



WILDPACK BEVERAGE INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX-MONTHS ENDED JUNE 30, 2024, AND JUNE 30, 2023

(Expressed in thousands of United States Dollars)

Notice of Non-review of Condensed Consolidated Interim Financial Statements

The attached condensed consolidated interim financial statements (unaudited) for the three and six-months ended June 30, 2024, and June 30, 2023, have been prepared by and are the responsibility of Wildpack Beverage Inc.'s management and have been approved by the Board of Directors. Wildpack Beverage Inc.'s independent auditor has not performed a review of the three and six-month period ended June 30, 2024, condensed consolidated interim financial statements (unaudited).

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

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

	Note	June 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$1,089	\$650
Cash held in trust		658	658
Accounts receivable	5	7,981	11,095
Sales taxes recoverable		206	245
Inventories	6	2,788	2,994
Prepaid expenses and deposits		1,380	413
		14,102	16,055
Property, plant, and equipment	7	10,211	9,875
Right of use assets	10	7,350	7,412
Derivative asset	13	12	12
Intangible assets	8	16,092	17,176
Goodwill	8	3,055	3,055
Other deposits		360	347
TOTAL ASSETS		\$51,182	\$53,932
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		17,930	13,130
Deferred revenue		2,701	1,361
Current portion of lease obligations	11	2,358	2,092
Current portion of long-term debt	12	60,089	54,248
		83,078	70,831
Lease obligations	11	5,912	6,212
Long term debt	12	1,201	1,481
TOTAL LIABILITIES		\$90,191	\$78,524
SHAREHOLDERS' EQUITY			
Share capital	14	36,757	36,757
Equity reserve	13	18,361	18,361
Contributed surplus		7,313	6,835
Accumulated deficit		(102,857)	(86,937)
Accumulated other comprehensive income (loss)		1,417	392
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		\$(39,009)	\$(24,592)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		\$51,182	\$53,932
Nature of operations and going concern	1		
Commitments and contingencies	21		
Subsequent events	22		

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

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

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

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

	Note	Three-months ended		Six-months ended	
		2024	June 30, 2023	2024	June 30, 2023
Sales	15	\$13,905	\$15,181	\$24,998	\$27,794
Cost of sales					
Production costs	16	13,031	12,098	23,890	23,503
Depreciation and amortization	7, 8, 10	718	571	1,391	1,163
Cost of sales		13,749	12,669	25,281	24,666
GROSS PROFIT (LOSS)		\$156	\$2,512	\$(283)	\$3,128
Operating expenses					
Selling		914	1,034	2,020	1,895
Salaries, wages, and benefits		1,807	1,732	3,503	3,425
Depreciation and amortization	7, 8, 10	986	934	1,947	1,833
Office and administrative		382	786	667	1,183
Share-based compensation	14	161	512	478	532
Professional fees		352	563	477	887
Bad debt		18	78	198	380
Other operating		184	131	27	292
Operating expenses		4,804	5,770	9,317	10,427
Other expenses					
Bank and finance charges		1	155	15	156
Interest on long-term debt	12	3,036	1,818	6,013	3,127
Interest on lease obligations	11	138	97	278	259
Foreign exchange loss (gain)		2	(2)	14	9
Other expenses		3,177	2,068	6,320	3,551
NET LOSS		\$(7,825)	\$(5,326)	\$(15,920)	\$(10,850)
Other comprehensive income (loss)					
Items that may be reclassified to profit or loss:					
Foreign currency on translation (loss) gain		250	(698)	1,025	(641)
TOTAL COMPREHENSIVE LOSS		\$(7,575)	\$(6,024)	\$(14,895)	\$(11,491)
Weighted average number of common shares outstanding		100,183,769	112,215,655	100,183,769	111,804,309
Loss per share – basic		\$(0.08)	\$(0.05)	\$(0.16)	\$(0.10)
Loss per share – diluted		\$(0.08)	\$(0.05)	\$(0.16)	\$(0.10)

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

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

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

	Note	Share capital		Contributed surplus	Equity reserve	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total
		Number of shares	Amount					
At January 1, 2023		111,309,169	\$37,853	\$4,076	\$8,765	\$1,104	\$(60,022)	\$(8,224)
Shares issued for restricted stock units	14	110,679	11	(11)	–	–	–	–
Shares for debt	14	1,016,787	143	–	–	–	–	143
Debentures' equity reserve	13	–	–	–	9,044	–	–	9,044
Share-based payments	14	–	–	532	–	–	–	532
Loss for the period		–	–	–	–	–	(10,850)	(10,850)
Other comprehensive loss – cumulate translation loss		–	–	–	–	(641)	–	(641)
At June 30, 2023		112,436,635	\$38,007	\$4,597	\$17,809	\$463	\$(70,872)	\$(9,996)
At January 1, 2024		100,183,769	\$36,757	\$6,835	\$18,361	\$392	\$(86,937)	\$(24,592)
Share-based payments	14	–	–	478	–	–	–	478
Loss for the period		–	–	–	–	–	(15,920)	(15,920)
Other comprehensive loss – cumulate translation loss		–	–	–	–	1,025	–	1,025
At June 30, 2024		100,183,769	\$36,757	\$7,313	\$18,361	\$1,417	\$(102,857)	\$(39,009)

