



ANNUAL REPORT



Dear valued shareholder,

This past year was an exceptional one for CanadaBis Capital Inc. ("CanadaBis") and, as President and CEO, I wanted to ensure you were kept aware of our progress to-date so you can share in our excitement!

Throughout 2019, CanadaBis has continued to introduce our growing family of strategic, well-positioned brands that are already being embraced as we continue to grow into the industry leader we indicated we'd become when we started in 2016.

Today, our brands include CanadaBis Capital Inc., Full-Spectrum Extracts, INDICative Collection, Stigma Grow, Stigma Roots and Goldstream Cannabis.

The road to success in the newly emerging cannabis industry is one that started off crowded, but is now starting to thin as those whose strategies were flawed continue to sell out, shut down or suffer great financial losses. Fortunately for CanadaBis, we've achieved a number of milestones, addressed and overcome significant obstacles and stand before you now positioned and equipped to deliver incredible growth in 2020.

As of today, CanadaBis is poised, with its strong management team, to be an active player in the evolving cannabis space, obtaining market share via our four pillars, including: 1) cultivation, 2) processing and extraction, 3) lifestyle and 4) retail.

We are well aware of the intensely competitive context in which we are operating today and are taking the steps necessary to further develop and strengthen your company. We are investing in the capabilities and technology we need for today and tomorrow, and have secured the niche talent and industry expertise required to continue creating value for you, our shareholders.

A quick review of 2019's milestones acts as a true testament to our ability to continue to move forward, despite the impact of several challenges, competitive forces and costs.

To date, we have achieved a number of milestones, including:

- Completing external construction of our 66,000 square foot cultivation facility in Red Deer, Alberta

- Completing internal construction of 22,000 square feet of the 66,000 square foot facility which is capable of cultivating, processing and selling 225kg of cannabis per year;
- Completing a \$4.3 million private equity raise;
- Becoming publicly-traded by completing a reverse-takeover transaction (TSXV: CANB);
- Obtaining standard cultivation, processing and sales licenses from Health Canada;
- Acquiring “Full Spectrum Labs”, a cutting-edge cannabis extraction, product development and R&D company, positioning CanadaBis as an active player in the now legal extracts market;
- Acquiring “Goldstream Cannabis”, providing CanadaBis with \$2 million in cash and access to 11 acres of premium outdoor cultivation land on Vancouver Island zoned for cannabis production;
- Acquiring INDICative Collection, a retail cannabis location in Red Deer, AB, which opened October 5th, 2019; where sales are steady and growing;
- Launching “Stigma Roots”, a first-to-market cannabis-root topical cream that is not subject to Health Canada regulation and can be sold and marketed with estimated annual cash-flows of \$1.5 million;
- Currently using approximately \$1.3 million of existing working capital to complete eight additional grow rooms within the Company’s existing facility by Q1 2020, resulting in 1,800 kg of cannabis and operating cash-flows of \$8-\$10 million per year. Full completion of the facility will yield total estimated production of 5,000 kg of cannabis and forecasted operating cash-flows of \$20-\$25 million per year. AGLC has committed to taking all available craft product.
- Currently equipped to provide dried flower to consumers via our first-to-market, nitrogen-blanketed, ‘tuna can’ style packaging.
- Launching a partnership with Leafly to provide online shopping, product reservation, direct-to-phone messaging and alerts for INDICative Collection.
- Proudly partnering with Olds College to provide onsite, hands on training for students enrolled in cannabis production courses.

In 2020-2021, we will be expanding our growth capabilities by building on these established foundations in a way that ensures we are never overextended or undervalued.

Our future growth initiatives include:

- Constructing another 66,000 square foot facility on existing controlled lands, effectively doubling our annual cannabis production and cash-flows;
- Selling a wide variety of THC and CBD products in conjunction with the most recent legalization of extracts through the Company’s extraction and processing facility. Any portion of the facility’s 114 kg/day capacity, that is not utilized internally, will be supplemented with third-party extraction contracts for total estimated annual cash-flows of \$24 million;

- Launching of local and national ad campaigns driven by our legal, lifestyle brand intended to help us expose new mass audiences to our business and brand.
- PR and partnership programs designed to help expose our story to a larger, engaged audience.

While we are certainly proud of our accomplishments to date, and are confident in our plans for the future, these achievements come at a time when our industry stands at a crossroad.

Today, we're witnessing a reshaping of the competitive landscape as smaller retailers and underperforming LPs are getting bought out or shut down, while current industry leaders continue to build their global empires to the tune of countless millions spent, seemingly without a comprehensive understanding of return on investment.

A world of challenges and opportunities lies before us, and we are responding with sharper focus and efforts that position us to provide strong, strategic, long-term value.

Like most of the market, and the vast majority of cannabis companies, the last three months have been challenging. However, we do not feel it is a reflection of our current position or value. While others have overvalued themselves and overpaid for underperforming acquisitions and assets, we have remained in control of our own future with modest revenue predictions and due diligence across the board in evaluating new opportunities.

The fact is that we are all in this together. Our Board and Management Team are both heavily invested in our Company and we are all focused on building the business in a way that will be reflected in the market over time.

We are currently awaiting the approval of the amendment to our Health Canada License to sell dry flower to the recreational market. The minute that amendment clears we will be submitting the amendment to sell concentrates and edibles.

Our long-term commitment to operational excellence delivers savings that benefit both growth and margins. During the last year, we committed to further structural savings and process improvements especially when it comes to reducing waste. Stigma Roots now takes the roots of all our plants, a substance we typically spent money to destroy, and turns them into a new revenue stream that most, if not all, other LPs appear to have failed to realize.

Our vision for success has also gone unchanged: To become Alberta's recognized leader in cannabis across multiple pillars

It requires attention and investment to enable us to seize opportunities, and in this area we believe we are unmatched. To date we have partnered with some of the leading experts in their fields, by bringing their respective companies' IP and their personal skill-sets into the CanadaBis family of companies.

Among others, we have acquired Full-Spectrum Labs, complete with expert staff and proven process for creating products with potency and quality that will be very hard to match and nearly impossible to beat. Our lifestyle brand, Stigma Roots, is run by a team that already achieved a solid customer following of Alberta-based brand ambassadors and whose patent-pending recipes have taken years to perfect. Our internal marketing team is now led by an executive whose experience in strategic cannabis marketing and communications is exceeded only by his connections within the industry. Our outdoor cannabis acreage on Vancouver Island, Goldstream Cannabis, has been identified as one of the most sought after and suitable areas for outdoor growth that exists anywhere in Canada.

