs"). In addition, the Chief Executive Officer of EHPlabs, will make a private placement into the Company and be appointed to the Board of Directors. The Company issued a non-brokered private placement basis, 8,097,166 common shares in the Company, at a price per share of C\$0.17, for aggregate proceeds \$1,000.