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

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

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

	Note	Six-months ended June 30, 2024	Six-months ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		\$(15,920)	\$(10,850)
Adjustments for items not affecting cash:			
Depreciation and amortization		3,271	2,928
Interest expense		6,291	3,382
Share-based compensation	14	478	532
Non-cash interest expense and other		–	(77)
Changes in non-cash working capital:			
Accounts receivable		2,799	(5,636)
Sales taxes recoverable		–	71
Inventories		205	(473)
Prepaid expenses and deposits		(1,019)	(1,359)
Accounts payable and accrued liabilities		3,429	(2,961)
Deferred revenue		1,341	1,320
Cash generated by (used in) operating activities		875	(13,123)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of long-term debt	12	(294)	(7,948)
Net proceeds from convertible debentures	13	–	24,920
Payments of lease obligations	11	(1,537)	(1,380)
Proceeds from long-term debt	12	1,500	4,445
Interest paid	12	(58)	(1,345)
Cash generated by (used in) financing activities		(389)	18,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	7	(12)	(900)
Proceeds from sale of equipment		–	267
Cash used in investing activities		(12)	(633)
Net increase (decrease) in cash		474	4,936
Cash, beginning of period		650	943
Effect of foreign exchange rate changes on cash		(35)	9
CASH, END OF PERIOD		\$1,089	\$5,888

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

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Transaction was considered a reverse acquisition for accounting purposes. Wildpack Beverage did not constitute a business under IFRS 3 *Business Combinations* (“IFRS 3”). The continuing entity reflected in these financial statements is Wildpack Alberta and its consolidated subsidiaries. Comparative results are those of Wildpack Alberta and its consolidated subsidiaries. On January 1, 2023, Wildpack Beverage was amalgamated with its wholly owned subsidiary, Wildpack Beverage Alberta Inc. which brings together the two companies under a single entity, Wildpack Beverage.

The Company proposes to complete a restructuring transaction with respect to its outstanding 8.00% public convertible unsecured subordinated debentures in the aggregate principal amount of C\$45,007 which were issued dated as of June 30, 2021, November 23, 2021, and March 31, 2022 (note 22).

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern. As at June 30, 2024, the Company had a working capital deficit of \$68,976, an accumulated deficit of \$102,857, and cash of \$1,089. During the period ended June 30, 2024, the Company incurred a net loss of \$15,920 and generated cash of \$875 from its operating activities. The Company’s history of losses and working capital deficit 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. Please refer to note 13 for additional details pertaining to the classification of debt to current.

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. There can be no assurance that such financing will be available to the Company on acceptable terms. 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. There can be no assurance that such revisions or settlement of liabilities will be available.

These condensed consolidated interim financial statements do not include adjustments to the carrying values of the assets and liabilities, the reported sales and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

2. BASIS OF PRESENTATION

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of condensed interim consolidated financial statements, including IAS 34, *Interim Financial Reporting*. Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted, and these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2023. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 3 to the audited consolidated financial statements for the years ended December 31, 2023, and December 31, 2022.

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

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on August 29, 2024.

Basis of consolidation

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

Entity	Region
Craftpac, LLC	US
Hungry Hippo Company	US
K.T. Murray Corporation (“Land and Sea Packaging”)	US
Thirsty Cat, LLC	US
Vertical Distilling, LLC	US
Wild Leaf Holdings U.S. LLC	US
Wild Leaf Ventures Group Nevada Inc.	US
Wildpack Holdings US Inc.	US

On October 16, 2023, the Company incorporated Rad Soda LLC (formerly JNGL LLC and Seda LLC), a Delaware limited liability company, which was 100% owned the Company as of December 31, 2023. As of June 30, 2024, the Company owns 39.93% of the equity interests of Rad Soda LLC (note 9).

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

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

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with the accounting policies disclosed in note 3 of the audited consolidated financial statements for the years ended December 31, 2023 and December 31, 2022. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2023 and December 31, 2022.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Adjustments are made to income and the balance sheet as appropriate in the period that changes in estimates become known. There have been no changes in the nature of the significant judgements and estimates in these condensed consolidated interim financial statements as compared to the audited consolidated financial statements for the years ended December 31, 2023, and December 31, 2022.

5. ACCOUNTS RECEIVABLE

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

	June 30, 2024	December 31, 2023
Trade receivables	\$7,869	\$10,019
Other receivables	112	1,076
Total	\$7,981	\$11,095

Trade receivables includes an ECL of \$1,359 as at June 30, 2024 (December 31, 2023 - \$1,430). ECLs are outlined in note 19. Other receivables include a rebate receivable based on the volume of cans purchased by the Company.

6. INVENTORIES

As at June 30, 2024 and December 31, 2023, inventories consist of raw materials and finished goods not yet invoiced.

For the three and six-month period ended June 30, 2024, inventories recognized as an expense in cost of sales amounted to \$9,627 and \$17,160 respectively (June 30, 2023 - \$7,339 and \$15,550).