As a proud Albertan brand, we're keenly aware of our ability to influence the communities where we work and the natural environment that surrounds us, and we take that responsibility as seriously as we do the responsibility we have to you, our faithful shareholders.

We would like to thank our growing team of employees for their commitment to CanadaBis Capital Inc. and our family of cannabis brands. It is their ongoing hard work, alignment behind our strategy and dedication that enables us to continue to deliver on our promises. We also want to thank you, our shareholders, for your continuing support, your ongoing confidence and, above all, for your trust. Rest assured that our passion for cannabis growth, health and wellness and unmatched quality will generate the sustainable, profitable returns you rightfully expect from us.

We couldn't do any of this without your support. Thank you!

Sincerely,

A handwritten signature in black ink, appearing to read 'Travis McIntyre', with a large, sweeping loop at the end.

Travis McIntyre, President & CEO
CanadaBis Capital Inc.

For more information on: CanadaBis Capital, 1998643 (Stigma Grow), Stigma Roots or INDICative Collection please visit www.canadabis.com, www.stigmagrow.ca, www.stigmaroots.ca, www.indicativecollection.ca or contact:

Investor Relations
Info@CanadaBis.com
1-888-STIGMA1



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended July 31, 2019 and 2018



Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
903 - 8th Avenue SW, Suite 620
Calgary AB T2P 0P7
Canada

Independent Auditor's Report

To the Shareholders of CanadaBis Capital Inc.

Opinion

We have audited the consolidated financial statements of CanadaBis Capital Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at July 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at July 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Group 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of \$9,002,860 during the year ended July 31, 2019 and a cash loss from operating activities of \$1,694,705. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The comparative consolidated financial statements of 1926360 Alberta Ltd. for the year ended July 31, 2018 were audited by the firm of MNP LLP who expressed an unmodified opinion on those statements on March 22, 2019. In the current year, CanadaBis Capital Inc. completed its Qualifying Transaction by amalgamating its subsidiary with 1926360 Alberta Ltd. as disclosed in Note 1 of the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Management Discussion & Analysis ("MD&A").

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above 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 the MD&A prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

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

BDO Canada LLP

Chartered Professional Accountants

Calgary, Alberta
November 21, 2019

CANADABIS CAPITAL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at July 31, 2019 and July 31, 2018
(Expressed in Canadian Dollars)

As at	July 31, 2019	July 31, 2018
Assets		
Current assets:		
Cash	\$ 324,798	\$ 678,948
Goods and service tax receivable	77,280	14,459
Inventory (Note 6)	93,131	-
Biological assets (Note 7)	32,266	-
Prepaid expenses	93,149	-
Short-term deposits (Note 11)	395,000	-
	1,015,624	693,407
Due from related parties (Notes 9 & 11)	203,000	-
Long-term deposits	25,000	25,000
Property, plant and equipment (Note 8)	4,116,615	47,625
Total assets	5,360,239	766,032
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	234,802	55,000
Due to related parties (Note 9)	379,228	494,450
Current portion of long-term debt (Note 10)	750,000	-
	1,364,030	549,450
Long-term debt (Note 10)	1,142,333	-
Total liabilities	2,506,363	549,450
Shareholders' equity		
Share capital (Note 13)	10,567,243	504,100
Shares to be issued (Note 13)	-	165,000
Contributed surplus (Note 13)	1,742,011	-
Deficit	(9,455,378)	(452,518)
Total shareholders' equity	2,853,876	216,582
Total liabilities and shareholders' equity	\$ 5,360,239	\$ 766,032

Going concern (Note 1)

Subsequent events (Notes 9, 10, 11, 13(d) and 16)

See accompanying notes to these consolidated financial statements.

"Travis McIntyre"
Travis McIntyre, CEO & Director

"Barbara O'Neill"
Barbara O'Neill, Director

CANADABIS CAPITAL INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Gross Margin:		
Fair value adjustment of inventory (Note 6)	\$ (38,710)	\$ -
Fair value adjustment of biological assets (Note 7)	(2,438)	-
Impairment of biological assets (Note 7)	(5,628)	-
	(46,776)	-
Operating Expenses:		
General and administration	1,202,191	339,509
Acquisition costs (Notes 8 & 15)	79,066	-
Depreciation (Note 8)	58,668	6,256
Stock based compensation (Notes 8 & 13)	3,333,740	-
	4,673,665	345,765
Loss from operations	(4,720,441)	(345,765)
Other income and expenses:		
Listing expense (Note 15)	(4,263,265)	-
Loan interest charges (Note 10)	(19,154)	-
Net loss and comprehensive loss for the period	(9,002,860)	\$ (345,765)
Net loss per share (Note 13 (b))		
Basic and diluted	\$ (0.09)	\$ 0.00

See accompanying notes to these consolidated financial statements.

CANADABIS CAPITAL INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Number of Shares ⁽¹⁾	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance at July 31, 2017	78,000,000	\$ 100	\$ -	\$ (106,753)	\$ (106,653)
Shares issued in private placements (Note 13)	10,560,000	504,000	-	-	504,000
Shares to be issued (Note 13)	-	165,000	-	-	165,000
Net loss and comprehensive loss	-	-	-	(345,765)	(345,765)
Balance at July 31, 2018	88,560,000	669,100	-	(452,518)	216,582
Shares issued (Note 13)	7,776,286	3,648,143	-	-	3,648,143
Shares Issued - Corporate Acquisition (Note 15)	8,500,000	4,250,000	335,840	-	4,585,840
Shares issued - Asset Acquisition (Note 8)	6,666,666	2,000,000	-	-	2,000,000
Share based compensation expense (Note 13)	-	-	1,406,171	-	1,406,171
Net loss and comprehensive loss	-	-	-	(9,002,860)	(9,002,860)
Balance at July 31, 2019	111,502,952	\$ 10,567,243	\$ 1,742,011	\$ (9,455,378)	\$ 2,853,876

⁽¹⁾ The Number of Shares reflects the retrospective application of the stock split described in Note 13.

See accompanying notes to these consolidated financial statements.

