



**WILDPACK BEVERAGE INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE AND NINE MONTHS ENDED SEPTMEBER 30, 2023, AND SEPTEMBER 30, 2022**

*(Expressed in thousands of United States Dollars)*

## **Notice of Non-review of Condensed Consolidated Interim Financial Statements**

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**The attached condensed consolidated interim financial statements (unaudited) for the three and nine months ended September 30, 2023, and September 30, 2022, 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 three and nine month period ended September 30, 2023 condensed consolidated interim financial statements (unaudited).**

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

(Expressed in thousands of United States Dollars, except for per share and share amounts)

	Note	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
Current assets			
Cash		\$1,075	\$943
Cash held in trust		658	658
Accounts receivable	17	11,823	5,138
Sales taxes recoverable		237	302
Inventories	5	5,715	4,852
Prepaid expenses and deposits		1,202	140
		\$20,710	\$12,033
Property, plant, and equipment	6	9,914	6,375
Right of use assets	8	8,047	9,503
Derivative asset	11	12	12
Intangible assets	7	18,875	20,498
Goodwill	7	4,965	4,965
Other deposits		347	317
<b>TOTAL ASSETS</b>		<b>\$62,870</b>	<b>\$53,703</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		15,168	16,002
Deferred revenue		2,015	2,000
Current portion of lease obligations	9	1,929	2,107
Current portion of long-term debt	10	4,916	7,422
		\$24,028	\$27,531
Lease obligations	9	6,974	8,168
Long term debt	10	46,964	26,228
<b>TOTAL LIABILITIES</b>		<b>\$77,966</b>	<b>\$61,927</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	38,024	37,853
Equity reserve		17,809	8,765
Contributed surplus		5,074	4,076
Accumulated deficit		(77,054)	(60,022)
Accumulated other comprehensive loss		1,051	1,104
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$(15,096)</b>	<b>\$(8,224)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$62,870</b>	<b>\$53,703</b>
Nature of operations and going concern	1		
Commitments and contingencies	19		
Subsequent events	20		

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 per share and share amounts)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022 (Restated, note 21)	2023	2022 (Restated, note 21)
Sales	13	\$14,776	\$8,171	\$42,570	\$25,611
Cost of sales					
Production costs	14	12,894	7,662	36,397	23,358
Depreciation and amortization	6, 7, 8	633	1,004	1,796	2,313
Cost of sales		13,527	8,666	38,193	25,671
<b>Gross profit</b>		<b>1,249</b>	<b>(495)</b>	<b>4,377</b>	<b>(60)</b>
Operating expenses					
Selling		857	673	2,752	1,979
Salaries, wages, and benefits		1,136	1,587	4,561	5,254
Depreciation and amortization	6, 7, 8	1,007	968	2,840	2,858
Office and administrative		613	552	1,796	1,472
Share-based compensation	12	494	116	1,026	297
Professional fees		52	294	939	1,216
Bad debt		350	529	730	655
Other operating		136	199	428	11
Operating expenses		4,645	4,918	15,072	13,742
Other expenses					
Bank and finance charges	10	1	4	157	25
Interest on long-term debt	10	2,627	1,233	5,754	3,753
Interest on lease obligations	9	156	177	415	570
Loss on derivative asset	11	–	(2)	–	151
Foreign exchange loss		2	–	11	–
Other expenses		2,786	1,412	6,337	4,499
<b>Net loss</b>		<b>\$(6,182)</b>	<b>\$(6,825)</b>	<b>\$(17,032)</b>	<b>\$(18,301)</b>
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss:					
Foreign currency on translation (loss) gain		588	1,613	(53)	2,434
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>\$(5,594)</b>	<b>\$(5,212)</b>	<b>\$(17,085)</b>	<b>\$(15,867)</b>
Weighted average number of common shares outstanding		112,508,461	101,241,490	112,042,214	101,442,205
Loss per share – basic		(\$0.05)	(\$0.07)	(\$0.15)	(\$0.18)
Loss per share – diluted		(\$0.05)	(\$0.07)	(\$0.15)	(\$0.18)

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 (DEFICIENCY) (UNAUDITED)**

(Expressed in thousands of United States Dollars, except for per share and share amounts)

	Note	Share capital		Contributed surplus	Equity reserve	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
		Number of shares	Amount					
<b>At January 1, 2022</b> <i>(Restated, note 21)</i>		<b>100,981,921</b>	<b>\$36,001</b>	<b>\$3,921</b>	<b>\$8,505</b>	<b>\$(580)</b>	<b>\$(23,377)</b>	<b>\$24,470</b>
Shares issued for restricted stock units	12	690,375	165	(165)	–	–	–	–
Share-based payments	12	–	–	296	–	–	–	296
Debenture warrants – March 2022	11	–	–	–	935	–	–	935
Loss for the period		–	–	–	–	–	(18,301)	(18,301)
Other comprehensive loss – cumulate translation loss		–	–	–	–	2,434	–	2,434
<b>At September 30, 2022</b> <i>(Restated, note 21)</i>		<b>101,672,296</b>	<b>\$36,166</b>	<b>\$4,052</b>	<b>\$9,440</b>	<b>\$1,854</b>	<b>\$(41,678)</b>	<b>\$9,834</b>
<b>At January 1, 2023</b>		<b>111,309,169</b>	<b>\$37,853</b>	<b>\$4,076</b>	<b>\$8,765</b>	<b>\$1,104</b>	<b>\$(60,022)</b>	<b>\$(8,224)</b>
Shares issued for restricted stock units	12	262,680	28	(28)	–	–	–	–
Shares for debt	12	1,016,787	143	–	–	–	–	143
Debentures' equity reserve	10	–	–	–	9,044	–	–	9,044
Share-based payments	12	–	–	1,026	–	–	–	1,026
Loss for the period		–	–	–	–	–	(17,032)	(17,032)
Other comprehensive loss – cumulate translation loss		–	–	–	–	(53)	–	(53)
<b>At September 30, 2023</b>		<b>112,588,636</b>	<b>\$38,024</b>	<b>\$5,074</b>	<b>\$17,809</b>	<b>\$1,051</b>	<b>\$(77,054)</b>	<b>\$(15,096)</b>

