



**WILDPACK BEVERAGE INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022, AND 2021**

*(Expressed in thousands of United States Dollars)*

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Wildpack Beverage Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Wildpack Beverage Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### *Basis for Opinion*

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

### *Material Uncertainty Related to Going Concern*

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

### *Emphasis of Matter – Restated Comparative Information*

We draw attention to Note 28 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

The consolidated financial statements for the year ended December 31, 2021, excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 2, 2022.

As part of our audit of the consolidated financial statements for the year ended December 31, 2022, we audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2021. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.



### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report

#### **Impairment of Goodwill and Indefinite Life Intangible Assets**

As described in notes 3, 4 and 12 to the consolidated financial statements the carrying amount of goodwill and indefinite life intangible assets was \$25.5 million as at December 31, 2022. Management performs an impairment assessment on goodwill and indefinite life intangible assets annually, or more frequently when there is an indication of impairment. An impairment loss is recognized if the carrying amount of a cash generating unit ("CGU") or grouped CGUs to which the goodwill and indefinite life intangible assets relate exceeds its recoverable amount. In determining the estimated recoverable amount, the Company uses a discounted cash flow model which includes significant assumptions such as future cash flows, growth rates, and discount rates.

The principal considerations for our determination that the impairment assessment of goodwill and indefinite life intangible assets at the CGU level is a key audit matter is the significant judgement and subjectivity required by management when developing the recoverable amount of the CGUs. This in turn leads to a high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate management's significant assumptions, including future cash flows, growth rates and discount rates.

Our approach to addressing the key audit matter included the following, among others:

- Understanding management's processes and controls regarding management's goodwill and indefinite life intangible assets impairment assessment, including controls over the determination of the CGUs.
- Evaluating the appropriateness of management's use of the discounted cash flow model and tested the mathematical accuracy thereof.
- Assessing the reasonableness of management's forecasted cash flows, revenue levels and growth rates, and operating margins by comparing them to current and historical performance, current industry, market and economic trends.
- Utilizing professionals with specialized skill and knowledge in the field of valuation to assist in evaluating the appropriateness of management's discounted cash flow model and in testing the reasonableness of certain significant assumptions.
- Performing sensitivity analysis on significant assumptions to evaluate changes in the recoverable amount of the CGU that would result from changes in the assumptions.
- Assessing the appropriateness of the disclosures relating to goodwill and indefinite life intangible assets in the notes to the consolidated financial statements.

#### **Classification of Convertible Debenture Units and Initial Valuation of Components**

As described in notes 3, 4, and 16, during the year ended December 31, 2022, the Company issued \$4.01 million principal amount of convertible debentures units at a price of C\$1,000 per debenture (the "Unit"). Each Unit consisted of C\$1,000 principal amount convertible debenture and 500 common share purchase warrants of the Company. At the holders' option, the convertible debentures may be converted into common shares of the Company at any time, up to the maturity at a conversion price of C\$1.00 per common share. The Company is entitled to redeem the convertible debentures at 110% of the principal amount thereof plus accrued and unpaid interest at any time following twenty-four months after issuance. 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 meet certain price and timing criteria.

The convertible debentures were determined to be a compound financial instrument and the common share purchase warrants were determined to be a freestanding equity instrument. Management applied judgment in assessing the accounting treatment for the individual components of the convertible debentures and whether the warrants and conversion option qualify as an equity instrument, including whether the terms meet the “fixed for fixed” requirement. As such, the proceeds from the offering were allocated to (i) the liability component of the convertible debentures initially recorded at the fair value of a similar liability that does not have a conversion option; (ii) the freestanding equity instrument consisting of the common share purchase warrants; and (iii) the equity component of the convertible debentures consisting of the residual conversion feature.

The principal considerations for our determination that the classification of Units and initial valuation of components is a key audit matter is due to the judgment applied by management in assessing the accounting treatment for the individual components of the convertible debentures and determining the assumptions used for the fair value of the liability component at initial recognition. This, in turn, led to a high degree of auditor judgment and effort in performing procedures to test management’s assumptions used in the valuation of the liability component of the convertible debentures.

Our approach to addressing the key audit matter included the following, among others:

- Reading the underlying agreements and evaluating whether management’s interpretation of the agreements in relation to accounting for financial instruments was reasonable with the assistance of professionals with specialized skill and knowledge, which included the accounting analysis of whether the Units qualified as a compound financial instrument, including assessing whether the criteria were met to recognize components within equity, including the fixed for fixed requirements.
- Utilizing professionals with specialized skill and knowledge in the field of valuation to assist in evaluating the appropriateness of management’s valuation model and in testing the reasonableness of certain significant assumptions.
- Testing reasonableness of inputs and modelling assumptions used by management.

### ***Other Information***

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 17, 2023

**WILDPACK BEVERAGE INC.****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

	Note	December 31, 2022	December 31, 2021 <i>(Restated, note 28)</i>
<b>ASSETS</b>			
Current assets			
Cash		\$943	\$1,450
Cash held in trust		658	958
Accounts receivable	9	5,138	3,826
Sales taxes recoverable		302	326
Due from related parties	20	-	58
Inventories	10	4,852	10,671
Prepaid expenses, deposits and other		140	660
		\$12,033	\$17,949
Property, plant, and equipment	11	6,375	5,820
Right of use assets	13	9,503	12,399
Derivative asset	16	12	162
Intangible assets	12	20,498	24,207
Goodwill	6, 7, 8, 12	4,965	12,132
Other deposits		317	357
<b>TOTAL ASSETS</b>		<b>\$53,703</b>	<b>\$73,026</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities		16,002	6,882
Deferred revenue		2,000	371
Line of credit	15	-	1,017
Current portion of long-term debt	15	7,422	27,043
Current portion of lease obligations	14	2,107	2,404
		\$27,531	\$37,717
Lease obligations	14	8,168	10,448
Long term debt	15, 16	26,228	391
<b>TOTAL LIABILITIES</b>		<b>\$61,927</b>	<b>\$48,556</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	37,853	36,001
Equity reserve	8, 16	8,765	8,505
Contributed surplus		4,076	3,921
Accumulated deficit		(60,022)	(23,377)
Accumulated other comprehensive income (loss)		1,104	(580)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$(8,224)</b>	<b>\$24,470</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$53,703</b>	<b>\$73,026</b>
Nature of operations and going concern	1		
Commitments and contingencies	26		
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**On behalf of the Board of Directors:***"Jeffrey Mason"*Jeffery Mason  
(Director)*"Mitchell Barnard"*Mitchell Barnard  
(Director)**The accompanying notes are an integral part of these consolidated financial statements.**

**WILDPACK BEVERAGE INC.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021 <i>(Restated, note 28)</i>
Sales	18	\$35,374	\$28,281
Cost of sales			
Production costs	19	32,633	24,327
Depreciation and amortization	11, 12, 13	3,039	2,350
Inventory adjustment	10	2,286	-
Cost of sales		37,958	26,677
<b>Gross profit (loss)</b>		<b>(2,584)</b>	<b>1,604</b>
Operating expenses			
Selling		2,745	1,175
Salaries, wages, and benefits		7,092	5,152
Depreciation and amortization	11, 12, 13	3,954	1,480
Office and administrative		2,431	3,463
Share-based compensation	17	349	1,090
Professional fees		1,675	2,888
Bad debt expense		1,156	1,313
Other operating expenses		128	167
Operating expenses		19,530	16,728
Other expenses (income)			
Bank and finance charges		217	90
Interest on long-term debt	15	4,922	1,397
Interest on lease obligations	14	746	220
Loss on derivative asset	16	150	284
Loss on intangible asset impairment	12	1,128	237
Loss on goodwill impairment	12	7,364	391
Listing fees	5	-	721
Foreign exchange loss (gain)		4	(398)
Other expenses		14,531	2,942
<b>Loss before income taxes</b>		<b>(36,645)</b>	<b>(18,066)</b>
Deferred income tax recovery	21	-	685
<b>Net Loss</b>		<b>\$(36,645)</b>	<b>\$(17,381)</b>
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss:			
Foreign currency on translation (loss) gain		1,684	(472)
<b>TOTAL LOSS AND COMPREHENSIVE LOSS</b>		<b>\$(34,961)</b>	<b>\$(17,853)</b>
Weighted average number of common shares outstanding		102,143,314	60,585,175
Loss per share – basic		\$(0.36)	\$(0.29)
Loss per share – diluted		\$(0.36)	\$(0.29)