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

7. 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
Cost							
At January 1, 2023	\$5	\$134	\$48	\$6,513	\$1,362	\$583	\$8,645
Dispositions	(3)	(6)	(4)	(747)	(68)	(267)	(1,095)
Additions	–	–	–	–	156	5,463	5,619
Transfers	–	–	–	2,533	–	(2,533)	–
At December 31, 2023	\$2	\$128	\$44	\$8,299	\$1,450	\$3,246	\$13,169
Dispositions	–	–	–	(149)	–	(609)	(758)
Additions	–	–	–	1,691	19	181	1,891
Transfers	–	–	–	–	–	–	–
At June 30, 2024	\$2	\$128	\$44	\$9,841	\$1,469	\$2,818	\$14,302
Accumulated depreciation							
At January 1, 2023	\$5	\$45	\$9	\$1,958	\$253	\$–	\$2,270
Dispositions	(4)	(5)	(4)	(414)	(32)	–	(459)
Charged in the year	1	24	1	1,301	156	–	1,483
At December 31, 2023	\$2	\$64	\$6	\$2,845	\$377	\$–	\$3,294
Dispositions	–	–	–	–	–	–	–
Charged in the period	–	12	1	711	73	–	797
June 30, 2024	\$2	\$76	\$7	\$3,556	\$450	\$–	\$4,091
Net book value							
At December 31, 2023	\$–	\$64	\$38	\$5,454	\$1,073	\$3,246	\$9,875
At June 30, 2024	\$–	\$52	\$37	\$6,285	\$1,019	\$2,818	\$10,211

On May 15, 2024, the Company closed the acquisition of certain assets of Austin Eastciders LLC ("AEC"). The Company acquired \$1,869 of certain prepaid assets, and property, plant, and equipment, and assumed certain leases, including the facility lease. Consideration for the acquisition comprised of an accounts receivable offset of \$387 from the seller who is also a customer of the Company, sale of equipment of \$495, assumption of loans of \$613 and holdback amount of \$374. The sale of equipment was a non-cash transaction.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

8. 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
Cost						
At January 1, 2023	\$15,341	\$1,800	\$6,050	\$33	\$23,224	\$4,965
Impairment	–	–	(1,130)	–	(1,130)	(1,910)
Additions	–	–	–	–	–	–
At December 31, 2023	\$15,341	\$1,800	\$4,920	\$33	\$22,094	\$3,055
Impairment	–	–	–	–	–	–
Additions	–	–	–	–	–	–
At June 30, 2024	\$15,341	\$1,800	\$4,920	\$33	\$22,094	\$3,055
Accumulated amortization						
At January 1, 2023	\$1,919	\$714	\$60	\$33	\$2,726	\$–
Impairment	–	–	–	–	–	–
Charged in the year	1,552	600	40	–	2,192	–
At December 31, 2023	\$3,471	\$1,314	\$100	\$33	\$4,918	\$–
Impairment	–	–	–	–	–	–
Charged in the period	765	299	20	–	1,084	–
At June 30, 2024	\$4,236	\$1,613	\$120	\$33	\$6,002	\$–
Net book value						
At December 31, 2023	\$11,870	\$486	\$4,820	\$–	\$17,176	\$3,055
At June 30, 2024	\$11,105	\$187	\$4,800	\$–	\$16,092	\$3,055

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

8. 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) Grand Rapids

As at June 30, 2024, the Company did not perform an impairment test of its CGUs, as the Company determined there were no indicators of impairment.

For impairment tests performed as at December 31, 2023 and December 31, 2022, 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.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**Impairment tests as at December 31, 2023**

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, 2023 were as follows:

CGU	Recoverable Amount	Carrying Value of CGU	Carrying Value of Goodwill in CGU	Carrying Value of Indefinite Life Assets in CGU	Revenue Growth Rate	Discount Rate	Terminal Growth Rate
Lucky Clover	\$–	\$3,592	\$1,168	\$1,130	n/a	n/a	n/a
Marietta	–	1,471	742	–	n/a	n/a	n/a
Grand Rapids	31,740	17,987	3,055	4,800	8.0%	19.2%	2.5%

Lucky Clover

The carrying amount exceeded the estimated recoverable amount. As a result, an impairment against goodwill of \$1,168 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023. Furthermore, the Company impaired the net book value of the brand name intangible assets related to Lucky Clover in the amount of \$1,130 as at December 31, 2023.

Marietta

The carrying amount exceeded the estimated recoverable amount. As a result, an impairment against goodwill of \$742 was recorded in the statement of loss and comprehensive loss for the year ended December 31, 2023.

Grand Rapids

The estimated recoverable amount exceeded the carrying amount by \$13,753, hence no impairment. For the impairment tests performed as at December 31, 2023, 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 discount rate assumption used in the impairment test was increased by an amount greater than 8.8%, the change in isolation would lead to an impairment loss being recognized for the year ended December 31, 2023.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

9. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

When accounting for its investments in other entities, the Company must determine which entities it controls and over which entities it has significant influence. Control over a subsidiary exists when the Company is exposed to and has the rights to variable returns of the subsidiary and has the ability to affect those returns through its power over the entity. Significant influence exists when the Company has the power to participate in the financial and operating policy decisions of an entity but does not control or jointly control those policies. The Company applies considerable judgment when evaluating the relevant interests, rights, relationships, and other relevant factors to determine whether it controls another entity or has significant influence over another entity.

The Company determined that investment in associates and joint ventures is a significant estimate. It requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts. Actual outcomes may differ from these estimates under different assumptions and conditions.

An associate is an entity in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Company recognizes its share of the profit or loss and OCI of these entities, until the date on which significant influence or joint control ceases.