CANADABIS CAPITAL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
Cash provided by (used in):		
Operating activities:		
Net loss for the period	\$ (9,002,860)	\$ (345,765)
Items not affecting cash:		
Fair value adjustment of inventory (Note 6)	38,710	-
Fair value adjustment of biological assets (Note 7)	2,438	-
Impairment of biological assets (Note 7)	5,628	-
Depreciation (Note 8)	58,668	6,256
Stock based compensation (Notes 8 & 13)	3,333,740	-
Listing Expense (Note 15)	4,263,265	-
Non-cash interest expense (Note 10)	1,182	-
Changes in non-cash working capital:		
Goods and service tax receivable	(59,189)	(6,738)
Goods and service tax paid by related parties (Note 9)	12,563	-
Prepaid expenses	(80,945)	-
Short-term deposits	(395,000)	-
Accounts payable and accrued liabilities	57,747	55,000
Corporate acquisition, accounts payable and accrued liabilities (Note 15)	(56,991)	-
Expenses paid for by related parties (Note 9)	284,290	301,195
Management fee payable to related parties (Note 9)	14,222	-
Inventory costs incurred (Note 6)	(2,698)	-
Biological asset costs incurred (Note 7)	(169,475)	-
Net cash used in operating activities	(1,694,705)	9,948
Financing activities:		
Transfers to related parties (Note 9)	(1,264,113)	-
Transfers from related parties (Note 9)	25,300	-
Proceeds from long-term debt (Note 10)	881,500	-
Proceeds from shares issued (Note 13)	3,648,143	504,000
Advance proceeds from shares to be issued (Note 13)	-	165,000
Net cash from financing activities	3,290,830	669,000
Investing activities:		
Expenditures on property, plant and equipment (Note 8)	(2,633,575)	(2,220)
PP&E expenditures paid by related parties (Note 9)	212,962	2,220
Corporate acquisition, cash acquired (Note 15)	379,566	-
Asset acquisition, cash consideration (Note 8)	(100)	-
Asset acquisition, cash acquired (Note 8)	90,872	-
Net cash used in investing activities	(1,950,275)	-
Change in cash	(354,150)	678,948
Cash, beginning of period	678,948	-
Cash, end of period	\$ 324,798	\$ 678,948

See accompanying notes to these consolidated financial statements.

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

1. Nature of Operations

CanadaBis Capital Inc. ("CanadaBis"), is a publicly traded corporation, incorporated under the Alberta Business Corporations Act on November 29, 2016. Its head office is located at Suite 2000, 530 – 8th Ave SW, Calgary, Alberta. The Company's common shares are listed on the TSX Venture Exchange under the symbol "CANB".

On April 26, 2019, CanadaBis completed its Qualifying Transaction by amalgamating its subsidiary with 1926360 Alberta Ltd. operating as Stigma Pharmaceuticals ("1926360" or "Stigma"). Stigma was incorporated under the Alberta Business Corporations Act on October 13, 2015. 1926360 Alberta Ltd. has one wholly owned subsidiary, 1998643 Alberta Ltd., which was incorporated under the Alberta Business Corporations Act on October 13, 2016. Further discussion of the Qualifying Transaction is discussed in *Note 15*.

On July 9, 2019, the Company acquired 2103157 Alberta Ltd. operating as Indicative Collection ("2103157" or "Indicative"). 2103157 was incorporated under the Alberta Business Corporations Act on March 5, 2018. Further discussion of the asset acquisition is discussed in *Note 8*.

On July 24, 2019, the Company acquired Full Spectrum Labs Ltd., a corporate entity incorporated under the Alberta Business Corporations Act on May 27, 2019. Further discussion of the asset acquisition is discussed in *Note 8*.

The consolidated financial statements as at and for the year ended July 31, 2019 includes CanadaBis Capital Inc. and its subsidiaries (together referred to as "the Company"). The comparative consolidated financial statements for the year ended July 31, 2018, include 1926360 Alberta Ltd. and its subsidiaries, 1926360 Alberta Ltd. being the parent company prior to the closing of the reverse takeover transaction as discussed in *Note 15*. The principal activities of the Company are to facilitate the production and sale of recreational cannabis.

For the year ended July 31, 2019, the Company has a net loss of \$9,002,860, a cash loss from operating activities of \$1,694,705, and is in violation of certain debt covenants. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to achieve profitable operations in the future, on its ability to raise additional capital through debt or equity financings, to obtain an amendment to the existing sales license to include dried flower, and on the cooperation of lenders with debt covenant violations. The Company has been successful in raising capital in the past but there is no assurance that it will be successful in closing additional raises. While the Company expects to be successful in obtaining the amended sales license there is no assurance this will occur. There is no assurance that lenders with debt covenant violations will not demand loans.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, reported expenses and the consolidated statement of financial position classifications used.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issuance by the Board of Directors on November 21, 2019.

(b) Basis of consolidation

Subsidiaries are entities controlled by CanadaBis. Control exists when CanadaBis has the power, directly or indirectly, to govern the financial and operating policies of an entity and to be exposed to the variable returns from its activities. The financial

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

statements of the subsidiaries are included in the consolidated financial statements of CanadaBis from the date the control commences until the date the control ceases.

Subsidiary	Jurisdiction of incorporation	Ownership interest
1926360 Alberta Ltd.	Alberta, Canada	100%
1998643 Alberta Ltd.	Alberta, Canada	100%
Full Spectrum Labs Ltd.	Alberta, Canada	100%
2103157 Alberta Ltd.	Alberta, Canada	100%

Intercompany balances and any unrealized gains and losses or income and expenses arising from transactions with subsidiaries are eliminated to the extent of CanadaBis' interest.

(c) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value as explained in *Note 5 - Determination of Fair Values*.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of CanadaBis and its subsidiaries.

3. Significant Accounting Policies:

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying consolidated financial statements are set out below:

(a) Cash

Cash includes cash on hand and deposits held with banks.

(b) Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Expected Credit Loss

IFRS 9 requires the Company to record an allowance for expected credit loss ("ECL") based on a 12-month ECL or lifetime ECL. As of July 31, 2019, the Company has no trade receivables, and therefore no ECL allowance has been recorded.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

Classification and subsequent measurement

Financial assets are classified as fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost.