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

**WILDPACK BEVERAGE INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

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

Share Capital								
	Note	Number of shares	Amount	Contributed surplus	Equity reserve	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
<b>At January 1, 2021</b>		<b>43,306,494</b>	<b>\$5,067</b>	<b>\$66</b>	<b>\$2,695</b>	<b>\$(108)</b>	<b>\$(5,996)</b>	<b>\$1,723</b>
SAFE agreements converted into shares	17	8,302,294	4,006	–	(1,239)	–	–	\$2,767
Amalgamation of Ponderous Panda Capital Corp.	5, 17	5,690,737	2,490	–	(1,456)	–	–	1,034
Private Placement – May 2021	17	9,532,688	4,607	1,056	–	–	–	5,663
Bought equity Deal – November 2021	17	22,680,412	13,731	1,570	–	–	–	15,301
Shares issued and to be issued through acquisition of Land and Sea	8	11,446,650	6,079	–	675	–	–	6,754
Debenture – equity and equity warrant components	16	–	–	–	7,830	–	–	7,830
Options granted to employees	17	–	–	1,202	–	–	–	1,202
Restricted stock units issued	17	–	–	32	–	–	–	32
Shares issued and to be issued through option exercises	17	22,646	21	(5)	–	–	–	16
Loss for the year		–	–	–	–	–	(17,381)	(17,381)
Other comprehensive loss – cumulative translation loss		–	–	–	–	(472)	–	(472)
<b>At December 31, 2021 (Restated, note 28)</b>		<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>
<b>At January 1, 2022</b>		<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	17	958,233	194	(194)	–	–	–	–
Private equity placement – November 2022	17	8,097,166	983	–	–	–	–	983
Consideration shares payable settlement	17	1,271,849	675	–	(675)	–	–	–
Debenture – equity and equity warrant components	16	–	–	–	935	–	–	935
Share-based compensation	17	–	–	349	–	–	–	349
Loss for the year		–	–	–	–	–	(36,645)	(36,645)
Other comprehensive loss – cumulative translation gain (loss)		–	–	–	–	1,684	–	1,684
<b>At December 31, 2022</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>

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

**WILDPACK BEVERAGE INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	Note	Year ended December 31, 2022	Year ended December 31, 2021 <i>(Restated, note 28)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss		\$(36,645)	\$(17,381)
Adjustments for items not affecting cash:			
Depreciation and amortization		6,993	3,829
Interest expense		5,668	1,673
Intangible asset impairment	12	1,128	237
Goodwill impairment	12	7,364	391
Loan forgiveness	15	-	(318)
Listing expense	5	-	721
Share-based compensation	17	349	1,090
Deferred tax recovery	21	-	(685)
Unrealized loss on derivative asset	16	150	284
Changes in non-cash working capital:			
Cash held in trust		301	(657)
Accounts receivable		(1,312)	1,313
Sales taxes recoverable		4	(250)
Other assets		40	-
Inventories		5,818	(7,936)
Prepaid expenses		514	89
Notes receivables		(1)	11
Due from related parties		-	(59)
Deferred revenue		1,629	(1,530)
Accounts payable and accrued liabilities		7,434	3,163
Cash used in operating activities		(566)	(16,015)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds-private equity placements	17	982	22,676
Line of credit	15	(1,017)	(334)
Net proceeds from convertible debentures	16	3,793	29,822
Repayments to related parties		-	(264)
Repayments of long-term debt	15	(3,440)	(1,283)
Loan proceeds, credit facility	15	5,326	-
Proceeds from options and conversions	17	-	12
Proceeds from promissory notes	15, 20	1,230	-
Interest paid		(2,952)	(764)
Payments of lease obligations		(3,209)	(1,128)
Cash generated by financing activities		713	48,737
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of equipment		(398)	(3,211)
Cash paid for acquisitions less cash acquired		-	(28,751)
Cash used in investing activities		(398)	(31,962)
Net (decrease) increase in cash		(251)	760
Cash, beginning of year		1,450	214
Effect of foreign exchange rate changes on cash		(256)	476
<b>CASH, END OF YEAR</b>		<b>\$943</b>	<b>\$1,450</b>

SUPPLEMENTAL CASH FLOW INFORMATION

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

## **WILDPACK BEVERAGE INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(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**

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 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 reflected on this basis. Loss per share on a basic and diluted basis reflect this same effective share split.

#### **Going concern**

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern. As at December 31, 2022, the Company had a working capital deficit of \$15,498, an accumulated deficit of \$60,022, and cash of \$943. During the year ended December 31, 2022, the Company incurred a net loss of \$36,645 and used cash of \$566 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 consolidated financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the balance sheet 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 CONSOLIDATED FINANCIAL STATEMENTS

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

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## 2. BASIS OF PRESENTATION

### Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issuance by the Company’s Board of Directors on July 17, 2023.

### Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, classified as fair value through profit and loss (“FVTPL”), which are stated at their fair value.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all the entities controlled by the Company, its subsidiaries, listed in the following table.

Entity	Ownership and region
Wildpack Beverage Alberta Inc.	100% owned subsidiary (Canada)
Wildpack Holdings US Inc.	100% owned subsidiary (US)
Wild Leaf Holdings U.S. LLC	100% owned subsidiary (US)
Wild Leaf Ventures Group Nevada Inc.	100% owned subsidiary (US)
CraftPac, LLC	100% owned subsidiary (US)
Vertical Distilling, LLC	100% owned subsidiary (US)
K.T. Murray Corporation (“Land and Sea Packaging”)	100% owned subsidiary (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. All intercompany balances and transactions are eliminated upon consolidation.

Control is defined as the exposure, and 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 and or currently exercisable potential voting rights of a subsidiary’s share capital.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Cash**

Cash comprises of cash on hand and demand deposits which are subject to an insignificant risk of changes in value. Cash includes cash deposits in financial institutions and other deposits that are highly liquid and readily convertible into cash.

**Cash held in trust**

Cash held in-trust represents amounts that are held as security for certain equipment leases with First National Bank of Omaha. In the situation whereby the Company defaulted on its obligation, the secured parties would have claim to the cash, to the extent of the default, to remedy the obligation.

**Inventories**

Inventory consists of raw materials, aluminum cans and other packaging materials.

Inventories are initially recognized at cost, and subsequently measured at the lower of cost and net realizable value, estimated as the selling price in the ordinary course of business less estimated costs of completion and those necessary to make the sale, using the weighted average cost method. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition.

Inventory is regularly reviewed for obsolescence. When there is a significant change in economic circumstances, inventory that had been previously written down below cost may be written back up provided the reversal does not exceed the original write down.

**Revenue from contracts with customers**

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods and / or services to a customer.

The Company earns its revenue from contracts with customers for the sale of aluminum cans, decorated packaging materials, and the provision of beverage filling services to its customers. Contracts with customers for the sales of decorated packaging and filled beverages are recognized when control of the manufactured product is transferred to the customer, which is generally at the completion of production.

The Company provides storage to the customer in some situations. These storage services are a separate performance obligation and fees charged for this service are recognized in revenue as the storage service is provided to the customer.

The Company provides shipping services for some customers. The prices for such shipments are fixed in the contract and revenue is recognized at the point the shipping services are completed as this is when control transfers to the customer. In certain cases, these contracts do offer volume discounts for customers who make certain volume commitments.