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 per share and share amounts)

	Note	Nine months ended September 30, 2023	Nine months ended September 30, 2022 <i>(Restated, note 21)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss		\$(17,032)	\$(18,301)
Adjustments for items not affecting cash:			
Depreciation and amortization		4,534	4,730
Interest expense		6,161	2,397
Share-based compensation	12	1,026	297
Unrealized loss on derivative asset	11	–	301
Changes in non-cash working capital:			
Accounts receivable		(6,685)	(68)
Sales taxes recoverable		67	(107)
Inventories		(863)	3,618
Prepaid expenses and deposits		(1,062)	109
Other deposits		(30)	175
Accounts payable and accrued liabilities		(3,396)	2,924
Deferred revenue		15	1,050
Cash used in operating activities		(17,265)	(2,875)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Line of credit	10	–	(1,016)
Repayments of long-term debt	10	(7,948)	(1,305)
Net proceeds from convertible debentures	10, 11	24,920	4,727
Proceeds from promissory notes	10	–	996
Payments of lease obligations	9	(2,094)	(2,402)
Proceeds from long-term debt	10	6,745	2,348
Interest paid		(2,222)	(2,088)
Cash generated by financing activities		19,401	1,260
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of equipment		(2,255)	(136)
Proceeds from sale of equipment		267	–
Cash used in investing activities		(1,988)	(136)
Net increase (decrease) in cash		148	(1,751)
Cash, beginning of period		943	1,450
Effect of foreign exchange rate changes on cash		(16)	814
<b>CASH, END OF PERIOD</b>		<b>\$1,075</b>	<b>\$513</b>

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 per share and share amounts)

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

#### **Nature of operations**

Wildpack Beverage Inc. (“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”). 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. On January 1, 2023, Wildpack Beverage was amalgamated with its wholly owned subsidiary, Wildpack Beverage Alberta Inc. which brings together the two companies under a single entity, Wildpack Beverage.

#### **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, 2023, the Company had a working capital deficit of \$3,318, an accumulated deficit of \$77,054, and cash of \$1,075. During the nine-month period ended September 30, 2023, the Company incurred a net loss of \$17,032 and used cash of \$17,265 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.

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 per share and share amounts)

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## 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 condensed interim consolidated 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, 2022. 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 years ended December 31, 2022, and December 31, 2021.

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, 2023.

### 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 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
Thirsty Cat, LLC	US
Hungry Hippo Company	US

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 per share and share amounts)

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**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 years ended December 31, 2022 and December 31, 2021. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2021.

**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 and the balance sheet as appropriate in the period that 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 years ended December 31, 2022, and December 31, 2021.

**5. INVENTORIES**

As at September 30, 2023 and December 31, 2022, inventories consisted entirely of raw materials of \$5,715 and \$4,852, respectively.

For the three and nine-month period ended September 30, 2023, inventories recognized as an expense in cost of sales amounted to \$8,918 and \$23,863 respectively (September 30, 2022 - \$4,545 and \$14,482).

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**6. PROPERTY, PLANT, AND EQUIPMENT**

	Computer equipment	Computer software	Office equipment	Manufacturing equipment	Leasehold improvements	Construction in progress ("CIP")	Total
<b>Cost</b>							
<b>At January 1, 2022</b>	<b>\$5</b>	<b>\$134</b>	<b>\$48</b>	<b>\$5,604</b>	<b>\$1,101</b>	<b>\$-</b>	<b>\$6,892</b>
Dispositions	-	-	-	(194)	-	-	(194)
Additions	-	-	-	-	90	1,857	1,947
Transfers	-	-	-	1,103	171	(1,274)	-
<b>At December 31, 2022</b>	<b>\$5</b>	<b>\$134</b>	<b>\$48</b>	<b>\$6,513</b>	<b>\$1,362</b>	<b>\$583</b>	<b>\$8,645</b>
Dispositions	(3)	(6)	(4)	(871)	(68)	(288)	(1,240)
Additions	-	-	-	-	156	5,104	5,260
Transfers	-	-	-	2,732	-	(2,732)	-
<b>September 30, 2023</b>	<b>\$2</b>	<b>\$128</b>	<b>\$44</b>	<b>\$8,374</b>	<b>\$1,450</b>	<b>\$2,667</b>	<b>\$12,665</b>
<b>Accumulated depreciation</b>							
<b>At January 1, 2022</b>	<b>\$4</b>	<b>\$18</b>	<b>\$5</b>	<b>\$990</b>	<b>\$55</b>	<b>\$-</b>	<b>\$1,072</b>
Dispositions	-	-	-	(40)	-	-	(40)
Charged in the year	1	27	4	1,008	198	-	1,238
<b>At December 31, 2022</b>	<b>\$5</b>	<b>\$45</b>	<b>\$9</b>	<b>\$1,958</b>	<b>\$253</b>	<b>\$-</b>	<b>\$2,270</b>
Dispositions	(3)	(6)	(4)	(511)	(68)	-	(592)
Charged in the period	-	22	1	894	156	-	1,073
<b>September 30, 2023</b>	<b>\$2</b>	<b>\$61</b>	<b>\$6</b>	<b>\$2,341</b>	<b>\$341</b>	<b>\$-</b>	<b>\$2,751</b>
<b>Net book value</b>							
At December 31, 2022	\$-	\$89	\$39	\$4,555	\$1,109	\$583	\$6,375
At September 30, 2023	\$-	\$67	\$38	\$6,033	\$1,109	\$2,667	\$9,914