Subsequent to initial recognition, the Company classifies and measures all financial assets at amortized cost.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and an equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Financial liabilities are classified as amortized cost unless they are required to be measured, or the Company has opted to measure them, at FVTPL.

Subsequent to initial recognition, the Company classified all financial liabilities at amortized cost using the effective interest rate method.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expired.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses (if any). Such costs include expenditures directly related to the acquisition of the asset, the cost of replacing part of the property, plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statements of loss and comprehensive loss as incurred.

Depreciation of property, plant and equipment is not recorded until such time as the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

Depreciation is calculated using the declining balance method over the estimated useful life of the assets, at the following rates:

- Buildings and Leaseholds – 10%
- Plant and Equipment – 20% to 55%
- Office Equipment – 20%

Gains or losses arising from de-recognition of an item of property, plant and equipment are measured as the difference between the sale proceeds and the carrying amount of the asset and are recognized in the consolidated statements of loss and comprehensive loss when the asset is derecognized.

(d) Impairment

Financial assets

Financial assets are assessed at each reporting date in order to determine whether objective evidence exists that the assets are impaired as a result of one or more events which have had a negative effect on the estimated future cash flows of the asset.

If there is objective evidence that a financial asset has become impaired, the amount of the impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows from the asset discounted at its original effective interest rate. Impairment losses are recorded in the consolidated statement of loss and comprehensive loss. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset. Any reversal is recognized in the consolidated statement of operations.

Non-financial assets

The carrying amounts of the Company's property, plant and equipment are assessed for impairment indicators on at least an annual basis to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's or group of assets' estimated fair value less cost of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable independent cash inflows (a cash generating unit or "CGU").

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of loss and comprehensive loss.

(e) Leased assets

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, which are not recognized on the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

(f) Income taxes

Income tax on the income or loss for the period comprises of current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

(g) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The Company may issue units comprised of common share and common share purchase warrants. In these instances, the entire value of the unit is allocated to the common share component.

(h) Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of outstanding common shares during the year. Diluted loss per share is calculated similarly but includes potential dilution from the exercise of warrants, exercise of stock options, and conversion of debt to equity, except when the effect would be anti-dilutive.

(i) Changes in accounting policies

a. IFRS 9 - Financial Instruments

The Company retrospectively applied the requirements of IFRS 9 on August 1, 2017. The adoption did not result in a change in the carrying value of any of the Company's financial instruments on the transition date.

IFRS 9 is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

b. IFRS 15 – Revenue from contracts with customers

IFRS 15 replaces the existing revenue recognition guidance with a new framework to determine the timing and measurement of revenue, providing users of the consolidated financial statements more information and relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has adopted

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

the new standard using the modified retrospective method. The Company has evaluated the impact of adopting IFRS 15 on the consolidated financial statements and it does not have a material impact.

c. IFRS 16 - Leases

IFRS 16 Leases was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. Management has reviewed existing leasing arrangements in light of the new lease accounting rules and has determined the standard will affect primarily the accounting for operating leases.

The Company will apply the standard from its mandatory adoption date of January 1, 2019 using the modified retrospective method with the cumulative effect of initially recognizing the standard as an adjustment to retained earnings at the date of initial application, and without restatement of prior periods' reported figures. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

Based on information currently available, the Company expects to recognize right-of-use assets of approximately \$4.0 million on August 1, 2019 and lease liabilities of \$4.2 million. Interest expense of \$0.1 million and amortization expense of \$0.1 million related to the preadoption period will be adjusted to retained earnings.

4. Critical Accounting Estimates and Judgements

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) Inventory

Inventories are valued at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory at the lower of cost and net realizable value.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(b) Biological assets

The Company's biological assets are accounted for in accordance with IAS 41 – Agriculture. Costs associated with the growing process are capitalized as incurred. These include direct costs such as seeds and other growing materials as well as indirect costs including, but not limited to, supplies and labour for individuals involved in the growing and quality control process. Depreciation of tangible assets is not capitalized. Biological assets are measured at their fair value less costs to sell on the Statement of Financial Position at each reporting date. Unrealized gains and losses on the fair value of biological assets are recorded separately on the Statement of Loss and Comprehensive Loss at the end of each reporting period. Upon harvest, biological assets are transferred to inventory at their fair value less costs to sell.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

The significant assumptions applied in determining the fair value of biological assets, categorized as a level 3 in the fair value hierarchy based on the inputs to the valuation technique used, are as follows:

- a. expected yield based on average historical growing results by strain;
- b. percentage of costs incurred to date as compared to the estimated total costs to be incurred ("point in growth cycle");
- c. selling price based on Alberta Gaming Liquor and Cannabis ("AGLC") purchase price by product; and
- d. estimated costs to sell.

The Company periodically assesses the significant assumptions applied in determining the fair value of biological assets based on historical information obtained as well as planned production. When there is a material change in any of the significant assumptions, the fair value of biological assets is adjusted.

(c) Deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(d) Useful lives of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical deterioration, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the non-current assets.

(e) Stock based compensation

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date using the Black-Scholes option pricing model and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

5. Determination of Fair Values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Current assets, current liabilities, and amounts due from related parties:

At July 31, 2019, the fair value of cash, prepaid expenses, deposits, amounts due to/from related parties, accounts payable and accrued liabilities, and the current portion of long-term debt approximated their carrying value due to their short term to maturity.

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

Long-term debt bears both fixed and floating rates of interest and the margins charged by the lenders are indicative of current credit spreads, therefore carrying value approximates fair value. Subsequently, long-term debt is measured at amortized cost. The fair value of inventory and biological assets is discussed in Notes 4(a) and 4(b).