The Company's credit terms to its customers vary by customer type. Typically, payment is due prior to shipment. Payments received in advance of the completion of performance obligations are deferred on the statement of financial position as deferred revenue and are only recognized in revenue once the performance obligation is fulfilled.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Intangible assets**

Intangible assets are recorded at cost less accumulated amortization and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Intangible assets acquired in business combinations are recorded at their fair value. All the Company's intangible assets have been acquired through acquisitions (notes 6, 7, 8).

Amortization of finite-life intangible assets is provided on a straight-line basis over their estimated useful lives as follows:

Asset:	Method:	Rate:
Customer backlogs	Straight Line	1 year
Supplier relationships	Straight Line	3 years
Customer relationships	Straight Line	10 years
Brand name	Straight Line	3 years – Indefinite life

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

**Property, plant, and equipment**

Property, plant, and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Assets are depreciated from the date they are placed into use. The cost of self-constructed assets includes the cost of materials, direct labor, other costs directly attributable to make the asset available for its intended use, as well as relevant borrowing costs on qualifying assets as further described below. During their construction, property, plant and equipment are classified as construction in progress ("CIP") and are not subject to depreciation. When the asset is available for use, it is transferred from CIP to the relevant category of property, plant and equipment and depreciation commences.

The methods and rates of depreciation applicable for each class of asset during the years ended December 31, 2022, and 2021, are as follows:

Asset:	Method:	Rate:
Computer equipment	Straight Line	3-5 years
Equipment	Straight Line	5 years
Manufacturing equipment	Straight Line	5 years
Leasehold improvements	Straight Line	Shorter of useful life and lease term

The Company conducts an annual assessment of the depreciation methods of the residual balances and useful life estimates and any changes arising from the assessment are applied by the Company prospectively. Gains and losses on asset disposals are determined by deducting the carrying value from the sale proceeds and are recognized in the statement of loss and comprehensive loss.

**WILDPACK BEVERAGE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of long-lived assets**

Long-lived assets including property and equipment, right of use assets and finite-life intangible assets are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset might exceed its recoverable amount. The recoverable amount of an asset or a cash generating unit ("CGU") is the higher of its fair value less costs to sell, and its value in use. A CGU is the smallest group of identifiable assets for which independent cash outflows are generated. If the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset or CGU exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Goodwill and indefinite-life intangible assets are tested for impairment on an annual basis or when indicators of impairment are noted. Management tests goodwill and indefinite-life intangible assets for impairment by considering the estimated future cash flows of the CGU to which the goodwill or indefinite-life intangible assets relates to. Estimated future cash flows are discounted to their present value using a discount rate that reflects the risks specific to the business and relevant market assessments of the time value of money. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. Impairment losses recognized for goodwill or indefinite-life intangible assets are not subsequently reversed.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Income taxes**

Income tax expense comprises current and deferred income tax expense. Current and deferred taxes are recognized in net income (loss), except to the extent they relate to items recognized directly in equity or in other comprehensive income.

**Current income taxes**

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and include any true-up adjustment in respect of previous years.

**Deferred income taxes**

Deferred income taxes are recorded for temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts.

The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is not probable that sufficient taxable profit will be available to utilize the deferred income tax asset. Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that management determines sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

**Equity**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The Company allocates proceeds from equity issuances among components using the residual value method.

**Income (loss) per share**

Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding for the period, if dilutive. Dilution is calculated based on the net number of common shares issued after proceeds upon the exercise of the options and warrants to purchase common shares at the average market price for the period. For the fiscal periods ended December 31, 2022, and December 31, 2021, all the outstanding share options were anti-dilutive and thus basic and diluted loss per share are the same.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Share-based payments**

Stock-based compensation includes expenses related to the vesting of stock options as well as equity settled restricted share units ("RSUs").

**Stock options**

Stock options issued to employees are measured at fair value on the grant date and are recognized as an expense over the relevant vesting periods, with a corresponding credit to share reserves, on a straight-line. Stock options issued to non-employees are measured at the fair value of goods and services received or the fair value of equity instruments issued, if it is determined that the fair value of goods or services cannot be reliably measured. The fair value of non-employee stock options is recorded as an expense at the date the goods and services are received with a corresponding credit to share reserves.

The fair value of the options granted is measured using the Black-Scholes option pricing model ("BSM") considering the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The BSM requires management to estimate the expected volatility, the term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. In estimating expected volatility, the Company considers the historical share price volatility of its common shares as well the historical share price of similar publicly listed entities.

The fair value of share options is charged to profit or loss with a corresponding increase in contributed surplus within equity. Previously recognized expenses are not subsequently reversed for options that vest but are not exercised. When share options are ultimately exercised, the applicable amount of contributed surplus is transferred to share capital.

**Restricted share units**

The fair value of equity settled RSUs that contain performance conditions is measured at grant date and each tranche is recognized on a straight-line basis over the period during which the RSUs vest. The fair value of the RSUs is measured based on the closing price of the Company's common shares on the date of grant. The fair value of RSUs is charged to profit or loss with a corresponding increase in contributed surplus within equity. The amount recognized as an expense is based on the estimate of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. Upon vesting of equity settled RSUs, the related contributed surplus associated with the RSU is reclassified into share capital.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen from a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Financial instruments**

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

#### **Classification**

The Company classifies its financial instruments in the following measurement categories: (a) fair value through profit and loss ("FVTPL"), (b) fair value through other comprehensive income ("FVTOCI"), and (c) amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as amortized cost unless they are irrevocably designated at initial recognition as those to be measured at FVTPL or requiring classification as FVTPL. For assets and liabilities measured at FVTPL, gains and losses are recorded in the statement of income (loss). For liabilities designated at FVTPL, changes due to the Company's own credit are recorded in other comprehensive income. The Company's derivative liabilities are designated at FVTPL in the period presented.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified. Derivatives are recognized at their fair value.

#### **Expected credit loss ("ECL") impairment model**

The Company uses the expected credit loss impairment model, which is based on changes in credit quality since initial application. This model is applied to assets measured at amortized cost.

- A maximum 12-month allowance for ECL is recognized from initial recognition reflecting the portion of lifetime cash shortfalls that would result if a default occurred in the 12 months after the reporting date, weighted by the risk of a default occurring.
- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected after the instrument's initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.
- A lifetime ECL allowance is recognized for credit impaired financial instruments.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 180 days past due. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The carrying amount of a financial asset is partially or fully written off when there is no realistic prospect of recovery. This typically occurs when the Company determines that the debtor does not have sufficient assets or cash flows to repay the amounts.

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

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)****Measurement**

All financial instruments are measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortized cost in subsequent accounting periods. All other financial assets including equity investments are measured at their estimated fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss).

The Company's classification of financial assets and liabilities is summarized below:

Cash	Amortized cost
Cash held in trust	Amortized cost
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Derivative assets	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Line of credit	Amortized cost
Debt	Amortized cost and FVTPL
Lease obligations	Amortized cost

**Derecognition*****Financial assets***

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

***Financial liabilities***

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)****Fair value hierarchy**

The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The measurement as a whole is categorized in the hierarchy based on the lowest-level significant input. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Derivatives**

Derivative instruments, including embedded derivatives in financial liabilities or non-financial contracts, such as the conversion of convertible debentures, and non-hedge derivatives, such as foreign exchange contracts, are recorded at FVTPL and, accordingly, are recorded on the statement of financial position at fair value. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date. Changes in fair value at each reporting date are included in the statement of loss and comprehensive loss.

**Convertible debentures**

The convertible debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Company. The liability component is recorded at the fair value of a similar liability that does not have a conversion option. The convertible debenture units were issued with a detachable warrant; therefore, the Company considered the aggregate of the debt and warrants issued at fair value, and allocated the equity amounts between warrants and the equity conversion feature.

The debt contains an embedded prepayment feature, which is closely related, and has been presented with the host debt. Further the debt contains an embedded forced conversion option, which is not closely related to the host debt, and has been presented as a derivative asset.

Total transaction costs directly attributable to the offerings are allocated proportionately to the liability and equity components of the debentures.

Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity components are not re-measured. The carrying amounts of the liability and conversion feature of the debentures are reclassified to share capital on conversion to common shares. The carrying amount of the share purchase warrants, plus cash received upon exercise, is allocated to share capital on exercise of the share purchase warrants.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Foreign currency transactions**

#### **Functional and presentation currency**

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currencies of the Company and its controlled subsidiaries are as follows:

#### Canadian dollars

- Wildpack Beverage Inc.
- Wildpack Beverage Alberta Inc.

#### US dollars

- Wild Leaf Ventures Group Nevada Inc.
- Wild Leaf Holdings U.S. LLC
- CraftPac, LLC
- Vertical Distilling, LLC
- Wildpack Holdings US Inc.
- Land and Sea Packaging

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

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

#### **Translation of foreign operations**

The results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position.
- Income and expenses are translated at the rate in effect on the dates of the transactions (typically, average exchange rates in effect during the period are used as a reasonable approximation); and
- The resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive income (loss).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of income (loss) as part of the gain or loss on sale.

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset, either explicitly or implicitly, including consideration of supplier substitution rights;
- The Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The Company then recognizes a right-of-use asset ("ROU asset") and a lease obligation at the lease commencement date.

The ROU asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated over the earlier of the useful life of the ROU asset or the lease term, using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are yet unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension, or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in costs of goods sold or general and administration in the consolidated statements of loss and comprehensive loss. Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration, or sales and marketing expense, as appropriate given how the underlying leased asset is used, in the consolidated statements of loss and comprehensive loss.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Company;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired, is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are recorded at fair value.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

**Goodwill**

Goodwill arising in a business combination is recognized as an asset at the date of acquisition. Goodwill is measured as the excess of the cost of the acquisition over the Company's interests in the fair value of the net identifiable assets, liabilities, and contingent liabilities of the acquiree recognized at the date of acquisition. For the purposes of assessing impairment, goodwill is allocated to a cash-generating unit or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents, subject to an operating segment ceiling test, the lowest level within the Company that goodwill is monitored for internal reporting purposes.

## **WILDPACK BEVERAGE INC.**

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## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Recent accounting pronouncements**

The International Accounting Standards Board (“IASB”) and or the IFRS Interpretations Committee have issued new standards and amendments, or interpretations to existing standards as follows:

New accounting standard adopted:

#### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16—Interest Rate Benchmark Reform—Phase 2**

In August 2020, the IASB issued amendments to IFRS 9, Financial Instruments; IAS 39, Financial Instruments: Recognition and Measurement; IFRS 7, Financial Instruments: Disclosures; IFRS 4, Insurance Contracts; and IFRS 16, Leases as a result of Phase 2 of the IASB’s Interest Rate Benchmark Reform project. The amendments address issues arising in connection with reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The amendments were effective January 1, 2021. As at December 31, 2022, these amendments did not affect the Company’s financial statements as the Company has not yet transitioned any agreements that are exposed to LIBOR to an alternative benchmark interest rate. The Company is working with its lenders on the replacement of the affected rates, which is not expected to result in a significant change to the Company’s interest rate risk management strategy or interest rate risk.

Accounting standards issued and not yet effective:

#### **Amendments to IAS 1 – Presentation of Financial Statements**

In February 2021, the International Accounting Standards Board issued narrow-scope amendments to IAS 1, Presentation of Financial Statements, IFRS Practice Statement 2, Making Materiality Judgements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application was permitted. The amendments require the disclosure of material accounting policy information rather than disclosing significant accounting policies, and clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impacts of the amended standards, but does not expect that our financial disclosure will be materially affected by the application of the amendments.

#### **Amendments to IAS 12 – Income Taxes**

In May 2021, the IASB issued amendments to IAS 12, Income Taxes. The amendments will require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments help to clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The effective date is for annual periods beginning on or after January 1, 2023, with early adoption permissible. The Company is currently assessing the impacts of the amended standards, but does not expect that our financial disclosure will be materially affected by the application of the amendments.

As at December 31, 2022, there are no other IFRS or IFRS Interpretations Committee with future effective dates that are expected to have a material impact on the Company.

## **WILDPACK BEVERAGE INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

##### **Estimates and judgements**

The preparation of these consolidated financial statements requires the use of accounting estimates. It 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.

##### **Going concern and liquidity**

These financial statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its cost of sales, operating expenses, and other expenses, for the coming twelve months from historical and projected costs. The Company's expected commitments are based on management's best estimates for maintaining its operations at its various facilities. Management has judged the Company's ability to raise additional capital/funding and continue as a going concern and has concluded that the going concern basis of accounting is appropriate (note 1).

##### **Classification of Fulton debt and the debenture liability**

For the year ended December 31, 2021, there was significant judgment in the application of the IFRS policies in relation to the classification of the Fulton debt and the debenture liability. This judgment consisted of reaching the conclusion that even though the Fulton debt and debenture liability were not in default at the balance sheet date, the conditions as at December 31, 2021 served to remove the Company's unconditional right to defer the settlement of the debenture liability for at least twelve months, resulting in a reclassification from long term to current liabilities.

##### **Useful life of property, plant, and equipment and intangible assets**

The useful life of property, plant and equipment and intangible assets is a significant judgement. Management reviews the useful lives annually. Management engages with external experts to aid in estimation of the initial and subsequently reviewed expected useful life for intangible assets. The useful life of intangible assets considers expected cash flows from continuing customers, and the longevity of brand names among others.

##### **Income taxes**

Income taxes recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome is reflected in income tax expense in the period the final tax outcome is determined.

The Company assesses the probability of taxable profits being available in the future based on its budgeted forecasts. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

## **WILDPACK BEVERAGE INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)**

##### **Assets and liabilities acquired in a business combination**

Assets and liabilities acquired in a business combination are valued at their fair value, with certain exceptions as outlined in IFRS 3 – Business Combinations. The determination of fair value requires significant assumptions and estimates including revenue growth rates, operating margins, customer attrition, and discount rates. Other assumptions include expected future cash flows attributed to the asset and the useful life of the asset (which involves considering factors like expected obsolescence). Any differences between future results could cause the valuation of the recorded asset to be lower than management's estimates, resulting in an impairment being recorded.

Property and equipment acquired requires estimates of the remaining useful life and fair value on date of acquisition. Management engages arm's length third parties to value the property, plant and equipment. Changes to these estimates could result in differences in depreciation expense recorded in future years or impairment if the useful life of the assets was to be reduced.

The fair value of liabilities acquired in a business combination is determined based on the cash flows to be paid over the contractual term of the liability, which involves determination of an appropriate discount rate as compared to market transactions with similar terms.

##### **Impairment testing of goodwill and other intangible assets**

The Company tests at least annually whether goodwill and indefinite lived intangibles are impaired, in accordance with the requirements of IAS 36 Impairment of Assets. The recoverable amounts of CGU's are determined based on the greater of their fair value less costs of disposal and value in use. These calculations, which include a discounted cash flow model, require the use of estimates.

For the purposes of impairment testing, assets are grouped into CGUs that have been identified as being the smallest identifiable group of assets that generate cash inflows that are independent of cash inflows of other assets or groups of assets. The determination of these CGUs is based on management's judgment with regards to shared infrastructure, geographical proximity, product type and other relevant factors.

Value in use calculations require management to make certain assumptions, including significant estimates about forecasted revenue levels and growth rates, operating margins, and discount rates (note 12). In arriving at its forecasts, the Company considered historical performance, current industry trends, and market opportunities.

##### **Fair value of convertible debenture**

The Company has convertible debentures which are compound instruments consisting of the debt component, the equity component, the equity warrant component, and the derivative asset which is an area of significant estimation uncertainty. The Company uses a valuation model to estimate the fair value of the derivative asset and equity warrants and debt component. The determination of fair value requires significant assumptions and estimates which are further disclosed in note 16.