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**7. INTANGIBLE ASSETS AND GOODWILL**

	Customer relationships	Supplier relationships	Brand name	Backlog	Total intangibles	Goodwill
<b>Cost</b>						
<b>At January 1, 2022</b>	<b>\$16,441</b>	<b>\$1,960</b>	<b>\$6,370</b>	<b>\$33</b>	<b>\$24,804</b>	<b>\$12,132</b>
Impairment	(1,100)	–	(320)	–	(1,420)	(7,364)
Additions	–	–	–	–	–	197
Other	–	(160)	–	–	(160)	–
<b>At December 31, 2022</b>	<b>\$15,341</b>	<b>\$1,800</b>	<b>\$6,050</b>	<b>\$33</b>	<b>\$23,224</b>	<b>\$4,965</b>
Impairment	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Other	–	–	–	–	–	–
<b>At September 30, 2023</b>	<b>\$15,341</b>	<b>\$1,800</b>	<b>\$6,050</b>	<b>\$33</b>	<b>\$23,224</b>	<b>\$4,965</b>
<b>Accumulated amortization</b>						
<b>At January 1, 2022</b>	<b>\$438</b>	<b>\$68</b>	<b>\$58</b>	<b>\$33</b>	<b>\$597</b>	<b>\$–</b>
Impairment	(148)	–	(144)	–	(292)	–
Charged in the year	1,629	646	146	–	2,421	–
<b>At December 31, 2022</b>	<b>\$1,919</b>	<b>\$714</b>	<b>\$60</b>	<b>\$33</b>	<b>\$2,726</b>	<b>\$–</b>
Impairment	–	–	–	–	–	–
Charged in the period	1,150	444	29	–	1,623	–
<b>At September 30, 2023</b>	<b>\$3,069</b>	<b>\$1,158</b>	<b>\$89</b>	<b>\$33</b>	<b>\$4,349</b>	<b>\$–</b>
<b>Net book value</b>						
At December 31, 2022	\$13,422	\$1,086	\$5,990	\$–	\$20,498	\$4,965
At September 30, 2023	\$12,272	\$642	\$5,961	\$–	\$18,875	\$4,965

The Company tests goodwill and indefinite life intangible assets for impairment on an annual basis or whenever events or changes in circumstances indicate that the asset's carrying amount may be less than its recoverable amount. The Company identified the following cash generating units (CGUs) to which goodwill and/or indefinite life intangible assets have been allocated, each of which has been tested for impairment:

- i. Lucky Clover
- ii. Marietta
- iii. Longmont, and
- iv. Grand Rapids

As at September 30, 2023, the Company did not perform an impairment test of its CGUs, as the Company determined there were no indicators of impairment.

For impairment tests performed as at December 31, 2022 and December 31, 2021, the recoverable amount of each CGU was determined based on its value-in-use, using a discounted cash flow approach.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**7. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)****Impairment tests as at December 31, 2022**

Discounted cash flows were based on five-year cash flow projections derived from financial budgets or forecasts approved by management using the following key assumptions:

- 1) Average annual revenue growth rate: The average annual revenue growth rate for each CGU was estimated based on historical growth and management's expectations of market development.
- 2) Discount rate: The discount rate for each CGU was determined by estimating a weighted average cost of capital reflecting the time value of money and risks associated with the business.
- 3) Terminal growth rate: The terminal growth rate is based on management's current assessment of the long-term growth outlook for each CGU and expected economic conditions in the jurisdiction in which it operates.

The carrying values of goodwill and indefinite life intangible assets as well as key assumptions used for each CGU for the impairment tests performed as at December 31, 2022 were as follows:

CGU	Recoverable amount	Carrying value of CGU	Carrying value of goodwill in CGU	Carrying value of indefinite life assets in CGU	Average annual revenue growth rate	Discount rate	Terminal growth rate
Lucky Clover	\$5,215	\$5,309	\$1,263	\$1,130	12.2%	19.6%	2.5%
Marietta	2,855	2,324	743	–	20%	22%	2.5%
Longmont	–	2,516	1,389	–	n/a	n/a	n/a
Grand Rapids	23,345	29,226	8,897	4,800	6%	19%	2.5%

**Lucky Clover**

The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of \$94 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2022.