(b) Property, plant and equipment:

The fair value of property, plant and equipment recognized in an acquisition is based on market values. The market value of property, plant and equipment is the estimated amount for which property, plant and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(c) Measurement:

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

6. Inventory

	Harvested Cannabis
Work in process	
Balance at July 31, 2018	\$ -
Cash cost transferred from biological assets	98,124
Fair value transferred from biological assets	31,019
Cash cost transferred to finished goods	(98,124)
Fair value transferred to finished goods	(31,019)
Balance at July 31, 2019	-
Finished goods	
Balance at July 31, 2018	-
Cash cost transferred from work in process	98,124
Fair value transferred from work in process	31,019
Cash cost during the period	2,698
Change in fair value of inventory	(38,710)
Balance at July 31, 2019	93,131
	\$ 93,131

For the year ended July 31, 2019, cannabis cash cost of inventory expensed to cost of sales amounted to \$Nil (2018 - \$Nil). In addition, the Company recorded expense of \$38,710 (2018 - \$Nil) relating to fair value adjustments.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

7. Biological Assets

Balance at July 31, 2018	\$	-
Cash cost of biological assets during the period		169,475
Change in fair value of biological assets		(2,438)
Cash cost transferred to inventory upon harvest		(98,124)
Fair value transferred to inventory upon harvest		(31,019)
Impairment of biological assets		(5,628)
Balance at July 31, 2019	\$	32,266

At July 31, 2019, the growth cycle of CanadaBis' biological assets is expected to be 95 days. For in-process biological assets, the Company determines the value based on fair value less costs to sell. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. Fair value is determined at the point of harvest and is adjusted based on the point at which the plants are in the growth cycle. On June 19, 2019, the Company successfully completed its second harvest. At July 31, 2019, the remaining plants were 43% complete relative to the next expected harvest date.

A 10% change in the estimated selling price of biological assets would result in a change of approximately \$5,700 to the fair value of biological assets at July 31, 2019.

8. Property, Plant and Equipment

		Plant and equipment	Office equipment	Building and leasehold improvements	Land	Total
Cost:						
Balance at July 31, 2017	\$	22,600	\$ 29,061	\$ -	\$ -	51,661
Additions		-	2,220	-	-	2,220
Balance at July 31, 2018		22,600	31,281	-	-	53,881
Additions		179,044	107,278	584,253	1,763,000	2,633,575
Asset Acquisitions		72,431	-	759,652	662,000	1,494,083
Balance at July 31, 2019		274,075	138,559	1,343,905	2,425,000	4,181,539
Accumulated depreciation:						
Balance at July 31, 2017		-	-	-	-	-
Depreciation for the period		-	6,256	-	-	6,256
Balance at July 31, 2018		-	6,256	-	-	6,256
Depreciation for the period		28,416	15,340	14,912	-	58,668
Balance at July 31, 2019		28,416	21,596	14,912	-	64,924
Net carrying value:						
At July 31, 2018		22,600	25,025	-	-	47,625
At July 31, 2019	\$	245,659	\$ 116,963	\$ 1,328,993	\$ 2,425,000	4,116,615

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

Land is not depreciated as it is considered to have an indefinite useful life. Plant and equipment costs incurred in the prior year were not depreciated as the assets were not yet operating in a manner intended by management.

At July 31, 2019, the Company assessed its CGU for indicators of impairment and determined that none exist.

2103157 Alberta Ltd.

On July 9, 2019, the Company acquired a non-operating corporate entity, 2103157 Alberta Ltd., which holds a cannabis retail store development license in Red Deer, Alberta for cash consideration of \$100 from a director of CanadaBis. The consideration includes settlement of pre-existing amounts owing between the entities of \$391,354.

At the time of acquisition, the entity had no cash inflows or outflows and did not contain a workforce. As a result, this transaction will be accounted for as an asset acquisition under IAS 16. The fair value of the building and improvements was based on the recent sales price between arm's length parties. The net assets of the entity are as follows:

Cash	\$	90,872
GST receivable		3,633
Prepaid expenses		12,204
Buildings and improvements		759,652
Land		662,000
Accounts payable and accruals		(122,056)
Related party balances		(5,200)
Long-term debt		(1,009,651)
Net Assets Acquired	\$	391,454

Full Spectrum

On July 24, 2019, the Company acquired a non-operating corporate entity, Full Spectrum Labs Ltd., containing extraction assets for consideration of \$2,000,000 payable in 6,666,666 common shares of CanadaBis at \$0.30 per share. This transaction will be accounted for as a share-based payment under IFRS 2.

The fair value of the extraction equipment is equal to its original cost. The residual value of the share consideration has been recorded as stock-based compensation expense within the Company's Consolidated Statements of Loss and Comprehensive Loss for the year ended July 31, 2019.

In conjunction with the acquisition of Full Spectrum Labs Ltd., the terms of the agreement include an earned-out payment in the amount of \$100,000, which is due on the date of the first commercial sale of extracts or topicals.

Legal fees of \$17,515 were incurred in conjunction with the acquisition.

Extraction equipment	\$	72,431
Stock based compensation expense		1,927,569
Net Assets Acquired	\$	2,000,000
Share Consideration	\$	2,000,000

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

9. Related Party Transactions

Except as disclosed elsewhere, the Company had the following related party transactions and balances during the year ended July 31, 2019 with a company of which one of the directors is also a director of CanadaBis:

- a) Expenses incurred by the Company totaling \$284,290 (2018 - \$301,195) were paid for by the related party.
- b) Goods and service tax incurred by the Company totaling \$12,563 (2018 - \$Nil) was paid for by a related party.
- c) Management fees payable to the related party totaling \$14,222 (2018 - \$Nil).
- d) Property, plant, and equipment totaling \$212,962 (2018 - \$2,200) were paid for by the related party.
- e) The Company transferred funds to the related party totaling \$1,061,113 (2018 - \$Nil).
- f) The Company received funds from the related party totaling \$25,300 (2018 - \$Nil).
- g) Upon acquisition of 2103157, the Company settled pre-existing amounts owing between the entities of \$391,354 and acquired amounts owing to related parties of \$5,200 related to expenses paid for and transfers to the company prior to acquisition (2018 - \$Nil).

As a result of the above transactions, at July 31, 2019, the Company had amounts due to related parties of \$379,228 (2018 - \$494,450). These amounts are unsecured, bear no interest and have no stated terms of repayment.

The Company transferred funds totaling \$203,000 to an entity in which a Director of CanadaBis is a partial shareholder. The amount is unsecured, bears no interest and has no stated terms of repayment.

During the year ended July 31, 2019, CanadaBis acquired land, for which the Company's cultivation facility is affixed, for \$1,763,000 (Note 10). The land was purchased from a company of which one of the directors is also a director of CanadaBis.

Subsequent to July 31, 2019, CanadaBis acquired the Company's cultivation facility for \$4.2 million (Note 11). The facility was purchased from a company of which one of the directors is also a director of CanadaBis.

