



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Months Ended October 31, 2020 and 2019

CanadaBis Capital Inc.
Management Discussion & Analysis
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MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) for CanadaBis Capital Inc. (“CanadaBis” or the “Company”) should be read in conjunction with the Company’s unaudited interim consolidated financial statements (“Financial Statements”) for the three months ended October 31, 2020 and the July 31, 2020 audited financial statements and MD&A. CanadaBis’ Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and the accounting policies applied in these Financial Statements are based on IFRS as issued, outstanding and in effect on December 21, 2020. All amounts are presented in Canadian dollars unless otherwise stated.

CanadaBis is a publicly traded corporation whose principal business objective is the production and distribution of cannabis in Canada pursuant to the Cannabis Act. The Company does not engage in any cannabis-related activities in the United States as defined in Canadian Securities Administrators Staff Notice 51-352.

Additional information relating to CanadaBis is available under CanadaBis’ SEDAR profile at www.sedar.com. This MD&A is dated December 21, 2020.

2020 HIGHLIGHTS

- On August 13, 2019, the Company acquired 95% of the outstanding shares of Goldstream Cannabis Inc., which holds the rights to access 13 acres of land on Vancouver Island, BC, which is already zoned for cannabis production, in addition to \$2,000,000 cash. The transaction was valued at \$3.5 million with consideration consisting of 11,666,666 common shares of CanadaBis at \$0.30 per share. Share-based payment expense of \$1,600,000 was recorded in conjunction with the transaction;
- On October 5, 2019, the Company opened its flagship cannabis retail store, operating as “INIDICative Collection”, serving customers in Red Deer, Alberta;
- The Company was granted its amendment by Health Canada to its existing license to include sales of Cannabis products on March 6, 2020, through its wholly owned subsidiary 1998643 Alberta Ltd. (o/a Stigma Grow). This license from Health Canada allows the company to sell cannabis that is cultivated at its 66,000 sq. ft. facility;
- On April 19, 2020, the Company oversaw the first shipment of 6000+ packages of multiple SKUs of concentrates;
- On July 31, 2020, the Company completed a non-brokered private placement of 8,295,993 voting common shares for proceeds of \$1,244,399, or \$0.15 per voting common share;
- The Company continues to develop the facility and processing areas to triple the existing cultivation space and double the processing capacity;
- On November 26, 2020, the Company secured its federal sales license for concentrates; and
- The Company through its wholly owned subsidiary 1998643 Alberta Ltd. (o/a Stigma Grow) secured sales channels for its concentrates and flowers in the provinces of Alberta and Saskatchewan, with other provinces to follow.

FIRST QUARTER FINANCIAL HIGHLIGHTS

	Three months ended October 31	
	2020	2019
Net revenues	\$ 1,198,464	\$ 52,709
Cost of sales	756,340	35,126
Gross profit excluding fair value items	442,124	17,583
Gross profit (loss)	421,973	(31,876)
Fund flow ⁽¹⁾	(561,602)	(1,075,725)
Net loss and comprehensive loss	(830,372)	(2,823,987)
Loss per share (basic and diluted)	\$ (0.01)	\$ (0.02)

⁽¹⁾ Non-IFRS measure. See “Non-IFRS Measures”

BACKGROUND & STRATEGIC TRANSACTIONS

CanadaBis is a participant in the Canadian recreational market for cannabis. The value proposition of the Company is as follows:

- Deliver quality products and services to the business-to-business and business-to-consumer market;
- Provide a range of high-potency dried flower, concentrate and lifestyle cannabis products;
- Provide third-party and white label processing contracts with reputable, high-volume producers, including product development R&D;
- Introduce first-to-market Canadian concentrate products under our own, as well as third-party brands.
- Develop our brand as an in-demand Licensed Producer with unique abilities and unmatched maneuverability; and
- Support education initiatives within the industry to educate consumers on cannabis and its use, specifically in the areas where we are first-to-market.

The Company have worked in close collaboration with third parties to construct a 66,000 square foot cultivation facility. Approximately 44,000 square feet of the building has been developed and equipped for initial capacity to grow 225 kg of cannabis per year.