**Marietta**

The estimated recoverable amount exceeded the carrying amount by \$531, hence no impairment. For the impairment tests performed as at December 31, 2022, the Company determined a reasonably possible change in key assumptions, terminal value and discount rate, including possible consequential changes between key assumptions, would not result in impairment loss. However, if the annual growth rate assumption used in the impairment test was changed by an amount greater than -1.32%, the change in isolation would lead to an impairment loss being recognized for year ended December 31, 2022.

**Longmont**

The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of \$1,389 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2022. Furthermore, the Company impaired the net book value of the customer relationship intangible assets related to Longmont in the amount of \$1,128 as at December 31, 2022.

**Grand Rapids**

The carrying amount exceeded the estimated recoverable amount. As a result, an impairment of \$5,881 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2022.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**8. RIGHT-OF-USE ASSETS**

The Company had the following classes of right-of-use assets as of September 30, 2023 and December 31, 2022. Net book values and depreciation amounts by class for the nine-month period ended September 30, 2023 and year ended December 31, 2022 are as follows:

	Equipment	Office and plant premises	Total
<b>Cost</b>			
<b>At January 1, 2022</b>	<b>\$4,644</b>	<b>\$10,140</b>	<b>\$14,784</b>
Additions	34	222	256
Dispositions	–	(370)	(370)
<b>At December 31, 2022</b>	<b>\$4,678</b>	<b>\$9,992</b>	<b>\$14,670</b>
Additions	1,124	372	1,496
Dispositions	–	(1,115)	(1,115)
<b>At September 30, 2023</b>	<b>\$5,802</b>	<b>\$9,249</b>	<b>\$15,051</b>
<b>Accumulated depreciation</b>			
<b>At January 1, 2022</b>	<b>\$818</b>	<b>\$1,567</b>	<b>\$2,385</b>
Charged in the year	980	1,802	2,782
<b>At December 31, 2022</b>	<b>\$1,798</b>	<b>\$3,369</b>	<b>\$5,167</b>
Charged in the period	768	1,069	1,837
<b>At September 30, 2023</b>	<b>\$2,566</b>	<b>\$4,438</b>	<b>\$7,004</b>
<b>Net book value</b>			
At December 31, 2022	\$2,880	\$6,623	\$9,503
At September 30, 2023	\$3,236	\$4,811	\$8,047

**9. LEASE OBLIGATIONS**

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

<b>At January 1, 2022</b>	<b>\$12,852</b>
Additions	256
Lease payments	(3,209)
Interest accretion	746
Disposal	(370)
<b>At December 31, 2022</b>	<b>\$10,275</b>
Additions	1,496
Lease payments	(2,094)
Interest accretion	417
Disposal	(1,191)
<b>At September 30, 2022</b>	<b>\$8,903</b>
<b>Current and non-current portions</b>	
Current	\$1,929
Non-current	6,974
<b>Total</b>	<b>\$8,903</b>

The Company leases various office and plant premises for its operations, in addition to manufacturing-related equipment (note 8).

**WILDPACK BEVERAGE INC.**

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(Expressed in thousands of United States dollars, except for per share and share amounts)

**10. DEBT**

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

	Term Loan	Promissory Note	Credit Facility	Consideration Payable	Equipment Loan	Sandton Loan	Convertible debenture – Liability Component (note 11)	Total
<b>January 1, 2022</b>	<b>\$685</b>	<b>\$391</b>	<b>\$–</b>	<b>\$3,615</b>	<b>\$–</b>	<b>\$–</b>	<b>\$22,744</b>	<b>\$27,435</b>
Additions	–	1,095	5,326	144	–	–	2,862	9,427
Repayments	(711)	(619)	(2,125)	(247)	–	–	(2,691)	(6,393)
Interest	26	48	73	124	–	–	4,651	4,922
Foreign exchange	–	13	–	–	–	–	(1,754)	(1,741)
<b>December 31, 2022</b>	<b>\$–</b>	<b>\$928</b>	<b>\$3,274</b>	<b>\$3,636</b>	<b>\$–</b>	<b>\$–</b>	<b>\$25,812</b>	<b>\$33,650</b>
Additions	–	–	4,445	–	2,300	15,876	–	22,621
Repayments	–	(114)	(7,833)	–	(211)	–	(2,011)	(10,169)
Interest	–	62	114	2	36	1,813	3,711	5,738
Foreign exchange	–	–	–	–	–	–	40	40
<b>September 30, 2023</b>	<b>\$–</b>	<b>\$876</b>	<b>\$–</b>	<b>\$3,638</b>	<b>\$2,125</b>	<b>\$17,689</b>	<b>\$27,552</b>	<b>\$51,880</b>
<b>Current and non-current portions</b>								
Current	\$–	\$432	\$–	\$3,638	\$846	\$–	\$–	\$4,916
Non-current	\$–	\$444	\$–	\$–	\$1,279	\$17,689	\$27,552	\$46,964
<b>Total</b>	<b>\$–</b>	<b>\$876</b>	<b>\$–</b>	<b>\$3,638</b>	<b>\$2,125</b>	<b>\$17,689</b>	<b>\$27,552</b>	<b>\$51,880</b>

**Promissory Note**

Wild Leaf Holdings U.S. LLC assumed a \$417 promissory note, through the acquisition of CraftPack and Lucky Clover, with a shareholder of the Company. The interest rate is 6% per annum and compounded monthly. The loan matures in 2026. Additional promissory notes are held by related parties, refer to note 15.