On October 16, 2023, the Company incorporated Rad Soda LLC (formerly JNGL LLC and Seda LLC), a Delaware limited liability company, which was 100% owned by the Company as of December 31, 2023. As of June 30, 2024, the Company owns 39.93% of the equity interests of Rad Soda LLC for a nominal value. The investment gives the Company significant influence over the associate and has been accounted for using the equity method.

The carrying amount of the investment is \$nil as at June 30, 2024, due to the recognition of the entity's share of Rad Soda LLC losses.

The Company has no further obligation to provide financial support to Rad Soda LLC.

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

10. RIGHT-OF-USE ASSETS

The following table summarizes the changes to the Company's right-of-use assets:

	Equipment	Office and Plant Premises	Total
Cost			
At January 1, 2023	\$4,678	\$9,992	\$14,670
Additions	1,124	265	1,389
Dispositions	–	(1,116)	(1,116)
Other	–	113	113
At December 31, 2023	\$5,802	\$9,254	\$15,056
Additions	155	1,070	1,225
Dispositions	–	–	–
At June 30, 2024	\$5,957	\$10,324	\$16,281
Accumulated depreciation			
At January 1, 2023	\$1,798	\$3,369	\$5,167
Charged in the year	1,066	1,411	2,477
At December 31, 2023	\$2,864	\$4,780	\$7,644
Charged in the period	609	678	1,287
At June 30, 2024	\$3,473	\$5,458	\$8,931
Net book value			
At December 31, 2023	\$2,938	\$4,474	\$7,412
At June 30, 2024	\$2,484	\$4,866	\$7,350

11. LEASE OBLIGATIONS

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

	Lease Obligation
At January 1, 2023	\$10,275
Additions	1,502
Lease payments	(2,848)
Interest accretion	572
Disposal	(1,197)
At December 31, 2023	\$8,304
Additions	1,225
Lease payments	(1,537)
Interest accretion	278
Disposal	–
At June 30, 2024	\$8,270
Current and non-current portions	
Current	\$2,358
Non-current	5,912
Total	\$8,270

The Company leases various office and plant premises for its operations, in addition to manufacturing-related equipment (note 10).

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12. DEBT

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

	Promissory Note	Credit Facility	Consideration Payable	Equipment Loan	Sandton Loan Convertible Debenture (note 13)	Public Convertible Debenture (note 13)	Total
At January 1, 2023	\$928	\$3,274	\$3,636	\$-	\$-	\$25,812	\$33,650
Additions	-	4,445	-	2,300	19,743	-	26,488
Repayments	(114)	(7,833)	-	(493)	-	(2,691)	(11,131)
Interest	82	114	3	70	3,374	4,999	8,642
Settlement	-	-	(2,612)	-	-	-	(2,612)
Foreign exchange	-	-	-	-	-	692	692
At December 31, 2023	\$896	\$-	\$1,027	\$1,877	\$23,117	\$28,812	\$55,729
Additions	-	-	374	331	1,500	-	2,205
Repayments	-	-	-	(352)	-	-	(352)
Interest	42	-	-	58	3,263	2,650	6,013
Accrued interest	-	-	-	-	-	(1,315)	(1,315)
Foreign exchange	-	-	-	-	-	(990)	(990)
At June 30, 2024	\$938	\$-	\$1,401	\$1,914	\$27,880	\$29,157	\$61,290
Current	\$474	\$-	\$1,401	\$1,177	\$27,880	\$29,157	\$60,089
Non-current	\$464	\$-	\$-	\$737	\$-	\$-	\$1,201
Total	\$938	\$-	\$1,401	\$1,914	\$27,880	\$29,157	\$61,290

Promissory Note

Wild Leaf Holdings U.S. LLC assumed a \$417 promissory note, through the acquisition of CraftPack and Lucky Clover, with a shareholder of the Company. The interest rate is 6% per annum compounded monthly and matures in 2026. Additional promissory notes are held by related parties, refer to note 17.

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%. On April 30, 2023, the facility was paid in full and terminated.

Consideration payable

The Company has consideration payable in cash resulting from the acquisitions of Lucky Clover, CraftPack, Vertical, Land and Sea and AEC (note 7). During the year ended December 31, 2023, the Company reached a settlement agreement relating to the consideration payable due to the vendors of Land and Sea. Furthermore, pursuant to the settlement agreement, 12,404,867 common shares were returned to the Company, refer to note 14. The remaining consideration payable as at June 30, 2024 is comprised of balances due to Lucky Clover, CraftPack, Vertical and AEC.

Equipment Loan

On June 19, 2023, the Company entered into an equipment finance agreement to acquire filling machinery and equipment. The agreement provides the Company with a \$2,300 loan, amortized and payable monthly over 36 months commencing on July 1, 2023. The interest rate on the loan is 6.5% per annum. As at June 30, 2024, a portion of the equipment and machinery remains in CIP (note 7) as certain items were not available for use in the period.

On May 15, 2024, the Company assumed an equipment loan totaling \$331 as part of the AEC acquisition. The interest rate on the loan is 8.25% per annum and matures in 2026.