Key Management Personnel

CanadaBis considers its directors and executives to be key management personnel. During 2019, there was no short-term compensation paid to directors. Key management personnel compensation is comprised of the following:

	July 31, 2019	July 31, 2018
Short-term employee benefits	\$ 136,039	\$ -
Share-based compensation	1,364,944	-
	\$ 1,500,983	\$ -

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

10. Long-term debt

As at July 31, 2019, the Company had long-term debt totaling \$1,892,333 related to the purchases of the cultivation facility and retail building.

At July 31, 2019 and 2018, the Company had a letter of credit issued in the amount of \$25,000, with no balance outstanding. The annualized effective interest rate on the Company's borrowings under its facilities for the year ended July 31, 2019 was 6.2% (July 31, 2018 – Nil).

The long-term borrowings held by the Company are as follows:

Balance at July 31, 2018	\$ -
Current portion of long-term debt	
Retail location - fixed term mortgage (Note 10(b)(ii))	750,000
Long-term debt	
Cultivation Facility - vendor take-back mortgage (Note 10(a))	881,500
Retail location - vendor take-back mortgage (Note 10(b)(i))	260,833
	<u>1,142,333</u>
Balance at July 31, 2019	\$ 1,892,333

a) 1998643 Alberta Ltd.

On April 15, 2019, CanadaBis acquired land, for which the Company's cultivation facility is affixed, for \$1,763,000. Consideration consisted of \$881,500 in cash and a 5-year vendor take-back mortgage also in the amount of \$881,500. The mortgage incurs interest at 6% per annum and matures on April 15, 2024. Interest only payments of \$4,408 are required monthly until maturity. There are no covenants associated with the vendor take-back mortgage. This mortgage is owed to an entity in which a Director of CanadaBis is a partial shareholder.

b) 2103157 Alberta Ltd.

In conjunction with the acquisition of 2103157 Alberta Ltd., CanadaBis acquired long-term debt of \$1,009,651 (Note 8). The long-term debt pertains to the purchase of the retail building on January 22, 2019. The debt consists of the following:

- i. A 2-year vendor take-back mortgage in the amount of \$250,000. The mortgage incurs interest at 8% per annum, compounded annually, and matures on January 22, 2021. Interest and principle are payable upon maturity. Interest accrued at July 31, 2019 totaled \$ 10,833. The mortgage is secured by a fixed charge over the land. There are no covenants associated with the vendor take-back mortgage.
- ii. A fixed term mortgage in the amount of \$750,000, due on demand with an initial interest only term of 12 months expiring on February 1, 2020. At this time, the mortgage may be converted to a monthly blended payment of principal and interest with a term of 19 years. Interest is payable monthly at an annual rate of 1.8% over the bank's prime lending rate. The mortgage is secured by a fixed charge over the building, land, and improvements as well as two personal guarantees in the amount of \$500,000 each issued by Management and Directors.

The mortgage agreement requires that the Company maintain a minimum Debt Service Coverage ratio of 1.40:1 based on the most recent annual consolidated financial statements. Debt Service Coverage is defined as the ratio of cash flow (Net after tax income + depreciation + interest expensed + deferred/future taxes - dividends declared - reductions in shareholder's loans/due to related party - gains on capital assets + loss on capital assets) over debt service requirements (interest and principal paid on all debt in the fiscal year under review). As the Company is currently in a pre-revenue stage

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

this ratio at July 31, 2019 is Nil (July 31, 2018 – Nil). CanadaBis continues to monitor this ratio in cooperation with the lender on an ongoing basis.

The mortgage agreement requires that the Company maintain a Debt to Equity ratio not to exceed 3.0:1. Debt to equity is defined as the ratio of total liabilities (including related party loans not formally postponed to the lender and excluding shareholder loans) over equity. At July 31, 2019, this ratio was 0.7:1 (July 31, 2018 – Nil).

The mortgage agreement requires that the Company maintain a minimum Current ratio of 1.25:1 based on the most recent annual consolidated financial statements. Current ratio is defined as the ratio of current assets over current liabilities. At July 31, 2019, this ratio was 0.7:1 (July 31, 2018 – Nil). CanadaBis continues to monitor this ratio in cooperation with the lender on an ongoing basis.

Subsequent to July 31, 2019, the Company was extended an additional \$250,000 on this mortgage. As of November 21, 2019 approximately \$150,000 of this amount has been drawn.

11. Leases

On April 1, 2019, the Company entered into a lease with an option to purchase related to the cannabis cultivation facility (the "Facility"). The lease has a five-year term, expiring in December 2023, with an option to renew for a further five-year term. In addition, the agreement contains an option for the lessee to purchase the building for approximately \$4.2 million, plus 5% interest per annum should the option be exercised after the first year of the lease. The lease contemplates the Company incurring all operating expenses for the Facility directly to the extent possible. The "rent" payable by the Company under the lease is equal to the expenses actually incurred and is capped at a maximum of \$10,000 per month. As a result, there are no fixed minimum payments to be incurred by CanadaBis as a result of the lease. In addition, non-payment of rent under the lease is only default if not paid for 12 months following notice and a 60-day cure period.

Subsequent to July 31, 2019, the Company exercised its option to purchase and acquired the Facility for consideration of \$4.2 million. Upon closing of the purchase, the Company has assumed a fixed term mortgage in the amount of \$3,500,000, with an initial interest only term of 12 months expiring on March 1, 2020. At this time, the mortgage may be converted to a monthly blended payment of principal and interest with a term of 14 years. Interest is payable monthly at an annual rate of 1.0% over the bank's prime lending rate. The mortgage is secured by a fixed charge over the buildings, land, and improvements as well as a Joint & Several Guarantee and Postponement in the amount of \$3,500,000.

The mortgage agreement requires that the Company maintain a minimum Debt Service Coverage ratio of 1.40:1 based on the most recent annual consolidated financial statements. Debt Service Coverage is defined as the ratio of cash flow (Net after tax income + depreciation + interest expensed + deferred/future taxes - dividends declared – reductions in shareholder's loans/due to related party - gains on capital assets + loss on capital assets) over debt service requirements (interest and principal paid on all debt in the fiscal year under review).

The mortgage agreement requires that the Company maintain a Debt to Equity ratio not to exceed 3.0:1 based on the most recent annual consolidated financial statements. Debt to equity is defined as the ratio of total liabilities (including related party loans not formally postponed to the lender and excluding shareholder loans) over equity.