**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. On April 30, 2023, the Company repaid in full the outstanding principal and any interest to extinguish the loan.

**Consideration payable**

As at September 30, 2023, the Company has consideration payable in cash resulting from the acquisitions of Lucky Clover, CraftPack, Vertical and Land and Sea. Refer to note 6, 7, 8 of the audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2021.

**Equipment Loan**

On June 19, 2023, the Company entered into an equipment finance agreement to acquire filling machinery and equipment. The agreement provides the Company with a \$2,300 loan, amortized and payable over 36 months commencing on July 1, 2023. The interest rate on the equipment loan is 6.5% per annum. As at September 30, 2023, a portion of the equipment and machinery remains in CIP (note 6) as some of the items were not available for use during the current period.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**10. DEBT (CONTINUED)****Sandton Loan**

On April 18, 2023, the Company entered into a promissory note (the "Bridge Loan") with Sandton Credit Solutions Master Fund V, LP, an affiliate of Sandton Capital Partners, L.P (the "Lender") totaling \$12,500. The Bridge Loan bears an interest rate of 13% per annum with interest accruing during the 12-month term of the loan. The Company paid \$75 in transaction costs related to the closing of the Bridge Loan which were expensed during the nine-month period ended September 30, 2023.

On May 23, 2023 the Company and the Lender entered into an amended and restated loan agreement (the "Loan") which extinguished the Bridge Loan and established a non-revolving term credit facility in the principal amount of \$25,000 between the Lender and the Company's wholly-owned US subsidiaries.

The Loan is comprised of a 48-month secured term loan bearing an interest rate of 13% per annum. For any period during which an event of default has occurred and gone uncured or waived, the applicable interest rate shall be increased to an annual rate of 18% per annum. The Loan is secured by a first priority lien on all assets of the Company and its Subsidiaries and is guaranteed by the Company and its Subsidiaries. The Company's shares have also been pledged as security in connection with the Loan. The Company paid \$80 in transaction costs which are being amortized over the 48-month term.

In connection with the transaction, the Company has granted to the Lender an option to convert the loan into approximately 49% of the equity of Thirsty Cat, LLC, a wholly owned subsidiary of the Company, which holds interests in all of the Company's U.S. operations representing substantially all of the principal business assets of the Company.

The Company determined that the Loan is a compound instrument consisting of (i) a debt component, which has been presented within debt; ii) equity which has been presented within equity reserve; iii) derivative asset.

	Liability component	Equity component	Total
<b>At December 31, 2022</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
Issuance	15,956	9,044	25,000
Transactions cost	(80)	-	(80)
Repayments	-	-	-
Interest accretion	1,813	-	1,813
<b>At September 30, 2023</b>	<b>\$17,689</b>	<b>\$9,044</b>	<b>\$26,733</b>

The fair value of the liability component at the issuance date, was determined using the following assumptions:

<b>Issuance date</b>	
Risk-free Rates	C\$ Swap Curve
Credit Spread	13.91%

The difference between the fair value of the financial liability, the equity reserve classified conversion privilege, and the face value of the instrument is allocated to the equity component of the convertible debentures. During the three and nine-month period ended September 30, 2023, the Company recognized no material measurement of the derivative asset.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**11. CONVERTIBLE DEBENTURES**

	Number of convertible debentures	Liability component	Equity component	Equity warrant	Derivative asset	Total
<b>At December 31, 2021</b> <i>(Restated, note 21)</i>	<b>40,000</b>	<b>\$22,744</b>	<b>\$6,830</b>	<b>\$1,000</b>	<b>\$(162)</b>	<b>\$30,412</b>
Series 3 convertible debenture issuance	5,007	3,023	974	14	(4)	4,007
Series 3 issuance costs	—	(161)	(52)	—	—	(213)
<b>Series 3 Initial measurement</b>	<b>5,007</b>	<b>\$2,862</b>	<b>\$922</b>	<b>\$14</b>	<b>\$(4)</b>	<b>\$3,794</b>
Interest, net	—	1,960	—	—	—	1,960
Change in fair value	—	—	—	—	153	153
Foreign exchange (gain) loss	—	(1,754)	—	—	—	(1,754)
<b>At December 31, 2022</b>	<b>45,007</b>	<b>\$25,812</b>	<b>\$7,752</b>	<b>\$1,014</b>	<b>\$(13)</b>	<b>\$34,565</b>
Interest, net	—	1,700	—	—	—	1,700
Change in fair value	—	—	—	—	—	—
Foreign exchange (gain) loss	—	40	—	—	1	41
<b>At September 30, 2023</b>	<b>45,007</b>	<b>\$27,552</b>	<b>\$7,752</b>	<b>\$1,014</b>	<b>\$(12)</b>	<b>\$36,306</b>

Total interest expense on all three Series for the nine-month period ending September 30, 2023, was \$3,711 (December 31, 2022 - \$4,651) of which \$2,011 (December 31, 2022 - \$2,691) was paid in cash.

**Liability Component**

The liability component of the debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, known as a cash-only part of the convertible bond, based on an estimated market interest rate and a credit spread.