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13. CONVERTIBLE DEBENTURES**Public Convertible Debentures (unsecured)**

The following tables summarize the changes to the Company's convertible debentures entered in by Wildpack Beverage Inc., (the "Public Convertible Debentures") during the years ended December 31, 2022 and 2021:

	Number of Convertible Debentures	Liability Component	Equity Component	Equity Warrant	Derivative Asset	Total
Series 1 initial measurement	20,000	\$10,598	\$4,021	\$584	\$(204)	\$14,999
Series 2 initial measurement	20,000	11,812	2,809	416	(242)	14,795
Series 3 initial measurement	5,007	2,862	922	14	(4)	3,794
At January 1, 2023	45,007	\$25,812	\$7,752	\$1,014	\$(12)	\$34,565
Interest, net	–	2,308	–	–	–	2,308
Foreign exchange (gain) loss	–	692	–	–	–	692
At December 31, 2023	45,007	\$28,812	\$7,752	\$1,014	\$(12)	\$37,565
Interest, net	–	1,335	–	–	–	1,335
Foreign exchange (gain) loss	–	(990)	–	–	–	(990)
At June 30, 2024	45,007	\$29,157	\$7,752	\$1,014	\$(12)	\$37,910

Total interest expense on all three Series for the six-month period ending June 30, 2024, was \$2,650 (note 12) (December 31, 2023 - \$4,999) of which \$nil (December 31, 2023 - \$2,691) was paid in cash and \$1,315 was accrued in accounts payable and accrued liabilities.

Liability Component

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

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

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

Equity Component

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

Equity Warrant

The fair value of the equity classified warrants is calculated using a Monte Carlo simulation.

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 June 30, 2024.

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.

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13. CONVERTIBLE DEBENTURES (CONTINUED)

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

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

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

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

At any time following the expiry of 36 months after issuance for Series 1 and 2 (24 months after issuance Series 3), the Company may, at its option, redeem pro rata all or part of the convertible debentures, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price which is equal to 110% of the principal amount thereof, plus any accrued and unpaid interest that would otherwise be payable to the holder from the time of the optional redemption until maturity.

The Company may force the conversion of all but not less than all of the principal amount of the then outstanding convertible debentures at the conversion price if the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange is greater C\$1.50 (Series 3 issuance) for the proceeding 10 consecutive trading days and C\$2.19 (Series 1 and Series 2 issuances) for the preceding 20 consecutive trading days. Holders having their convertible debentures converted, at a redemption price equal to 110% of the principal amount, will receive accrued and unpaid interest thereon in cash.

The Company determined that the convertible debenture is a compound instrument consisting of (i) a debt component, which has been presented within debt (note 12); (ii) a derivative asset, which has been presented separately, and (iii) equity and equity warrants components which have been presented within equity reserve. The Company exercised judgement in determining the fair value of the derivative asset. The valuation is considered to be level 3 in the fair value hierarchy.

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13. CONVERTIBLE DEBENTURES (CONTINUED)**Sandton Loan (secured)**

The following tables summarize the changes to the Company's convertible debentures entered into by Thirsty Cat LLC., (the "Sandton Loan") during the year ended December 31, 2023 and for the six month period ended June 30, 2024:

	Liability Component	Equity Component	Total
At January 1, 2023	\$-	\$-	\$-
Issuance	19,904	9,596	29,500
Transactions cost	(161)	-	(161)
Repayments	-	-	-
Interest accretion	3,374	-	3,374
At December 31, 2023	\$23,117	\$9,596	\$32,713
Issuance	1,500	-	1,500
Repayments	-	-	-
Interest accretion	3,263	-	3,263
At June 30, 2024	\$27,880	\$9,596	\$37,476

On April 18, 2023, the Company entered into a promissory note (the "Bridge Loan") with Sandton Credit Solutions Master Fund V, LP, an affiliate of Sandton Capital Partners, L.P ("Sandton") totaling \$12,500. The Bridge Loan bears an interest rate of 13% per annum with interest accruing during the 12-month term of the loan. The Company paid \$75 in transaction costs related to the closing of the Bridge Loan which were expensed during the year ended December 31, 2023.

On May 23, 2023, the Company and the Lender entered into an amended and restated loan agreement (the "Tranche 1 Loan") which extinguished the Bridge Loan and established a non-revolving term credit facility in the principal amount of \$25,000 between the Lender and the Company's wholly-owned US subsidiaries. The extinguishment was accounted for as a debt modification with any resulting gain or loss recognized in the statement of loss and comprehensive loss.

The Tranche 1 Loan is comprised of a 48-month secured term loan bearing an interest rate of 13% per annum. For any period during which an event of default has occurred and gone uncured or waived, the applicable interest rate shall be increased to an annual rate of 18% per annum. The Tranche 1 Loan is secured by a first priority lien on all assets of the Company and its subsidiaries and is guaranteed by the Company and its subsidiaries. The Company's shares have also been pledged as security in connection with the Tranche 1 Loan. The Company paid \$80 in transaction costs which are being amortized over the 48-month term.

In connection with the transaction, the Company has granted to Sandton an option to convert the Tranche 1 Loan into approximately 49% of the equity of Thirsty Cat, LLC, a wholly owned subsidiary of the Company, which holds interests in all of the Company's U.S. operations representing substantially all of the principal business assets of the Company. The Company determined that the Tranche 1 Loan is a compound instrument consisting of (i) a debt component, which has been presented within debt (note 12); and (ii) equity components which have been presented within equity reserve.