Effective March 6, 2019 the Company has received its cultivation license, allowing it to possess, obtain and produce cannabis. In addition, the Company is able to sell cannabis under subsection 11(5) and subsection 17(5) of the Cannabis Regulations.

On April 15, 2019, CanadaBis acquired the land, for which the Company's cultivation facility is affixed, for \$1.8 million. Consideration consisted of \$0.9 million in cash and \$0.9 million in a mortgage payable to the vendor over 5 years at 6% interest per annum.

On April 26, 2019, the Company closed its previously announced Qualifying Transaction (the "Qualifying Transaction"). Pursuant to the amalgamation agreement dated October 1, 2018, between the Company and a capital pool company, a subsidiary of the capital pool company amalgamated with 1926360 Alberta Ltd. The shareholders of 1926360 Alberta Ltd. each received one common share of the capital pool company for every common share held in 1926360 Alberta Ltd. The transaction constitutes a Qualifying Transaction pursuant to TSXV Policy 2.4 "Capital Pool Companies" and received exchange approval on April 26, 2019. Upon completion of the transaction, the resulting entity is a Tier 2 Life Sciences Issuer.

On July 9, 2019, the Company acquired 2103157 Alberta Ltd., a cannabis retail store operating as "INDICative Collection", for a purchase price of \$100 cash, representing the original cost of the entity (the "Retail Transaction"). At the closing date of the acquisition, INDICative Collection consisted of a retail location with a cannabis development permit, a fixed-term mortgage of \$750,000 with a term of 19 years incurring interest at prime + 1.8% and a \$250,000, 8% vendor-take-back mortgage with interest and principle repayable in January 2021. Subsequent to year-end, INDICative Collection is fully operational and serving customers in Red Deer, Alberta.

On July 24, 2019, the Company acquired Full Spectrum Labs Ltd., a cannabis extraction company holding the physical equipment and intellectual property capable of producing a wide variety of cannabis products (the "Full Spectrum Transaction"). The transaction was valued at \$2 million with consideration consisting of 6,666,666 common shares of CanadaBis at \$0.30 per share. The Company recorded share-based payment expense of \$1,927,569 as related to the transaction. Full Spectrum will position the Company to be an active participant in the upcoming extracts and edibles market, which is expected to be legalized prior to the end of calendar 2019.

On August 13, 2019, the Company acquired 95% of Goldstream Cannabis Inc., a cannabis company holding \$2 million in cash and access to 13 acres of undeveloped land, already zoned for cannabis production, located on Vancouver Island, British Columbia (the "Goldstream Transactions"). The transaction was valued at \$3.5 million with consideration consisting of 11,666,666 common shares of CanadaBis at \$0.30 per share.

On August 23, 2019, the Company exercised this option to acquire the building for consideration of \$4.2 million, consisting of \$0.4 million in deposits, \$0.3 million in cash, settlement of certain invoices and a \$3.5 million fixed term mortgage.

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SELECT QUARTERLY FINANCIAL INFORMATION

	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2
Net revenues	\$ 1,198,464	\$ 3,581,720	\$ 563,595	\$ 230,807	\$ 52,709	\$ -	\$ -	\$ -
Cost of sales	756,340	2,309,563	404,288	171,752	35,127	-	-	-
Gross profit excluding fair value items	442,124	1,272,157	159,307	59,055	17,582	-	-	-
Gross profit (loss)	421,973	1,210,366	116,998	(138,803)	(31,876)	-	-	-
Fund flow ⁽¹⁾	(561,602)	1,139,799	(1,579,512)	(956,113)	(1,075,725)	(786,225)	(497,222)	(234,046)
Net loss and comprehensive loss	(830,372)	(268,766)	(882,358)	(1,415,969)	(2,823,987)	(4,364,370)	(4,447,407)	(238,738)
Loss per share (basic and diluted)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.00)

⁽¹⁾ Non-GAAP measure. See "Non-GAAP Measures"

RESULTS OF OPERATIONS

CanadaBis reported revenues of \$1,198,464 for the three months ended October 31, 2020 as compared to \$52,709 for the similar period in 2020. The increase is due to addition of cultivation and production operations in later 2020 as well as the processing of concentrates starting in April 2020.