The fair value of the liability component at the issuance dates, was determined using the following assumptions:

Issuance date	Series 3 March 31, 2022	Series 2 November 23, 2021	Series 1 June 30, 2021
Risk-free Rates	C\$ Swap Curve	C\$ Swap Curve	C\$ Swap Curve
Credit Spread	13.91%	13.11%	16.23%

**Equity Component**

The difference between the fair value of the financial liability, the equity classified warrant, and the face value of the instrument is allocated to the equity component of the convertible debentures.

**Equity Warrant**

The fair value of the equity classified warrants is calculated using a Monte Carlo simulation, using the assumptions described in note 12.

Total transaction costs directly attributable to the offerings were allocated proportionately to the liability and equity components of the debentures. The carrying value approximates the fair value of the convertible debenture as at September 30, 2023.

**Derivative asset**

The amount has been separated and accounted for using a hybrid model. The model is based on partial differential equations which are solved numerically using finite difference methods.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

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**11. CONVERTIBLE DEBENTURES (CONTINUED)**

On March 31, 2022, the Company closed a public offering of 5,007 convertible 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 years, 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 convertible 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 convertible 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 for Series 1 and 2 (24 months after issuance Series 3), 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.

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 10 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, at a redemption price equal to 110% of the principal amount, will receive accrued and unpaid interest thereon in cash.

The Company determined that the convertible debenture is a compound instrument consisting of (i) a debt component, which has been presented within debt (note 10); (ii) a derivative asset, which has been presented separately, and (iii) equity and equity warrants components which have been presented within equity reserve. The Company exercised judgement in determining the fair value of the derivative asset. The valuation is considered to be level 3 in the fair value hierarchy.

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**12. SHARE CAPITAL****Authorized share capital**

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

**Issued**

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

	Number of common shares	Dollars
<b>At January 1, 2022</b>	<b>100,981,921</b>	<b>\$36,001</b>
Conversion of restricted share units	958,233	194
Issuance of shares	9,369,015	1,658
<b>At December 31, 2022</b>	<b>111,309,169</b>	<b>\$37,853</b>
Conversion of restricted share units	262,680	28
Shares issued for debt	1,016,787	143
<b>At September 30, 2023</b>	<b>112,588,636</b>	<b>\$38,024</b>

**Private equity placements**

On November 29, 2022, the Company issued a non-brokered private equity placement basis, 8,097,166 common shares in the Company, at a price per share of C\$0.17, for gross proceeds \$1,000, net \$982.

On December 8, 2022, the Company issued 1,271,849 shares to settle the share portion of the consideration payable for the Land and Sea transaction closed on November 23, 2021.

**Omnibus Plan**

The Company's omnibus equity incentive plan (the "Omnibus Plan") provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options, and restricted/performance/deferred share units to purchase/covert to common shares. The Omnibus Plan is administered by the Board of Directors of the Company. Under the Omnibus Plan, the maximum number of common shares that may be granted cannot exceed 22,208,262 shares. Under the Omnibus Plan, option grants are required to have an exercise price equal to or above the market price quoted prior to the date of the award.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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**12. SHARE CAPITAL (CONTINUED)****Stock options**

The Company recorded total share-based compensation of \$494 and \$1,026 for the three and nine-month period ended September 30, 2023, respectively (September 30, 2022 – \$115 and \$297, respectively) of which \$16 related to share options for the nine-month period ended September 30, 2023 (September 30, 2022 - \$297). The fair values of stock options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Risk free interest rate	n/a	0.78%
Expected volatility	n/a	53%
Expected life	n/a	2.50 years
Expected dividend rate	n/a	Nil
Exercise price	n/a	C\$0.55
Share price	n/a	C\$0.55

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price (C\$)
<b>At January 1, 2022</b>	<b>6,762,053</b>	<b>\$0.54</b>
Granted	1,136,000	0.55
Exercised	–	–
Expired	(380,245)	0.61
Cancelled	–	–
<b>At December 31, 2022</b>	<b>7,517,808</b>	<b>\$0.53</b>
Granted	–	–
Exercised	–	–
Expired	(3,454,122)	(0.23)
Cancelled	–	–
<b>At September 30, 2023</b>	<b>4,063,686</b>	<b>\$0.30</b>

The following table summarizes information about the Company's stock options outstanding and exercisable as of September 30, 2023:

Expiry date	Exercise price (\$C)	Remaining life (years)	Number of options outstanding	Number of options exercisable
December 9, 2023	0.70	0.19	300,000	300,000
July 25, 2024	0.45	0.82	748,686	748,686
May 19, 2025	0.90	1.64	1,663,000	1,663,000
May 19, 2025	1.17	1.64	200,000	200,000
December 31, 2025	0.55	2.24	852,000	–
October 1, 2026	0.83	3.01	300,000	300,000
<b>Total</b>		1.61	4,063,686	3,211,686

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**12. SHARE CAPITAL (CONTINUED)****Restricted share units**

Under the Omnibus Plan, Restricted Share Units (“RSUs”), can be awarded to employees of the Company as approved by the Board of Directors. RSUs utilize 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 13,189,500 RSUs granted in the nine-month period ended September 30, 2023 (September 30, 2022 – 1,885,554). The total expense recognized in the period is \$1,010 (September 30, 2022 – \$82).