The mortgage agreement requires that the Company maintain a minimum Current ratio of 1.25:1 based on the most recent annual consolidated financial statements. Current is defined as the ratio of current assets over current liabilities.

In conjunction with the purchase, a deposit of \$375,000, which is included in short-term deposits on the Company's Statement of Financial Position, and \$203,000 of related party receivables were offset against the purchase price.

The Facility was purchased from a company of which one of the directors is also a director of CanadaBis.

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

12. Income Taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to the loss before income tax. These differences result from the following:

	July 31, 2019	July 31, 2018
Loss before income taxes	\$ (9,002,860)	\$ (345,765)
Statutory tax rates	27%	27%
Expected income tax recovery	(2,430,772)	(93,357)
Rate change	88,566	-
Non-deductible expenses	2,073,998	275
20(1)e assumed from acquisition	(18,836)	-
Non-capital losses assumed from acquisition	(100,402)	-
Deferred tax assets not recognized	387,446	93,082
Income tax recovery	\$ -	\$ -

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets are summarized as follows:

	July 31, 2018	Deferred tax assets (liabilities) assumed from acquisition	Recovered through (charged) to earnings	Deferred tax assets (liabilities) applicable to change in tax rate	July 31, 2019
Property, plant, and equipment	\$ 1,689	\$ -	\$ (5,023)	\$ 494	\$ (2,840)
Non-capital loss carry forwards	120,117	100,402	363,282	(86,489)	497,312
20(1)(e) costs	-	18,836	(3,663)	(2,248)	12,925
Biological assets	-	-	2,178	(323)	1,855
Net deferred tax assets	121,806	119,238	356,774	(88,566)	509,252
Deferred tax assets not recognized	(121,806)	(119,238)	(356,774)	88,566	(509,252)
Deferred tax liabilities	\$ -	\$ -	\$ -	\$ -	\$ -

	July 31, 2017	Deferred tax assets (liabilities) assumed from acquisition	Recovered through (charged) to earnings	Deferred tax assets (liabilities) applicable to change in tax rate	July 31, 2018
Property, plant, and equipment	\$ -	\$ -	\$ 1,689	\$ -	\$ 1,689
Non-capital loss carry forwards	13,512	-	91,393	15,212	120,117
Net deferred tax assets	13,512	-	93,082	15,212	121,806
Deferred tax assets not recognized	(13,512)	-	(93,082)	(15,212)	(121,806)
Deferred tax liabilities	\$ -	\$ -	\$ -	\$ -	\$ -

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

13. Shareholders' Equity

a) Share capital

The Company is authorized to issue an unlimited number of voting common, non-voting common and preferred shares.

On September 24, 2018, the Company completed a 2:1 stock split. As a result, shareholders of record as at the close of business on September 24, 2018 received one additional share for each share held. Therefore, all of the information on the number of shares and the earnings per share has been restated retrospectively to reflect the share split.

At July 31, 2019, 91,745,700 outstanding common shares were held in escrow at various prices ranging from \$0.05 to \$0.50 per share.

Equity issuances made by the Company are as follows:

	Number of Shares	Share Capital
Balance at July 31, 2017	78,000,000	\$ 100
Shares issued in private placements ⁽¹⁾	10,560,000	504,000
Shares to be issued ⁽²⁾	-	165,000
Balance at July 31, 2018	88,560,000	669,100
Shares issued ⁽³⁾	4,472,286	2,071,143
Shares issued ⁽⁴⁾	750,000	300,000
Shares issued ⁽⁵⁾	554,000	277,000
Shares issued ⁽⁶⁾	2,000,000	1,000,000
Shares Issued - Corporate Acquisition ⁽⁷⁾	8,500,000	4,250,000
Shares Issued - Corporate Acquisition ⁽⁸⁾	6,666,666	2,000,000
Balance at July 31, 2019	111,502,952	\$ 10,567,243

- 1) On June 28, 2018, the Company issued 10,560,000 voting common shares for gross proceeds of \$504,000.
- 2) Prior to July 31, 2018, the Company received advances from shareholders for shares to be issued on November 9, 2018.
- 3) On November 9, 2018, the Company issued 4,472,286 voting common shares at \$0.50 per share for gross proceeds of \$2,236,143. All shares were issued as part of a unit, with each unit being comprised of one common share and one-half common share purchase warrant (Note 13(d)).
- 4) On November 9, 2018, the Company issued 750,000 voting common shares at \$0.40 per share for gross proceeds of \$300,000. All shares were issued as part of a unit, with each unit being comprised of one common share and one-half common share purchase warrant (Note 13(d)).
- 5) On February 11, 2019, the Company issued 554,000 voting common shares for gross proceeds of \$277,000. Of the total issued 226,000 common voting shares were issued to Management. All shares were issued as part of a unit, with each unit being comprised of one common share and one-half common share purchase warrant (Note 13(d)).
- 6) On April 24, 2019, the Company issued 2,000,000 voting common shares at \$0.50 per share for gross proceeds of \$1,000,000. All shares were issued as part of a unit, with each unit being comprised of one common share and one-half common share purchase warrant (Note 13(d)).

CANADABIS CAPITAL INC.

Notes to the Consolidated Financial Statements

For the years ended July 31, 2019 and 2018

(Expressed in Canadian Dollars)

- 7) On April 26, 2019, the Company issued 8,500,000 voting common shares at \$0.50 per share in conjunction with the reverse takeover discussed in Note 15.
- 8) On July 24, 2019, the Company issued 6,666,666 voting common shares at \$0.30 per share in conjunction with the acquisition of Full Spectrum Labs Ltd. as discussed in Note 8. At July 31, 2019, 6,000,000 shares associated with this transaction were held in escrow.

b) Per share amounts

Per share amounts have been calculated on the weighted average number of shares outstanding. The weighted average shares outstanding reflects the retrospective application of the stock split described in Note 13(a). The weighted average shares outstanding for the year ended July 31, 2019 was 95,495,699 (2018 – 78,954,740).