The Company reported a net loss of \$830,372 for the three months ended October 31, 2020 compared to a net loss of \$2,823,987 for the same period in 2020. The decrease in net loss was a result of having retail store operations, cultivation and production of cannabis and toll processing arrangements. There were no share-based payments related to acquisition in 2021.

As a result of retail operations, cultivation and harvest of cannabis and production of cannabis extracts, the cost of goods sold have increased by \$721,213 for the three months ended October 31, 2020 as compared to same period in 2020.

Fair value adjustments to inventory relate to recording inventory at the lower of cost and net realizable value, while fair value adjustments to biological assets relate to recording these assets at fair value at each reporting date. More detail on the accounting for these items can be found in Note 9 to the Company's consolidated Financial Statements at October 31, 2020.

General and administration expenses for the three months ended October 31, 2020 have increased by \$134,118 from \$680,878 in 2020 as a result of increased activity due to fully operational facility, extraction operations and retail operations.

Depreciation and amortization were \$121,040 for the three months ended October 31, 2020 as compared to \$172,689 for 2020.

Share-based payment expense was \$244,609 for the three months ended October 31, 2020 as compared to \$2,051,053 for the same period in 2020. The decrease is due to cancellation of unvested options and departure of several option grantees during the year and less other share-based payment amounts.

Loan interest charges for the three months ended October 31, 2020 was \$72,328 as compared to \$67,793 in the same period in 2020, due to interest on the fixed term mortgages and vendor takeback mortgages on the cultivation facility and the retail store location.

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FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Statements of Financial Position from Jul 31, 2020 to October 31, 2020:

	Increase / (decrease)	Primary factors explaining change
Cash and cash equivalents	(78,971)	Decrease due to plant expansion and purchase of inventory
Accounts receivable	(843,543)	Decrease is due to collections and netting of amounts owed to the some customer who supply bulk cannabis
Taxes recoverable	6,706	Increase is due to construction of phase 2 of the expansion and timing of revenues and expenses
Prepaid expenses	23,213	Increase due to deposits on containers and prepayment on insurance
Inventory	299,016	Increase is due to work-in-progress on toll processing and build up of inventory for orders
Biological assets	30,265	Increase due to expected harvest in 2021 Q2
Property, plant and equipment	(36,866)	Decrease is due to depreciation offset by additions from Phase 2 expansion
Intangible assets	(3,352)	Decrease is due to depreciation
Accounts payable and accrued liabilities	(609,659)	Increase is due to inventory purchases to fill orders in 2021 Q2
Due to related parties	109,104	Increase due to advances from director and shareholder
Lease obligation	(3,039)	Decrease due to payment of lease liabilities
Long-term debt	(51,045)	Decrease due to repayment of long-term debt

LIQUIDITY AND CAPITAL RESOURCES

At October 31, 2020, CanadaBis had net debt of \$5,960,749 (July 31, 2020 - \$5,934,639). The Company will continue to fund its on-going operations from a combination of debt and equity financings as needed. As the majority of the Company's ongoing capital expenditure program is directed to the expansion and equipping of the cultivation and processing facility, the Company is readily able to adjust its budgeted capital expenditures should the need arise. See *Capital Management* for further detail.

OFF BALANCE SHEET ARRANGEMENTS

CanadaBis does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet, other than short-term leases as disclosed in *Commitments and Contingencies*.

COMMITMENTS AND CONTINGENCIES

Other than disclosed in Notes 13 and 26 to the unaudited interim consolidated financial statements for the three months ended October 31, 2020, the Company has not entered into any agreements resulting in contractual commitments outstanding as at October 31, 2020.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Company has taken significant steps to ensure the health and safety of the employees and that all safety guidelines as established by Federal and Alberta health authorities are met.

The production and sale of cannabis have been recognized as essential services in Canada. The duration of and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the developments will have on the financial results and

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condition of the Company in future periods. It is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

SUBSEQUENT EVENTS

There are no subsequent events.