**Warrants**

The warrants outstanding as of September 30, 2023, are as follows:

	Expiry	Number of warrants	Price (C\$)
<b>At January 1, 2022</b>		<b>32,338,558</b>	<b>\$–</b>
March 2022 Debentures (Warrants S3)	March 31, 2024	2,503,500	\$1.50
March 2022 Compensation Warrants	March 31, 2024	50,420	\$1.00
<b>At December 31, 2022</b>		<b>34,892,478</b>	
Expired	May 17, 2023	(4,766,344)	\$1.10
Expired	June 30, 2023	(7,568,200)	\$1.81
<b>At September 30, 2023</b>		<b>22,557,934</b>	

The Company used the Black Scholes method to value Amalgamation, Bought Deal, and Compensation Warrants. While the Debenture warrants (Series 1, 2, and 3) were valued using the Monte Carlo Simulation. The weighted average assumptions used in valuing these warrants for the nine-month period ended September 30, 2023, and for the year ended December 31, 2022, are as follows:

	September 30, 2023	December 31, 2022
Exercise Price	n/a	C\$1.49
Expected volatility	n/a	62%
Term	n/a	2
Risk free interest rate	n/a	2.34%
Dividend rate	n/a	Nil

**WILDPACK BEVERAGE INC.**

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**13. REVENUE BY NATURE**

Revenue includes the following categories for the periods ended:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Tolling and packaging sales	\$13,639	\$7,312	\$38,652	\$23,362
Freight income	1,085	800	3,643	1,644
Warehousing income	52	59	275	605
<b>Total</b>	<b>\$14,776</b>	<b>\$8,171</b>	<b>\$42,570</b>	<b>\$25,611</b>

**14. PRODUCTION COSTS BY NATURE**

Production costs includes the following categories for the periods ended:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Raw materials and consumables	\$9,150	\$4,809	\$24,700	\$15,068
Salaries, wages, benefits	2,293	1,699	7,106	5,081
Freight expense	931	1,076	3,050	2,334
Other operating expenses	520	78	1,541	875
<b>Total</b>	<b>\$12,894</b>	<b>\$7,662</b>	<b>\$36,397</b>	<b>\$23,358</b>

**WILDPACK BEVERAGE INC.**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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**15. 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"), and the Chief Growth Officer ("CGO"). Compensation provided to key management personnel for the nine-month periods ended September 30, 2023, and September 30, 2022, were as follows:

	September 30, 2023	September 30, 2022
Short-term employee benefits, including salaries	\$1,322	\$1,208
Share-based compensation	1,037	257
<b>Total</b>	<b>\$2,359</b>	<b>\$1,465</b>

**Related party transactions**

The Company has entered into employment agreements with each of the officers, including CEO, CFO, and CGO. 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.

**Promissory Notes**

During the period ended September 30, 2023, the Company did not enter into any additional promissory notes with related parties. Of the existing promissory notes, the Company repaid \$nil during the period.

During the year ended December 31, 2022, the Company received \$893 in promissory notes from related parties of which \$619 were repaid during the year.

**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 a former employee of the Company. The total lease liability as at September 30, 2023 is \$1,281 (September 30, 2022 – \$1,432) of which \$166 is current and \$1,115 is non-current.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**16. 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 nine-month period ended September 30, 2023.

**17. FINANCIAL RISK MANAGEMENT****Fair value**

The carrying amount of cash, cash held in trust, accounts receivable, notes receivable, accounts payable and accrued liabilities, 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 asset 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, 2023, the Company's credit exposure consists primarily of the carrying amounts of cash, cash held in trust and accounts receivable. The maximum exposure to credit risk for cash, 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 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, 2023	December 31, 2022
Not past due	\$6,749	\$2,089
Past due 1-30 days	1,586	1,786
Past due 31-90 days	1,631	462
Past due 91-120 days	360	572
Past due greater than 120 days	1,146	199
<b>Trade Accounts Receivable</b>	<b>11,472</b>	<b>5,108</b>
Other Accounts Receivable	1,204	220
<b>Total Gross Accounts Receivable</b>	<b>12,676</b>	<b>5,328</b>
Allowance for Doubtful Accounts	(853)	(190)
<b>Net Accounts Receivable</b>	<b>\$11,823</b>	<b>\$5,138</b>

Other accounts receivable includes sales taxes receivable and a vendor purchase rebate.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**17. 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, 2023	Year ended December 31, 2022
Balance, beginning of period	\$190	\$1,429
Increase (decrease) in allowance	663	(1,239)
<b>Balance, end of period</b>	<b>\$853</b>	<b>\$190</b>

**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 and or 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 to meet its short-term ongoing obligations and reviews its actual expenditures and forecast cash flows on a regular basis.

As at September 30, 2023, the Company had cash and cash equivalents of \$1,075 (December 31, 2022 – \$943) to settle current liabilities of \$24,028 (December 31, 2022 – \$27,531). Management actively monitors the cash needs of the Company. Going concern is disclosed in note 1. Subsequent to period end, the Company entered into a debt agreement with Sandton as disclosed in note 20.