##### **Share-based payments**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. This estimate requires the use of the appropriate valuation model, as well as the input assumptions, such as volatility, risk free rate, dividend yield, and forfeiture rate.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**5. ACQUISITION OF WILDPACK BEVERAGE BY WILDPACK ALBERTA**

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 Alberta 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 in US dollars was determined as follows:

	Amounts
<b>Consideration issued</b>	
Shares issued	\$1,042
Options granted	32
	<u>\$1,074</u>
Less:	
Net assets acquired (primarily cash)	326
Foreign exchange difference	27
Listing expense	<u>\$721</u>

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

	December 31, 2021
Exercise 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 CONSOLIDATED FINANCIAL STATEMENTS**

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

**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 \$1,791 paid in cash. The transaction constitutes a business combination and was accounted for using the acquisition method prescribed by IFRS 3.

The 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
<b>Total assets</b>	<b>\$1,521</b>
Accounts payable and accrued liabilities	\$229
Lease obligation	109
Notes payable	135
<b>Total liabilities</b>	<b>\$473</b>
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 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:

		<b>Useful life</b>
Customer relationships	\$870	10 years
Brand Name – CraftPac	120	3 years
<b>Total</b>	<b>\$990</b>	

Consolidated revenue for the period of acquisition 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 income for CraftPac for the year ended December 31, 2021 would have been approximately \$2,206 and \$185 respectively. Acquisition-related costs of \$30 were included in professional fees. These costs primarily consist of legal costs.

There were no adjustments to the assets acquired and liabilities assumed upon finalizing the transaction in 2022.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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”). Vertical 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 (note 15). The transaction constitutes a business combination and was accounted for using the acquisition method prescribed by IFRS 3.

The 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
<b>Total assets</b>	<b>\$3,764</b>
Accounts payable and accrued liabilities	\$154
Term loan	248
Lease obligation	641
<b>Total liabilities</b>	<b>\$1,043</b>
Net assets acquired	\$2,721

The difference between the consideration paid and the net assets acquired has been recorded as goodwill of \$1,388. Goodwill has been attributed to the Longmont facility CGU which operates in Longmont, Colorado and performs filling services. 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:

	<b>Useful life</b>	
Customer relationships	\$1,100	10 years
Brand Name – Vertical Distilling, LLC	320	3 years
<b>Total</b>	<b>\$1,420</b>	

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

There were no adjustments to the assets acquired and liabilities assumed upon finalizing the transaction in 2022.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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 of \$26,230; and (ii) 12,718,499 common shares issuable at a fair value on the transaction date of \$0.65 per common share for an aggregate value of \$6,754. There is a holdback included in consideration equal to \$2,611 in cash (note 15), recorded as consideration payable, and 1,271,849 common shares (note 17), recorded as equity reserve. The transaction constitutes a business combination and was accounted for using the acquisition method prescribed by IFRS 3.

The 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	19,820
<b>Total assets</b>	<b>\$24,316</b>
Accounts payable and accrued liabilities	229
<b>Total liabilities</b>	<b>\$229</b>
Net assets acquired	\$24,087

The difference between the consideration paid and the net assets acquired has been recorded as goodwill of \$8,897. 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 enter new markets, and the expected synergies of the acquisition with the Company’s own operations.

The identifiable intangible assets consist of the following:

<b>Intangible asset</b>	<b>Useful life</b>	<b>Amount</b>
Customer relationships	10 years	\$13,220
Brand Name – Land and Sea Packaging	Indefinite	4,800
Supplier relationships	3 years	1,800
<b>Total</b>		<b>\$19,820</b>

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 income 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, included in professional fees in 2021. Had the transactions for CraftPac, Vertical, 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.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**9. ACCOUNTS RECEIVABLE**

The following table shows the details of the Company's accounts receivables and other receivables for the periods ended:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Trade receivables	\$4,918	\$2,994
Other receivables	220	832
	<b>\$5,138</b>	<b>\$3,826</b>

Trade receivables includes an ECL of \$190 for the year ended December 31, 2022 (December 31, 2021 - \$1,429).

Other receivables include a rebate receivable based on the volume of cans purchased by the Company and taxes receivable. ECLs are outlined in note 23.

**10. INVENTORIES**

As at December 31, 2022 and December 31, 2021, inventories consisted entirely of raw materials.

For the year ended December 31, 2022, inventories recognized as an expense in cost of sales amounted to \$19,878 (December 31, 2021 - \$14,746).

During the year ended December 31, 2022, the Company recognized a net realizable value write-down in the amount of \$2,286 (December 31, 2021 - \$nil), leaving a balance of \$4,852.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**11. 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	CIP	Total
<b>Cost</b>							
At January 1, 2021	\$5	\$8	\$6	\$2,066	\$254	\$-	\$2,339
Dispositions	-	-	-	(158)	-	-	(158)
Acquisition additions	-	6	37	919	173	-	1,135
Additions	-	120	5	2,777	674	-	3,576
At December 31, 2021	\$5	\$134	\$48	\$5,604	\$1,101	\$-	\$6,892
Dispositions	-	-	-	(194)	-	-	(194)
Additions	-	-	-	-	90	1,857	1,947
Transfers	-	-	-	1,103	171	(1,274)	-
At December 31, 2022	\$5	\$134	\$48	\$6,513	\$1,362	\$583	\$8,645
<b>Accumulated depreciation</b>							
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	-	-	-	(40)	-	-	(40)
Charged in the year	1	27	4	1,008	198	-	1,238
At December 31, 2022	\$5	\$45	\$9	\$1,958	\$253	\$-	\$2,270
<b>Net book value</b>							
At December 31, 2021	\$1	\$116	\$43	\$4,614	\$1,046	\$-	\$5,820
At December 31, 2022	\$-	\$89	\$39	\$4,555	\$1,109	\$583	\$6,375

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**12. 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	Goodwill
<b>Cost</b>						
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	(1,100)	-	(320)	-	(1,420)	(7,364)
Additions	-	-	-	-	-	197
Other	-	(160)	-	-	(160)	-
December 31, 2022	\$15,341	\$1,800	\$6,050	\$33	\$23,224	\$4,965
<b>Accumulated amortization</b>						
At January 1, 2021	\$80	\$-	\$-	\$17	\$97	\$-
Impairment	(42)	-	-	-	(42)	-
Charged in the year	400	68	58	16	542	-
At December 31, 2021	\$438	\$68	\$58	\$33	\$597	\$-
Impairment and other	(148)	-	(144)	-	(292)	-
Charged in the year	1,629	646	146	-	2,421	-
At December 31, 2022	\$1,919	\$714	\$60	\$33	\$2,726	-
<b>Net book value</b>						
At December 31, 2021	\$16,003	\$1,892	\$6,312	\$-	\$24,207	\$12,132
At December 31, 2022	\$13,422	\$1,086	\$5,990	\$-	\$20,498	\$4,965

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)****Goodwill and indefinite life intangible assets**

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

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. 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.

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

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

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 CONSOLIDATED FINANCIAL STATEMENTS**

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

**12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)****Impairment tests as at December 31, 2021**

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, 2021 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
CraftPack	\$3,169	\$3,796	\$391	\$-	5%	12%	2%
Lucky Clover	35,113	6,770	1,263	1,130	5%	12%	2%

**CraftPack**

The carrying amount exceeded the estimated recoverable amount as at December 31, 2021. As a result, an impairment of \$391 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2021. Furthermore, the Company wrote off the net book value of the customer relationship intangible assets related to Craftpack in the amount of \$236 as at December 31, 2021.

**Lucky Clover**

The estimated recoverable amount exceeded the carrying amount by \$28,343, hence no impairment.

The Company did not recognize an impairment loss related to goodwill or intangible assets on any of the other CGUs in 2021.

**Finite lived intangible assets**

The Company assessed the useful life as well as impairment indicators of the finite lived intangible assets as at December 31, 2022. Based on the assessment, the customer relationship and brand name intangible assets related to the acquisition of Vertical (note 7), Longmont CGU, were written off in full.