On October 12, 2023, the Company entered into an amendment agreement with Sandton for an additional loan tranche in the amount of \$5,000 (the "Tranche 2 Loan"). The Tranche 2 Loan bears interest at a rate of 15.00% per annum. All interest accruing under the Tranche 2 Loan up to and including November 1, 2024, will be added to the principal balance and will thereafter accrue interest (such paid in kind interest being referred to as "PIK"). The Tranche 2 Loan matures October 10, 2026. The Company recorded a 10% discount fee of \$500 per the terms of the agreement which is being amortized over the life of the loan. The Company paid \$50 in transaction costs which are being amortized over the same term.

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13. CONVERTIBLE DEBENTURES (CONTINUED)

The Company granted warrants to Sandton exercisable into 5.625% of the equity of the Company's wholly owned subsidiary, Thirsty Cat LLC. The warrants were granted at a nominal value and do not expire. The Company determined that the Tranche 2 Loan is a compound instrument consisting of (i) a debt component, which has been presented within debt (note 12); (ii) equity and equity warrants components which have been presented within equity reserve (note 14).

The difference between the fair value of the financial liability and the fair value of the instrument is allocated to the equity component, which consists of the holder's conversion option and warrants, of the convertible debentures. During the year ended December 31, 2023, the Company recognized no material measurement of the derivative asset.

Both Tranche 1 Loan and Tranche 2 Loan contain financial covenants to be calculated on a periodic basis. Based on the financial information as at December 31, 2023, and based on the terms and conditions of the agreements between Thirsty Cat, LLC and Sandton dated May 23, 2023 and October 12, 2023, the Company did not have an unconditional right to defer settlement of the Sandton loan for at least twelve months after the reporting period. As a result, the Sandton liability component has been reclassified to current.

The Public Convertible Debenture agreement contains cross-default clauses that are linked to the covenants for the Sandton Loan. Notwithstanding the presentation of the debenture liability as current, the Company is not in default under the cross-default provisions in the debenture agreement. Conditions at June 30, 2024 and December 31, 2023 give Sandton the right to accelerate payment of the loan; if Sandton exercises that right, the debenture holders have the right to accelerate payment on the debentures. Furthermore, the Company did not make the debenture payments due on March 31, 2024, and June 30, 2024. As a result, conditions as at June 30, 2024, give Public Convertible Debenture holders the right, subject to minimum voting requirements, 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 a result, the debenture liability has been reclassified to current in its entirety. Going concern is disclosed in note 1.

On June 27, 2024, the Company received \$1,500 from Sandton in the form of a promissory note which bears 15% and is due on demand. The promissory note proceeds were used to reduce the key vendor, Ball Corporation, trade balance payable (note 22).

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14. SHARE CAPITAL**Authorized share capital**

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

Issued

	Number of Common Shares	Dollars
At January 1, 2023	111,309,169	\$37,853
Conversion of restricted share units	262,680	28
Issuance of shares	1,016,787	143
Repurchase and cancellation of shares	(12,404,867)	(1,267)
At December 31, 2023	100,183,769	\$36,757
Conversion of restricted share units	–	–
Issuance of shares	–	–
At June 30, 2024	100,183,769	\$36,757

Private equity placements

On April 14, 2023, the Company issued 1,016,787 shares to employees as part of bonus settlement agreements for certain employees in the amount of \$143.

Repurchase and cancellation of shares

As part of the acquisition of K.T. Murray Corporation (“Land and Sea”), in 2021, the Company issued 1,271,849 and 11,446,650 common shares in the years ended December 31, 2022, and December 31, 2021, respectively. On October 3, 2023, the Company settled a dispute with the vendors of Land and Sea, which returned 12,404,867 shares to the Company, which were subsequently cancelled. No gain or loss was recognized in profit or loss for the return and cancellation of the shares.

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. Actual forfeitures may differ from estimates. There were 13,470,000 RSUs granted in the six-month period ended June 30, 2024 (June 30, 2023 – 13,189,500). There were RSUs cancelled during the period resulting in a reversal of share-based compensation expense of \$130. The total expense recognized in the period is \$478 (June 30, 2023 – \$528).

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14. SHARE CAPITAL (CONTINUED)

The Company's RSU transactions are summarized below:

	Restricted Share Units
At January 1, 2023	1,013,589
Granted	13,189,500
Exercised	(262,680)
Expired	–
Cancelled	(739,909)
At December 31, 2023	13,200,500
Granted	13,470,000
Exercised	–
Expired	–
Cancelled	(1,761,667)
At June 30, 2024	24,908,833

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/covert to common shares. The Omnibus 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 \$478 for the six-month ended June 30, 2024 (June 30, 2023 – \$532) of which \$1 related to stock options (June 30, 2023 – \$4). The fair values of stock options were estimated using the Black-Scholes option pricing model. During the period ended June 30, 2024, and year ended December 31, 2023, the Company did not issue any stock options.