SHAREHOLDERS' CAPITAL

CanadaBis is authorized to issue an unlimited number of common voting shares, common non-voting shares, and preferred shares. The common voting shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "CANB". As at October 31, 2020, CanadaBis had the following issued and outstanding:

- 135,423,944 common voting shares;
- 3,888,143 warrants; and
- 12,847,500 options.

Stock Option Plan

CanadaBis has granted stock options to officers, directors, employees and consultants of the Company pursuant to the Stock Option plan. Options granted under the stock option plan are exercisable for a period of up to five years from the grant date at an exercise price that is equal to the share price on the date of grant. The options granted under this plan vest one-third on the first anniversary, one-third on the second anniversary and one-third on the third anniversary, from the grant date.

See Note 17 to the Unaudited Interim Consolidated Financial Statements for more detailed information.

Warrants

From time to time, the Company may issue warrants in connection with a financing as an incentive to participate in such offerings.

On November 9, 2018, the Company completed non-brokered private placements of 5,222,286 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for \$1.00 per common voting share for a period of 12 months from the closing date. The fair value of the whole warrant was \$nil.

On February 11, 2019, the Company completed a non-brokered private placement, to members of the management team, of 554,000 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for \$1.00 per common voting share for a period of 12 months from the closing date. The fair value of the whole warrant was \$nil.

On April 24, 2019, the Company issued 2,000,000 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for \$1.00 per common voting share for a period of 12 months from the closing date. The fair value of the whole warrant was \$nil.

During 2020, the original expiry of the common share purchase warrants were extended for additional 24 months with reduction of the exercise price from \$1.00 per common share purchase warrant to \$0.50 per common share purchase warrant.

Escrowed shares

Pursuant to an escrow agreement (the "Escrow Agreement") dated as of February 1, 2017, among the Company, Computershare Trust Company of Canada ("Computershare") and certain shareholders of the Company, have deposited their common voting shares, under escrow. At October 31, 2020, 60,802,201 outstanding common shares were held in escrow at various prices ranging from \$0.05 to \$0.50 per share. The share of the Principals are subject to escrow for a period of 36 months from the date of closing, with 5% releasable immediately, 5% releasable in six months, further 10% releasable on the twelve and eighteenth month, further 15% releasable on each of twenty-fourth and thirtieth months, and remaining 40% on the thirty-sixth month.

RISKS RELATED TO THE BUSINESS AND INDUSTRY

Business risk

The production and sale of adult-use cannabis involves many risks which may influence the ultimate success of the Company. While the management of CanadaBis realizes these risks cannot be eliminated, we are committed to monitoring and mitigating these risks. These risks include, but are not limited to the following:

- ability to successfully obtain and renew Cannabis Act licenses and adhere to all regulatory requirements
- actions by governmental authorities, including changes in laws, regulations and guidelines which may have adverse effects to the Company's operations;
- risk of failure to acquire regulatory approvals required to produce and sell cannabis;
- risks related to negative public perception of cannabis consumption which may have an adverse effect on the Company's operational results, consumer base, and financial results;
- competition in the market place, in what is quickly maturing industry;
- ability to execute the Company's strategy without additional financing;
- operating hazards and uninsured risks;
- potential for loss of key employees;
- ability to expand operations into international jurisdictions;
- availability of strategic alliances which complement or augment the Company's existing business;
- possibility of product liability claims against the Company;
- risk of product recalls and returns;
- ability to successfully develop new products and obtain required regulatory approvals;
- conflicts of interest which may arise between the Company and its directors and officers;
- risks related to agricultural operations, including disease, insect pests, and changes in climate;
- the Company's dependence on transportation and the possibility of disruptions;
- fluctuating prices of raw materials;
- risks related to compliance with safety, health, and environmental regulations;
- ability to protect and preserve intellectual property rights;
- risk of political and economic instability in the jurisdictions in which the Company operates;
- ability to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions;
- global economy risk, which may impact the Company's ability to raise equity or obtain additional financing;
- misappropriation of assets and security breaches;
- cyber security risks, loss of information and computer systems; and
- risks related to global pandemic such as the current COVID-19 pandemic.