No other indicators of impairment or change in useful life were noted across the remaining finite lived intangible assets.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**13. RIGHT-OF-USE ASSETS**

The Company had the following classes of right-of-use assets as of December 31, 2022, and 2021. Net book values and depreciation amounts by class for the years ended December 31, 2022, and 2021 are as follows:

	Equipment	Office and Plant Premises	Total
<b>Cost</b>			
<b>At January 1, 2021</b>	<b>\$1,778</b>	<b>\$4,267</b>	<b>\$6,045</b>
Acquisition additions	–	2,369	2,369
Additions	2,897	3,504	6,401
Dispositions	(31)	–	(31)
<b>At December 31, 2021</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>
<b>Accumulated depreciation</b>			
<b>At January 1, 2021</b>	<b>\$141</b>	<b>\$214</b>	<b>\$355</b>
Charged in the year	677	1,353	2,030
<b>At December 31, 2021</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>
<b>Net book value</b>			
At December 31, 2021	\$3,826	\$8,573	\$12,399
At December 31, 2022	\$2,880	\$6,623	\$9,503

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**14. LEASE OBLIGATIONS**

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

<b>As at January 1, 2021</b>	<b>\$5,716</b>
Additions	8,770
Lease payments	(2,291)
Interest accretion	657
<b>As at December 31, 2021</b>	<b>\$12,852</b>
Additions	256
Lease payments	(3,209)
Interest accretion	746
Disposal	(370)
<b>As at December 31, 2022</b>	<b>\$10,275</b>
<b>Current and non-current portions</b>	
Current	2,107
Non-current	8,168
<b>Total</b>	<b>\$10,275</b>
<b>Minimum undiscounted payments under lease obligations as at December 31, 2022</b>	
No later than one year	2,684
Later than one year and not later than five years	8,376
Beyond five years	238
<b>Total</b>	<b>\$11,298</b>

The Company leases various office and plant premises for its operations, in addition to manufacturing-related equipment (note 13).

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**15. DEBT**

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

	Term Loan	PPP Loans	Promissory Note	Credit Facility	Consideration Payable	Convertible debenture – Liability Component (note 16)	Total
<b>January 1, 2021</b>	<b>\$757</b>	<b>\$318</b>	<b>\$491</b>	<b>\$–</b>	<b>\$1,142</b>	<b>\$–</b>	<b>\$2,708</b>
Additions	–	–	–	–	3,153	22,410	25,562
Repayments	(135)	–	(124)	–	(680)	(764)	(1,703)
Interest	63	–	24	–	–	1,310	1,397
Settlement	–	(318)	–	–	–	–	(318)
Foreign exchange	–	–	–	–	–	(212)	(212)
<b>December 31, 2021</b>	<b>\$685</b>	<b>\$–</b>	<b>\$391</b>	<b>\$–</b>	<b>\$3,615</b>	<b>\$22,744</b>	<b>\$27,433</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	–	–	(1,753)	(1,740)
<b>December 31, 2022</b>	<b>\$–</b>	<b>\$–</b>	<b>\$928</b>	<b>\$3,274</b>	<b>\$3,636</b>	<b>\$25,812</b>	<b>\$33,650</b>
<b>Current and non-current portions</b>							
Current	\$–	\$–	\$512	\$3,274	\$3,636	\$–	\$7,422
Non-current	\$–	\$–	\$416	\$–	\$–	\$25,812	\$26,228
<b>Total</b>	<b>\$–</b>	<b>\$–</b>	<b>\$928</b>	<b>\$3,274</b>	<b>\$3,636</b>	<b>\$25,812</b>	<b>\$33,650</b>

## **WILDPACK BEVERAGE INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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## **15. DEBT (CONTINUED)**

### **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 December 31, 2022, the Company had drawn \$3,273. Subsequent to December 31, 2022 the credit facility was paid in full.

### **Term Loan**

In the period ended December 31, 2020, the Company arranged a \$850 term loan with 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 December 31, 2022, the Company had repaid in full all outstanding Fulton debt and the credit agreement is no longer applicable.

The Debenture Units (note 16) 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 December 31, 2022, the cross-default clause was no longer applicable given that the Fulton loans were fully repaid, hence the debenture liabilities have been classified as non-current.

### **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, for the year ended December 31, 2021.

### **Promissory Note**

Wild Leaf Holdings U.S. LLC assumed a \$417 promissory note, through the acquisition of CraftPack and Lucky Clover, with an individual related to the Company. The interest rate is 6% per annum and compounded monthly. The loan matures in 2026.

See note 20 for related party promissory notes.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

As at December 31, 2022, the Company has consideration payable in cash resulting from the acquisitions of Lucky Clover, CraftPack, Vertical and Land and Sea (notes 6, 7, 8).

**Line of Credit****Fulton Bank N.A - General**

The Company had a revolving line of credit with Fulton Bank N.A ("Fulton") Fulton, obtained on June 25, 2020, which had an availability of \$400. Interest is calculated at the LIBOR plus 2.81%. See interest rate risk disclosure for details on LIBOR considerations. As at December 31, 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 2022.

**Fulton Bank N.A - Equipment**

In the period ended December 31, 2020, the Company arranged a revolving equipment line of credit with Fulton, 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 year ended December 31, 2022, the Company repaid in full all amounts owing to Fulton Bank and incurred early payment penalties of \$23 which are included in the Statement of Loss and Comprehensive Loss.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**16. CONVERTIBLE DEBENTURES**

The following tables summarize the changes to the Company's convertible debentures:

	Number of convertible debentures	Liability component	Equity component	Equity warrant	Derivative asset	Total
<b>At January 1, 2021</b>	–	\$–	\$–	\$–	\$–	\$–
Series 1 convertible debenture issuance	20,000	11,387	4,326	628	(204)	16,137
Series 1 Issuance costs	–	(789)	(305)	(44)	–	(1,138)
<b>Series 1 Initial measurement</b>	20,000	10,598	4,021	584	(204)	14,999
Series 2 convertible debenture issuance	20,000	12,550	2,988	443	(242)	15,739
Series 2 Issuance costs	–	(738)	(179)	(27)	–	(944)
<b>Series 2 Initial measurement</b>	20,000	11,812	2,809	416	(242)	14,795
Interest, net	–	546	–	–	–	546
Change in fair value	–	–	–	–	280	280
Foreign exchange (gain) loss	–	(212)	–	–	4	(208)
<b>At December 31, 2021</b> <i>(Restated)</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>	5,007	2,862	922	14	(4)	3,794
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>

Total interest expense on all three Series for the period ending December 31, 2022 was \$4,651 (December 31, 2021 - \$1,310) of which \$2,691 (December 31, 2021 - \$764) 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%

**WILDPACK BEVERAGE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**16. CONVERTIBLE DEBENTURES (CONTINUED)**

**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 17.

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 December 31, 2022.

**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 CONSOLIDATED FINANCIAL STATEMENTS

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

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#### 16. CONVERTIBLE DEBENTURES (CONTINUED)

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 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 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 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 15); (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.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**17. SHARE CAPITAL****Authorized share capital**

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

**Issued**

	<b>Note</b>	<b>Number of common shares</b>	<b>Dollars</b>
<b>At January 1, 2021</b>		<b>43,306,494</b>	<b>\$5,067</b>
SAFE agreements converted into shares		3,335,971	1,237
SAFE agreements issued in shares		4,966,323	2,769
Shares issued – private placement (president’s list)		2,110,747	816
Shares issued – private placement (other than president’s list)		7,421,941	3,791
Shares issued for 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
Shares issued – Bought deal (November)		22,680,412	13,731
Shares issued - Acquisition of Land and Sea	8	11,446,650	6,079
Issued through exercise of options		22,646	21
<b>At December 31, 2021</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>

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Company's omnibus equity incentive plan (the "Option 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 to purchase common shares. The plan is administered by the Board of Directors of the Company. Under the Option Plan, the maximum number of common shares that may be granted cannot exceed 22,208,262 shares. Grants with an exercise price less than the market price quoted prior to the date of the award are not permitted.