The Company's stock options transactions are summarized below:

	Number of Options Outstanding	Weighted Average Exercise Price (C\$)
At January 1, 2023	7,517,808	\$0.53
Granted	–	–
Exercised	–	–
Expired	(3,754,122)	(0.33)
Cancelled	–	–
At December 31, 2023	3,763,686	\$0.74
Granted	–	–
Exercised	–	–
Expired	–	–
Cancelled	–	–
At June 30, 2024	3,763,686	\$0.74

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14. SHARE CAPITAL (CONTINUED)

The Company's stock options outstanding and exercisable as of June 30, 2024, are summarized as follows:

Expiry Date	Exercise Price (\$C)	Remaining Life (Years)	Number of Options Outstanding	Number of Options Exercisable
July 25, 2024	0.45	0.07	748,686	748,686
May 19, 2025	0.90	0.88	1,663,000	1,663,000
May 19, 2025	1.17	0.88	200,000	200,000
December 31, 2025	0.55	1.49	852,000	–
October 1, 2026	0.83	2.25	300,000	300,000
Total		1.22	3,763,686	2,911,686

Warrants

The Company's warrants outstanding as of June 30, 2024, are summarized as follows:

	Number of Warrants Outstanding	Weighted Average Exercise Price (C\$)
At January 1, 2023	34,892,478	\$1.48
Granted	–	–
Exercised	–	–
Expired	(20,998,352)	(1.65)
At December 31, 2023	13,894,126	\$1.30
Expired	(50,420)	(0.02)
Expired	(2,503,500)	(1.47)
At June 30, 2024	11,340,206	1.26

The Company's warrants outstanding and exercisable as of June 30, 2024, are summarized as follows:

Expiry Date	Exercise Price (\$C)	Remaining Life (Years)	Number of Warrants Outstanding	Number of Warrants Exercisable
November 23, 2024	1.26	0.40	11,340,206	11,340,206
Total		0.40	11,340,206	11,340,206

During the year ended December 31, 2023, the Company granted warrants exercisable into 5.625% of Thirsty Cat LLC as part of the Tranche 2 Loan. The Thirsty Cat LLC warrants were valued as explained in note 13. The Debenture warrants (Series 1, 2, and 3) were valued using the Monte Carlo Simulation.

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15. REVENUE BY NATURE

Revenue includes the following categories for the periods ended:

	Three-months ended June 30,		Six-months ended June 30,	
	2024	2023	2024	2023
Tolling and packaging sales	\$12,885	\$13,388	\$23,100	\$24,677
Freight income	891	1,655	1,724	2,843
Warehousing income	129	138	174	274
Total	\$13,905	\$15,181	\$24,998	\$27,794

16. PRODUCTION COSTS BY NATURE

Production costs includes the following categories for the periods ended:

	Three-months ended June 30,		Six-months ended June 30,	
	2024	2023	2024	2023
Raw materials and consumables	\$9,627	\$7,339	\$17,160	\$15,550
Salaries, wages, benefits	2,510	2,569	4,765	4,813
Freight expense	770	1,546	1,363	2,119
Other operating expenses	124	644	602	1,021
Total	\$13,031	\$12,098	\$23,890	\$23,503

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

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company. The Company has determined that key management personnel consist of members of the Board and the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and the Chief Growth Officer ("CGO"). Compensation provided to key management personnel for the three and six-month periods ended June 30, 2024, and June 30, 2023, were as follows:

	Three-months ended June 30,		Six-months ended June 30,	
	2024	2023	2024	2023
Short-term employee benefits, including salaries	\$558	\$799	\$893	\$1,082
Share-based compensation	132	295	509	303
Total	\$690	\$1,094	\$1,402	\$1,385

Related party transactions

The Company has entered into employment agreements with each of the officers, including CEO, CFO, and CGO. Under the employment agreements, the officers receive a base salary, extended benefits and are eligible for an annual performance-based bonus and long-term incentive awards determined at the discretion of the Board of Directors. Compensation provided to key management personnel contains a component of share-based compensation, which vests upon completion of performance milestones.

Promissory Notes

During the period ended June 30, 2024, the Company did not enter into any additional promissory notes with related parties. Of the existing promissory notes, the Company repaid \$nil during the period.

During the year ended December 31, 2023, the Company did not enter into any additional promissory notes with related parties. Of the existing promissory notes, the Company repaid \$115 during the year.

Grand Rapids – Building Rent

On December 1, 2021, the Company entered into an 8-year term lease agreement at prevailing market rates for its Land and Sea operations in Grand Rapids, Michigan, with Q4 Development LLC, an entity owned by a former employee of the Company. The total lease liability as at June 30, 2024 is \$1,157 (June 30, 2023 – \$1,320) of which \$177 is current and \$980 is non-current.

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18. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern as well as maximize stakeholder returns. 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 income (loss).

The Company is subject to externally imposed capital requirements that require the maintenance of minimum cash balances and trailing cash flow targets. Please reference Sandton Loan, note 13.

19. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, cash held in trust, accounts receivable, accounts payable and accrued liabilities, 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 June 30, 2024, 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 customers under various credit terms and is therefore exposed to credit risk.

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

	June 30, 2024	December 31, 2023
Not past due	\$4,532	\$4,615
Past due 1-30 days	2,304	2,286
Past due 31-90 days	1,157	2,571
Past due 91-120 days	73	230
Past due greater than 120 days	1,162	1,747
Trade Accounts Receivable	\$9,228	\$11,449
Other Accounts Receivable	112	1,076
Total Gross Accounts Receivable	\$9,340	\$12,525
Allowance for Doubtful Accounts	(1,359)	(1,430)
Net Accounts Receivable	\$7,981	\$11,095

Other accounts receivable includes vendor purchase rebates.

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (continued)**

The movement in the allowance for doubtful accounts in respect of accounts receivable during the following periods:

	Six-months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of period	\$1,430	\$190
Increase (decrease) in allowance	(71)	1,240
Balance, end of period	\$1,359	\$1,430

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 June 30, 2024, the Company had cash and cash equivalents of \$1,089 (December 31, 2023 – \$650) to settle current liabilities of \$83,078 (December 31, 2023 – \$70,831). Management actively monitors the cash needs of the Company. Going concern is disclosed in note 1.