The calculation of the diluted loss per share for the year ended July 31, 2019 excludes the effect of all stock options and warrants as the impact would be anti-dilutive due to the net loss. Therefore, the diluted per share amount is equivalent to the basic per share amount.

c) Stock Options

The Company has a stock option program that entitles officers, directors, employees, and certain consultants to purchase shares in the Company. Options are granted at the market price of the shares at the date of grant, have a five-year term and vest over three years. With the exception of the \$0.10 options that vested upon issue.

The number and weighted average exercise prices of stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at July 31, 2018 and 2017	800,000	\$ 0.10
Granted	7,750,000	\$ 0.48
Outstanding at July 31, 2019	8,550,000	\$ 0.45

The following table summarizes information about the stock options outstanding at July 31, 2019:

Grant Prices	Outstanding at July 31, 2019	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Exercisable at July 31, 2019	Weighted Average Exercise Price
\$0.10	800,000	2.60	\$ 0.10	800,000	\$ 0.10
\$0.50	6,950,000	4.79	0.50	-	-
\$0.32	650,000	4.97	0.32	-	-
\$0.30	150,000	4.99	0.30	-	-
	8,550,000	4.60	\$ 0.45	800,000	\$ 0.10

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

The fair value of the options granted were estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions:

Assumptions	July 31, 2019	July 31, 2018
Risk free interest rate (%)	1.49%	-
Expected life (years)	5.00	-
Expected volatility (%)	98.28%	-
Forfeiture rate (%)	2.00%	-
Weighted average fair value of options	\$ 0.30	\$ -

For the year ended July 31, 2019, \$1,097,500 of stock-based compensation expense related to 3,000,000 shares transferred to management and directors by certain shareholders, was incurred due to a variance in the transfer price and the fair value of the shares at the date of transfer.

d) Warrants

During the year ended July 31, 2019, the Company issued warrants in conjunction with a private placement of units (Note 13(a)). A total of 3,888,143 warrants were issued - 2,611,143 warrants exercisable until November 9, 2019, 277,000 warrants exercisable until February 11, 2020, and 1,000,000 warrants exercisable until April 25, 2020 each at a strike price of \$1.00 per warrant. The Company issued warrants at a ratio of one-half warrant for each common share of 1926360 Alberta Ltd held. Upon issuance the warrants were valued at \$Nil.

The warrants have an initial term that expires on the first anniversary of the grant date, which may be extended by the Board of Directors. Subsequent to year end, the terms of all outstanding warrants were changed with the term being extended by an additional two years and the exercise price being reduced to \$0.50 per warrant.

	Number of Warrants
Outstanding at July 31, 2018 and 2017	-
Granted	3,888,143
Outstanding at July 31, 2019	3,888,143

The fair value of the warrants granted is inclusive of the share capital at the date of issuance.

14. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its development, production and financing activities. CanadaBis has exposure to credit, liquidity and interest risk.

CanadaBis' risk management policies are established to:

- Identify and analyze the risks faced by the Company;
- Set appropriate limits and controls; and

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

- To monitor risks and adherence to market conditions and the Company's activities.

This narrative presents information about the Company's risk exposure, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

(a) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that would potentially subject the Company to concentrations of credit risks consist principally of cash. All of the Company's cash was held at three financial institutions at July 31, 2019, all of which are Canadian Chartered Banks. Management believes that the risk of loss is minimal, but the Company is subject to concentration of credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk through its long-term debt (*Note 10*). A 1% increase to the interest rate would have an approximate impact of \$9,000 on pre-tax earnings for the year ended July 31, 2019.

(d) Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers its capital to include share capital and net debt (defined as current assets and amounts due from related parties less current liabilities and any long-term debt). As at July 31, 2019, the Company had net debt of \$1,287,739 (July 31, 2018, net debt surplus – \$143,957).

15. Corporate Acquisition

CanadaBis was a listed shell company with 8,500,000 shares on issue. On April 26, 2019, CanadaBis issued an additional 96,336,286 shares to acquire 100% of the issued share capital of 1926360 Alberta Ltd., a private company, which had 96,336,286 shares in issue. At the date of the transaction, CanadaBis had a cash balance of \$379,566, an accounts payable balance of \$56,991 and stock options with a fair value of \$335,840. CanadaBis had no other assets or liabilities.

As 1926360 Alberta Ltd. obtained control of the combined entity after the transaction, from an accounting perspective, the transaction is not an acquisition of 1926360 Alberta Ltd. by CanadaBis, and is instead the acquisition of CanadaBis by 1926360 Alberta Ltd. Consequently, 1926360 Alberta Ltd. is the continuing entity and all comparative information in the consolidated financial statements will be that of 1926360 Alberta Ltd.

As CanadaBis is not a business as defined in IFRS 3, it is inappropriate to account for this transaction as a reverse acquisition and recognize goodwill. The difference between the purchase consideration less the net cash acquired from CanadaBis is instead accounted for as a listing expense in accordance with IFRS 2.

Legal fees of \$61,551 were incurred in conjunction with the acquisition.

CANADABIS CAPITAL INC.
Notes to the Consolidated Financial Statements
For the years ended July 31, 2019 and 2018
(Expressed in Canadian Dollars)

Cash	\$	(379,566)
Accounts payable		56,991
Fair value of stock options		335,840
Share consideration		4,250,000
Listing expense	\$	4,263,265

The fair value of the options previously issued were estimated on the date of acquisition using the Black-Scholes option pricing model with the following assumptions:

Assumptions	July 31, 2019		July 31, 2018	
Risk free interest rate (%)		1.59%		-
Expected life (years)		2.87		-
Expected volatility (%)		83.00%		-
Forfeiture rate (%)		2.00%		-
Exercise price (\$)	\$	0.10	\$	-
Stock price (\$)	\$	0.50	\$	-
Unit value (\$)	\$	0.42	\$	-

16. Subsequent Events

Subsequent to July 31, 2019, the Company acquired 95% of a non-operating corporate entity containing the right to use 13 acres of land zoned for the outdoor cultivation of cannabis. Consideration consists of \$3,500,000 payable in 11,666,666 common shares of CanadaBis at \$0.30 per share.

On August 1, 2019 the Board of Directors granted a total of 200,000 common share stock options at an exercise price of \$0.34 per share, all of which have a maturity date of five years from the date of issuance, and vest over three years.

On September 13, 2019 the Board of Directors granted a total of 70,000 common share stock options at an exercise price of \$0.29 per share, all of which have a maturity date of five years from the date of issuance, and vest over three years.