The Company recorded share-based compensation of \$349 for the year ended December 31, 2022 (December 31, 2021 – \$1,090) of which \$237 related to stock options (December 31, 2021 – \$978). The fair values of stock options were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	December 31, 2022	December 31, 2021
Risk free interest rate	0.78%	0.59%
Expected volatility	53%	60%
Expected life	2.50 years	2.71 years
Expected dividend rate	Nil	Nil
Exercise price	C\$0.55	C\$0.90
Share price	C\$0.55	C\$0.90

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

	Number	Weighted Average Exercise Price (C\$)
<b>At January 1, 2021</b>	<b>4,199,053</b>	<b>\$0.31</b>
Granted	2,563,000	0.90
Exercised	–	–
Expired	–	–
Cancelled	–	–
<b>At December 31, 2021</b>	<b>6,762,053</b>	<b>\$0.54</b>
<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>

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**17. SHARE CAPITAL (CONTINUED)**

The following table summarizes information about the Company's stock options outstanding and exercisable as of December 31, 2022:

<b>Expiry date</b>	<b>Exercise price (\$C)</b>	<b>Remaining life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>
May 19, 2023	1.20	0.38	100,000	100,000
August 1, 2023	0.27	0.58	3,354,120	3,354,120
December 9, 2023	0.70	0.94	300,000	300,000
July 25, 2024	0.45	1.57	748,688	748,686
May 19, 2025	0.90	2.38	1,663,000	1,663,000
May 19, 2025	1.17	2.38	200,000	200,000
December 31, 2025	0.55	3.00	852,000	–
October 1, 2026	0.83	3.75	300,000	300,000
<b>Total</b>		<b>1.54</b>	<b>7,517,808</b>	<b>6,665,806</b>

On May 19, 2023, 100,000 options expired unexercised.

**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 (note 8).

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 CONSOLIDATED FINANCIAL STATEMENTS**

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

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#### **17. 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 lesser of: (i) a 20% discount to the pre-money valuation of an equity financing where equal to or greater than \$2,369 (C\$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 common stock 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 25).

##### **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 C\$10 in legal fees related to this transaction.

##### **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 equity bought deal at an exercise price of C\$1.26 per warrant, subject to adjustment in certain events.

##### **Restricted share units**

Under the RSU plan, employees of the Company were awarded restricted share units 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 reasonably expects that all of the performance criteria will be met. During the year ended December 31, 2022 a total of 1,931,972 RSUs (December 31, 2021 – 301,105) were granted to employees. The total expense recognized in 2022 is \$112 (December 31, 2021 – \$112). The fair value of the underlying shares at the grant date was approximately C\$0.09-0.18.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**17. SHARE CAPITAL (CONTINUED)****Warrants**

The warrants outstanding as of December 31, 2022, are as follows:

	Expiry	Number of warrants	Price (C\$)
<b>At January 1, 2021</b>		–	\$–
May 2021 Amalgamation	May 17, 2023	4,766,344	\$1.10
June 2021 Debenture (Warrants S1)	June 30, 2023	6,640,000	\$1.81
June 2021 Compensation Warrants	June 30, 2023	928,200	\$1.81
November 2021 Bought Deal	November 23, 2024	11,340,206	\$1.26
November 2021 Debenture (Warrants S2)	November 23, 2023	6,640,000	\$1.81
November 2021 Compensation Warrants	November 23, 2023	662,983	\$1.81
November 2021 Bought Deal Compensation Warrants	November 23, 2023	1,360,825	\$0.97
<b>At December 31, 2021</b>		<b>32,338,558</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>	

The Company used the Black Scholes method to value Amalgamation, Bought Deal, and Compensation and warrants. Meanwhile, 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 years ended are as follows:

	December 31, 2022	December 31, 2021
Exercise Price	C\$1.49	C\$1.48
Expected volatility	62%	60%
Term	2	2.35 years
Risk free interest rate	2.34%	0.21%-0.59%
Dividend rate	Nil	Nil

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**18. REVENUE BY NATURE**

Revenue includes the following categories for the years ended:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Tolling and packaging sales	\$31,946	\$27,452
Freight income	2,741	783
Warehousing income	687	46
<b>Total</b>	<b>\$35,374</b>	<b>\$28,281</b>

**19. PRODUCTION COSTS BY NATURE**

Production costs includes the following categories for the years ended:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Raw materials and consumables	\$21,726	\$15,730
Salaries, wages, and benefits	6,377	4,696
Freight expense	2,659	2,161
Other operating expenses	1,871	1,740
<b>Total</b>	<b>\$32,633</b>	<b>\$24,327</b>

## WILDPACK BEVERAGE INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 20. 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 years ended were as follows:

	December 31, 2022	December 31, 2021
Short-term employee benefits, including salaries	\$1,616	\$638
Share-based compensation	294	860
<b>Total</b>	<b>\$1,910</b>	<b>\$1,498</b>

### 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 year ended December 31, 2022, the Company and COO separated and agreed to a severance payout which is included in the short-term employee benefits. As at December 31, 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:

- \$100, during the three-month period ended September 30, 2022. On June 15, 2023, this loan and the related accrued interest was paid in full.
- \$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 a former employee of the Company. The total lease liability as at December 31, 2022 is \$1,396 (December 31, 2021 – \$1,540) of which \$155 is current and \$1,241 is non-current.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**21. INCOME TAXES**

The tax amounts recognized in profit and loss for the years ended are as follows:

	December 31, 2022	December 31, 2021
Current tax expense	\$–	\$–
Deferred tax expense (recovery)	–	(685)
Tax expense (recovery)	\$–	\$(685)

Income tax expense differs from the amount that would be computed by applying the applicable Canadian statutory income tax rate to income before income taxes. The significant reasons for the differences, in the years ended, are as follows:

	December 31, 2022	December 31, 2021
Loss for the year	\$(36,645)	\$(18,066)
Expected income tax (recovery)	(9,708)	(4,878)
Changes in statutory, foreign tax, foreign exchange rates and other	(344)	(352)
Permanent differences	2,084	1,707
Impact of convertible debentures	298	2,112
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	459	–
Change in unrecognized deductible temporary	7,211	726
Total income tax expense (recovery)	\$–	\$(685)

The significant components of the Company's deferred tax assets and liabilities are as follows:

<b>Deferred tax assets (liabilities)</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Property, plant and equipment	\$(657)	\$(450)
Intangible assets	(594)	(1,184)
Derivative assets	(3)	(44)
Convertible debentures	(2,003)	(2,378)
Financing costs	379	478
Non-Capital losses	2,878	3,578
Net deferred tax liability	\$–	\$–

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**21. INCOME TAXES (CONTINUED)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

<b>Temporary Differences</b>	<b>December 31, 2022</b>	<b>Expiry Date Range</b>	<b>December 31, 2021</b>	<b>Expiry Date Range</b>
Property and Equipment	\$31	No expiry date	\$33	No expiry date
Bad debt	125	No expiry date	1,132	No expiry date
Non-Capital losses	29,670		1,668	
Canada	8,247	2034 to 2042	1,011	2034 to 2042
USA	21,423	Indefinite	657	Indefinite

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probability criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences for which no deferred tax asset is recognized is outlined above. The Company has provided a valuation allowance for certain deferred tax assets (primarily loss carryforwards and expenses deductible in future years) given the Company's history of losses. The Company has recognized those deferred tax assets for which deferred tax liabilities exist that will be offset against them in future years.