Financial risk

The Company's principal financial instruments are outstanding amounts drawn from its credit facilities. Other financial assets and liabilities arising directly from its operations and corporate activities include cash and cash equivalents, accounts payable and accrued liabilities, taxes payable or receivable and long-term debt. The primary risk arising from the Company's financial instruments are credit risk, liquidity risk, and interest rate risk, each of which is discussed below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

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 and accounts receivable. All of the Company's cash was held at three financial institutions at October 31, 2020, all of which are Canadian Chartered Banks.

For accounts receivable, the Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties. As at October 31, 2020, approximately 82% of the accounts receivable balances were with two parties. The Company has a credit concentration risk as it deals with counterparties that are in the licensed cannabis industry.

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The Company's aging of trade receivables was as follows:

	October 31, 2020	July 31, 2020
Account receivables		
Not past due	\$ 213,124	\$ 1,084,418
1-30 days	31,798	39,522
31-90 days	61,920	33,902
90+ days	33,456	-
Total gross carrying amount	340,298	1,157,841
Loss allowance	(111,500)	(85,500)
Total carrying amount	\$ 228,798	\$ 1,072,341

Reconciliation of the loss allowance

The following table shows a reconciliation of the opening to the closing balance of the loss allowance by the class of financial instrument. All classes of financial instruments shown are assessed for impairment in the current year using the simplified approach permitted under IFRS 9, whereby the loss allowance is always measured at an amount equal to lifetime expected credit losses.

	October 31, 2020	July 31, 2020
Account receivables		
Balance, beginning of year	\$ 85,500	\$ -
New financial assets originated	26,000	85,500
Balance, end of year	\$ 111,500	\$ 85,500

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.

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. A 1% increase to the interest rate would have an approximate impact of approximately \$43,560 on pre-tax earnings for the three months ended October 31, 2020.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no changes in CanadaBis' critical accounting estimates in the three months ended October 31, 2020. Further information on the Company's critical accounting policies and estimates can be found in the notes to the audited consolidated Financial Statements and the MD&A for the year ended July 31, 2020.

NON-IFRS MEASURES

The Company uses certain financial measures referred to in this MD&A to quantify its results that are not prescribed by Generally Accepted Accounting Principles ("GAAP"). These financial measures do not have any standardized meaning under the Company's GAAP and therefore may not be comparable to similar measures presented by other issuers. The following terms "fund flow" and "EBITDA" may not be comparable to that reported by other companies. Fund flow is calculated based on cash flow from operations before changes in non-cash working capital. EBITDA is calculated by adding back to net income, interest, income taxes and depreciation and amortization. Management uses these non-GAAP measures to evaluate the Company's operating results.

Management believes that, in addition to net income and cash flow from operating activities, these measures are useful supplemental measures as they provide an indication of CanadaBis' operating performance.

Readers are cautioned that these measures should not be construed as an alternative to net income, cash flows from operating activities or other relevant GAAP measures as calculated under GAAP.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information that reflects management's expectations related to expected future events, financial performance and operating results of the Company. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

All statements other than statements of historical fact included in the MD&A may be forward-looking information. Forward-looking information are not facts, but only expectations as to future events and generally can be identified by the use of statements that include words or phrases such as, "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "likely", "may", "project", "predict", "propose", "potential", "might", "plan", "seek", "should", "targeting", "will", and similar expressions. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that may cause CanadaBis' actual results or events to differ materially from those anticipated in such forward-looking statements.

CanadaBis believes that the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. This MD&A contains forward-looking statements pertaining to the following:

- the Company's business plans;
- the Company's monitoring of consumer plans and expectations regarding the developments of extraction products in the cannabis space;
- expectations regarding the Company's evaluation of growth opportunities and plans with respect to the same;
- projection of market prices and costs;
- anticipated supply and demand for recreational cannabis;
- the Company's expansion of the cultivation and extraction facilities;
- the Company's ability to offer high quality cannabis products; and
- impact of the proposed changes to the edibles market.

With respect to forward-looking statements listed above and contained in this MD&A, CanadaBis has made assumptions regarding, among other things, the following:

- there will be no material change to the regulatory environment in which CanadaBis operates; and
- CanadaBis will receive the required license and approvals on a timely basis, as anticipated.

CanadaBis' actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. CanadaBis does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.