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

	Carrying Amount	Contractual Undiscounted Cash Flows	Within 1 Year	2 to 5 Years	Over 5 Years
Accounts payable and accrued liabilities	\$17,930	\$17,930	\$17,930	\$–	\$–
Lease obligation	8,270	9,601	2,815	6,786	–
Debt	61,290	71,920	70,183	1,737	–
Total	\$87,490	\$99,451	\$90,928	\$8,523	\$–

Market risk

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

WILDPACK BEVERAGE INC.

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19. FINANCIAL RISK MANAGEMENT (CONTINUED)**Interest rate risk**

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market interest rates. The Company's interest rates on its capital lease obligations, debentures, and debt are fixed or fixed relative to SOFR or LIBOR. Management monitors its interest rates compared to market rates on a regular basis. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

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 June 30, 2024 this risk is not considered significant as the functional currency of all legal entities, with the exception of Wildpack Beverage Inc, is the US dollar and substantially all of these entities' financial instruments are held in US dollars. A potential 10% change in the foreign exchange rate would have an insignificant impact on the consolidated statements of loss and comprehensive loss.

20. SEGMENT INFORMATION**Reportable segments**

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

The Company has four reportable segments, filling, decorating, brokering, and corporate. The CODM reviews the net income (loss) of each of these segments in allocating resources and evaluating operating performance. The corporate reporting segment covers the Company's non-allocated, general overhead expenses, such as legal, compliance, accounting, head-office staff, and other such items. This reporting segment is reviewed for cost control and budgetary considerations.

The following table summarizes the Company's reportable segment information for the six-months ended June 30:

	Filling		Decorating		Brokering		Corporate		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues from external customers	\$1,338	\$3,805	\$4,798	\$7,136	\$18,862	\$16,853	\$-	\$-	\$24,998	\$27,794
Net income (loss)	(3,833)	(1,366)	(829)	433	2,817	2,731	(14,075)	(12,648)	(15,920)	(10,850)
Non-current assets	8,632	9,719	10,880	11,660	17,475	20,271	93	102	37,080	41,752

WILDPACK BEVERAGE INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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20. SEGMENT INFORMATION (CONTINUED)

The following table summarizes the Company's reportable segment information for the three-months ended June 30:

	Filling		Decorating		Brokering		Corporate		Total	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Revenues from external customers	\$960	\$2,003	\$3,064	\$3,993	\$9,881	\$9,185	\$-	\$-	\$13,905	\$15,181
Net income (loss)	(1,277)	(358)	78	440	2,375	2,411	(9,001)	(7,819)	(7,825)	(5,326)
Non-current assets	8,632	9,719	10,880	11,660	17,475	20,271	93	102	37,080	41,752

The Company conducts activities in two geographic areas: United States, and Canada. For the period ended June 30, 2024, and for the period ended June 30, 2023, there are no customers that represented more than 10% of the Company's consolidated revenue and accounts receivable. A majority of the Company's operations are located in the United States, with corporate functions located in Canada.

21. 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.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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22. SUBSEQUENT EVENTS

The Company proposes to complete a restructuring transaction with respect to its outstanding 8.00% Public convertible unsecured subordinated debentures in the aggregate principal amount of C\$45,007 which with issuance dates of June 30, 2021, November 23, 2021, and March 31, 2022.

Pursuant to the Debenture Restructuring Transaction, the Company proposed:

- i. to repurchase Public Convertible Debentures in the principal amount of C\$20,000 from certain holders representing the majority owners of the Public Convertible Debentures, in exchange for cash consideration of C\$2,000; and
- ii. that the remaining outstanding Public Convertible Debentures be exchanged for common shares in the capital of the Company at an exchange price of C\$0.10 per common share.

Furthermore, the Company amended its definitive agreement pertaining to the Sandton Loan (the "Loan Agreement") pursuant to a third amended and restated loan agreement to the Loan Agreement (the "Third A&R Loan Agreement"), subject to regulatory and other pre-requisites. The Third A&R Loan Agreement reflects the following principal changes (collectively, the "Amended Sandton Loan"):

- a. increasing the size of the facility under the Sandton Loan by \$4,000;
- b. amending the terms of conversion terms of the Sandton Loan such that a portion of the increased facility pursuant to the Amended Sandton Loan in the amount of \$3,500, will be convertible into Thirsty Cat LLC (the "Equity Purchase Option"), and the formerly convertible \$25,000 tranche of the Sandton Loan will no longer be convertible and will instead be converted into term debt; and
- c. extending the term of the Sandton Loan to May 23, 2027 (in respect of the original \$25,000 tranche) and to October 10, 2026 (in respect of the Tranche 2 Loan);
- d. increasing the interest rate under the Sandton Loan to 15% per annum;
- e. waiver of covenants until January 1, 2025; and
- f. interest paid-in-kind to extend until January 1, 2025.

Subsequent to period end, Sandton advanced \$5,700 to the Company, in excess of the above-described transaction. The funding has been provided in weekly tranches and on similar terms to the existing Sandton Loans. The Company has used the funding for general working capital purposes. For August 2024 advances, the interest rate was modified to be 18%.