**22. 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 year ended December 31, 2022.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**23. FINANCIAL RISK MANAGEMENT****Fair value**

The carrying amount of cash, 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 consolidated 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 December 31, 2022, the Company's credit exposure consists primarily of the carrying amounts of, 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 consolidated 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 gross accounts receivable:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Not past due	\$2,089	\$4,209
Past due 1-30 days	1,786	654
Past due 31-90 days	462	158
Past due 91-120 days	572	106
Past due greater than 120 days	199	12
<b>Trade Accounts Receivable</b>	<b>5,108</b>	<b>5,139</b>
Other Accounts Receivable	220	–
<b>Total Gross Accounts Receivable</b>	<b>\$5,328</b>	<b>\$5,139</b>

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Balance, beginning of year	\$1,429	\$116
Increase (decrease) in allowance	(1,239)	1,313
<b>Balance, end of year</b>	<b>\$190</b>	<b>\$1,429</b>

## WILDPACK BEVERAGE INC.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 23. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 that 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 December 31, 2022, the Company had cash of \$943 (December 31, 2021 – \$1,450) to settle current liabilities of \$27,531 (December 31, 2021 – \$37,717). 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	1 to 5 years	Over 5 years
Accounts payable and accrued liabilities	\$16,002	\$16,002	\$16,002	\$–	\$–
Long term debt	33,650	50,094	9,123	40,971	–
Lease payable	10,275	11,298	2,684	8,376	238
<b>Total</b>	<b>\$59,927</b>	<b>\$77,394</b>	<b>\$27,809</b>	<b>\$49,347</b>	<b>\$238</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.

### 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 LIBOR settings that ceased publication after June 30, 2023. As at December 31, 2022, these amendments did not affect the Company's financial statements as the Company repaid and extinguished the Fulton loans in full. 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 December 31, 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 16) 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 foreign exchange rate would have an insignificant impact on the consolidated statements of loss and comprehensive loss.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**24. 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 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 Company’s reportable segment information for the years ended December 31, are summarized as follows:

	Filling		Decorating		Brokering		Corporate		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenues from external customers	\$5,032	\$7,604	\$9,271	\$20,677	\$21,071	\$–	\$–	\$–	\$35,374	\$28,281
Loss on impairment	(2,611)	(628)	–	–	(5,881)	–	–	–	(8,492)	(628)
Net loss	(6,327)	(2,339)	(4,418)	(5,021)	(4,977)	–	(20,923)	(10,021)	(36,645)	(17,381)
Non-current assets	9,700	12,783	12,496	41,998	19,371	–	102	296	41,669	55,077

The Company conducts activities in two geographic areas: United States, and Canada. For the year ended December 31, 2022 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 minimal operations and corporate functions located in Canada.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**25. SUPPLEMENTAL CASH FLOW**

Non-cash investing and financing activities are summarized for the years ended as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
SAFE Financing - Debt settlement through SAFE agreements	\$-	\$80
SAFE Financing - Settlement of commissions payable by issuing SAFE	-	37
Forgiveness of shareholders loan payable with private placement	-	239
Broker compensation settled in equity units	-	423

**26. 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 Company recorded a provision for a customer dispute, in pending legal settlement of \$390 in office and administrative expenses.

## **WILDPACK BEVERAGE INC.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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#### **27. SUBSEQUENT EVENTS**

On January 3, 2023, Wildpack Beverage Inc. announced the completion of its vertical short form amalgamation with its wholly owned subsidiary, Wildpack Beverage Alberta Inc. The amalgamation, which became effective on January 1, 2023, brings together the two companies under a single entity, Wildpack Beverage Inc.

On April 14, 2023, the Company approved the grant of an aggregate of 13,852,395 RSU's to certain key employees, officers, and directors. Each RSU shall vest over various periods qualified by time and/or the achievement of certain milestones. If the milestones are not met, the applicable RSUs will be null and void.

In connection with bonus payments owed to certain current employees, they entered into an agreement electing to settle the aggregate amount of \$141 of bonus payable, into 1,016,799 common shares of the Company at a deemed issue price of C\$0.19 per share, in full settlement and satisfaction of the bonus payout.

On March 20, 2023, and March 21, 2023, the Company incorporated wholly owned subsidiaries Thirsty Cat, LLC and Hungry Hippo Company respectively.

On May 30, 2023, the Company closed a non-revolving term credit facility in the principal amount of \$25,000 pursuant to an amended and restated loan agreement with Sandton Credit Solutions Master Fund V, LP, an affiliate of Sandton Capital Partners, L.P. and the Company's wholly-owned subsidiaries (the "Lender"), Thirsty Cat, LLC, Hungry Hippo Company, Wildpack Holdings U.S. Inc., K.T. Murray Corporation, CraftPac LLC, Wild Leaf Holdings U.S. LLC, Vertical Distilling LLC and Wild Leaf Ventures Group Nevada Inc., as borrowers (the "Transaction").

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, an indirectly, wholly owned subsidiary of the Company which holds interests in all of the Company's U.S. operations, which represent substantially all of the principal business assets of the Company.

#### **28. RESTATEMENT – CONVERTIBLE DEBENTURES**

During the year ended December 31, 2022, the Company identified an inaccuracy in the accounting treatment of the convertible debentures (note 16), 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 year ended December 31, 2021, in order to be consistent with the 2022 treatment.

The Company's restated 2021 comparative figures as at and for the period ended December 31, 2021, are summarized below. An opening balance sheet as at January 1, 2021, was not presented as there was no impact.

**WILDPACK BEVERAGE INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**28. RESTATEMENT – COVERTIBLE DEBENTURES (CONTINUED)****Consolidated statements of financial position**

	December 31, 2021		December 31, 2021
	As previously reported	Adjustments	Restated
<b>ASSETS</b>			
Non-current assets			
Convertible debenture – derivative asset	\$–	\$162	\$162
<b>TOTAL ASSETS</b>	<b>\$72,864</b>	<b>\$162</b>	<b>\$73,026</b>
<b>LIABILITIES</b>			
Current liabilities			
Current portion of long-term debt	29,987	(2,945)	27,043
<b>TOTAL LIABILITIES</b>	<b>\$51,500</b>	<b>\$(2,945)</b>	<b>\$48,555</b>
<b>SHAREHOLDERS' EQUITY</b>			
Equity reserve	675	7,830	8,505
Contributed surplus	4,924	(1,003)	3,921
Accumulated deficit	(19,696)	(3,681)	(23,377)
Accumulated other comprehensive income (loss)	(540)	(42)	(580)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$21,364</b>	<b>\$3,107</b>	<b>\$24,471</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>\$72,864</b>	<b>\$162</b>	<b>\$73,026</b>

**Consolidated statements of loss and comprehensive loss**

	December 31, 2021		December 31, 2021
	As previously reported	Adjustments	Restated
Professional fees	\$3,277	\$(389)	\$2,888
Interest on long-term debt	1,328	69	1,397
Loss (gain) on derivative asset	(3,718)	4,002	284
<b>Loss before income taxes</b>	<b>(14,384)</b>	<b>(3,682)</b>	<b>(18,066)</b>
<b>Loss</b>	<b>(13,699)</b>	<b>(3,682)</b>	<b>(17,381)</b>
Other comprehensive income (loss)	(432)	(40)	(472)
<b>Total loss and comprehensive loss</b>	<b>\$(14,131)</b>	<b>\$(3,722)</b>	<b>\$(17,853)</b>
Loss per share – basic	\$(0.23)	\$(0.06)	\$(0.29)
Loss per share – diluted	\$(0.23)	\$(0.06)	\$(0.29)

**WILDPACK BEVERAGE INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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**28. RESTATEMENT – DEBENTURES (CONTINUED)**

**Consolidated statements of cash flows**

There was no impact to the consolidated statements of cash flows as a result of this restatement, other than (A) cash flow from operations (i) a \$3,682 decrease in net income, (ii) a \$69 increase in interest on long term-debt, offset by (iii) a \$4,002 decrease in the unrealized gain on derivative liability of which all changes reside in the operating activities section and (B) cash flow from financing activities (i) a \$389 increase in net proceeds from convertible debentures.

**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 \$7,830 increase in equity reserve, (ii) a \$1,003 decrease in contributed surplus, (iii) a \$3,682 decrease in net income, and (iv) a \$40 increase in other comprehensive loss – cumulative transaction loss.