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	\$15,168	\$15,168	\$15,168	\$–	\$–
Long term debt	51,880	73,360	7,514	65,846	–
Lease obligation	8,903	10,787	3,053	7,734	–
<b>Total</b>	<b>\$75,951</b>	<b>\$99,315</b>	<b>\$25,735</b>	<b>\$73,580</b>	<b>\$–</b>

**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.

**WILDPACK BEVERAGE INC.**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

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**17. FINANCIAL RISK MANAGEMENT (CONTINUED)****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 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, 2023 this risk is not considered significant as the functional currency of all legal entities, with the exception of Wildpack Beverage Inc, is the US dollar and substantially all of these entities' financial instruments are held in US dollars. The Debentures (note 11) are denominated in Canadian dollars, while the presentation currency is in US dollars. As a result, there is a foreign exchange gain/loss generated. A potential 10% change in the foreign exchange rate would have an insignificant impact on the consolidated statements of loss and comprehensive loss.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**18. 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, filling, decorating, brokering, and corporate. The CODM reviews the net income (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.

The following table summarizes the Company’s reportable segment information for the nine months ended September 30:

	Filling		Decorating		Brokering		Corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from external customers	\$5,191	\$3,701	\$10,750	\$7,818	26,629	\$14,092	\$–	\$–	42,570	\$25,611
Net income (loss)	(2,667)	(2,886)	475	(1,759)	4,309	2,274	(19,149)	(15,930)	(17,032)	(18,301)
Non-current assets	9,814	12,113	12,208	11,311	20,034	28,484	104	127	42,160	52,035

The following table summarizes the Company’s reportable segment information for the three months ended September 30:

	Filling		Decorating		Brokering		Corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenues from external customers	\$1,386	\$693	\$3,614	\$2,696	\$9,776	\$4,782	\$–	\$–	\$14,776	\$8,171
Net income (loss)	(1,301)	(1,476)	42	(525)	1,578	734	(6,501)	(5,558)	(6,182)	(6,825)
Non-current assets	9,814	12,113	12,208	11,311	20,034	28,484	104	127	42,160	52,035

The Company conducts activities in two geographic areas: United States, and Canada. For the period ended September 30, 2023, and for the period ended September 30, 2022, there are no customers that represented more than 10% of the Company’s consolidated revenue and accounts receivable. A 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 per share and share amounts)

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**19. 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.

**20. SUBSEQUENT EVENTS**

On October 3, 2023, the Company received a payment of \$200 pursuant to the settlement agreement dated June 30, 2023. The settlement agreement provides for the return to the Company's treasury of 12,404,867 common shares. On November 25, 2023, the Company returned the shares to the Company treasury, cancelled.

On October 12, 2023, the Company closed an amendment to its term loan with Sandton. Pursuant to an amended and restated loan agreement, an additional loan tranche in the amount of \$5,000 was made available to the Company. The additional tranche bears interest at a rate of 15% per annum and matures on October 10, 2026.

All interest accruing on the additional tranche, up to and including November 1, 2024, will be added to the principal balance and will thereafter accrue interest.

The Company has agreed to use its commercially reasonable efforts to obtain TSX Venture Exchange approval for the grant of nominal value warrants to the Lender which will allow the Lender to obtain 5.625% of the equity of the Company's wholly owned subsidiary, Thirsty Cat LLC. On November 17, 2023, the Company obtained conditional approval. Following November 1, 2024, monthly interest payments will be made.

**WILDPACK BEVERAGE INC.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in thousands of United States dollars, except for per share and share amounts)

**21. RESTATEMENT – CONVERTIBLE DEBENTURES**

During the year ended December 31, 2022, the Company identified an inaccuracy in the accounting treatment of the convertible debentures, which resulted in an unsuitable classification and measurement of the embedded derivative instruments between host debt, derivative assets, derivative liabilities, and equity, for the year ended December 31, 2021. As a result of the change in accounting treatment, the consolidated statements of financial position, loss and comprehensive loss, changes in shareholders' equity, and cash flows are restated for the nine-month period ended September 30, 2022. The Company's restated 2022 comparative figures for the nine-month period ending September 30, 2022, are summarized below.

**Consolidated statements of loss and comprehensive loss**

	September 30, 2022		September 30, 2022
	As previously reported	Adjustments	Restated
Professional fees	\$1,227	\$(11)	\$1,216
Interest on long-term debt	3,588	165	3,753
Loss (gain) on derivative asset	(2,166)	2,317	151
<b>Loss before income taxes</b>	<b>\$(15,831)</b>	<b>\$(2,470)</b>	<b>\$(18,301)</b>
<b>Loss</b>	<b>\$(15,831)</b>	<b>\$(2,470)</b>	<b>\$(18,301)</b>
Other comprehensive income (loss)	2,288	146	2,434
<b>Total loss and comprehensive loss</b>	<b>\$(13,543)</b>	<b>\$(2,324)</b>	<b>\$(15,867)</b>
Loss per share – basic	\$(0.16)	\$(0.02)	\$(0.18)
Loss per share – diluted	\$(0.16)	\$(0.02)	\$(0.18)

**Consolidated statements of cash flows**

There was no impact to the consolidated statements of cash flows as a result of this restatement, other than cash flow from operations (i) a \$2,470 decrease in net income, (ii) a \$165 increase in interest on long term-debt, (iii) a \$2,317 decrease in the gain on derivative liability of which all changes reside in the operating activities section and a \$705 decrease in foreign exchange on cash.

**Consolidated statements of changes in shareholders' equity**

There was no impact to the consolidated statements of changes in shareholders' equity as a result of this restatement, other than (i) a \$8,765 increase in equity reserve, (ii) a \$1,017 decrease in contributed surplus, (iii) a \$2,470 decrease in net income, and (iv) a \$146 decrease in other comprehensive loss – cumulative transaction loss.