



UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended April 30, 2021 and 2020

CANADABIS CAPITAL INC.**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

For the Three and Nine Month Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021 (Restated) (Note 7)	April 30, 2020 (Restated) (Note 7)
REVENUE				
Net revenue (Note 8)	\$2,213,307	\$563,595	\$5,202,675	\$847,111
Cost of sales (Note 9)	1,179,306	446,597	3,217,919	900,792
Gross profit (loss)	1,034,001	116,998	1,984,756	(53,681)
EXPENSES				
Acquisition costs (Note 6)	-	-	-	33,833
Depreciation and amortization	89,050	161,929	283,475	503,066
General and administration	894,545	591,807	2,516,656	1,918,943
Share-based payments (Note 18)	179,312	159,550	408,328	2,506,655
	1,162,907	913,286	3,208,459	4,962,497
Loss from operations	(128,906)	(796,288)	(1,223,703)	(5,016,178)
Other income (expenses)				
Financing costs (Note 24)	(97,937)	(87,318)	(263,029)	(242,381)
Other income (expenses)	1,517	688	1,728	4,609
	(96,420)	(86,630)	(261,301)	(237,772)
Net loss and comprehensive loss	(225,326)	(882,918)	(1,485,004)	(5,253,950)
Non-controlling interest	1,503	560	5,262	1,712
Net loss attributable to shareholders	\$ (223,823)	\$ (882,358)	\$ (1,479,742)	\$ (5,252,238)
Per share amount (Note 23)				
Basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.04)

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at April 30, 2021 and July 31, 2020

(Expressed in Canadian dollars)

As at	April 30, 2021	July 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 313,368	\$ 167,002
Accounts receivable	880,447	1,072,341
Goods and services tax receivable	47,084	233,885
Prepaid expenses	148,801	98,568
Biological assets (Note 10)	35,045	71,718
Inventory (Note 11)	1,210,009	1,084,324
	<u>2,634,754</u>	<u>2,727,838</u>
Property, plant and equipment (Note 12)	10,175,887	9,766,770
Intangible assets (Note 13)	11,040	20,989
Due from related parties (Note 20)	10,940	6,432
	<u>\$ 12,832,621</u>	<u>\$ 12,522,029</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,357,128	\$ 1,792,262
Due to related parties (Note 20)	1,554,387	1,235,579
Current portion of lease obligations (Note 14)	87,481	12,446
Current portion of long-term debt (Note 15)	4,540,455	4,694,594
	<u>7,539,451</u>	<u>7,734,881</u>
Deferred income liability (Note 15)	62,614	-
Lease obligations (Note 14)	930,798	391,645
Long-term debt (Note 15)	1,332,314	961,500
	<u>9,865,177</u>	<u>9,088,026</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 17)	15,995,534	15,385,417
Share-based payments reserve	3,203,372	2,795,044
Deficit	(16,323,904)	(14,844,162)
Total equity attributed to own shareholders	<u>2,875,002</u>	<u>3,336,299</u>
Non-controlling interest (Note 16)	92,442	97,704
	<u>2,967,444</u>	<u>3,434,003</u>
	<u>\$ 12,832,621</u>	<u>\$ 12,522,029</u>

Going concern (Note 2)

Subsequent events (Note 28)

Approved by the Board of Directors

"Travis McIntyre"

Travis McIntyre

"Shane Chana"

Shane Chana

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three and Nine Month Periods Ended April 30, 2021 and 2020
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021 (Restated) (Note 7)	April 30, 2020 (Restated) (Note 7)
Cash provided by (used in)				
Operating activities				
Net loss	\$ (225,326)	\$ (882,918)	\$ (1,485,004)	\$ (5,253,950)
Items not affecting cash				
Accretion expense	287	-	880	-
Depreciation and amortization (Notes 12 and 13)	138,723	161,929	365,141	503,066
Realized fair value on inventory sold	68,762	-	95,402	-
Change in fair value of biological asset	15,039	196,569	73,974	140,909
Loss on extinguishment of debt (Note 17)	16,758	-	16,758	-
Non-cash interest expense	5,400	5,400	16,200	15,467
Share-based payments	179,312	159,550	408,328	2,506,655
Changes in non-cash working capital (Note 25)	(488,677)	(1,127,336)	(665,864)	(282,744)
	(289,722)	(1,486,806)	(1,174,185)	(2,370,597)
Financing activities				
Issuance of shares	-	1,281,899	537,500	1,281,899
Advances from related parties	204,020	985,912	318,808	937,749
Repayment of amounts due to related parties	(1,428)	-	(4,508)	-
Proceeds from long-term debt	330,814	80,000	370,814	3,785,845
Repayment of long-term debt	(57,197)	(2,449)	(171,220)	(2,449)
Lease obligation (Note 14)	(8,932)	(2,483)	(15,052)	(2,483)
	467,277	2,342,879	1,036,342	6,000,561
Investing activities				
Purchase of property, plant and equipment	(8,932)	(65,332)	(151,875)	(4,889,506)
Cash on acquisition (Note 6)	-	-	-	2,000,000
Non-cash investing activities (Note 25)	-	-	436,084	-
	(8,932)	(65,332)	284,209	(2,889,506)
Net change in cash and cash equivalents	168,623	790,741	146,366	740,458
Cash and cash equivalents				
Beginning of period	144,745	274,515	167,002	324,798
End of period	313,368	1,065,256	313,368	1,065,256
Supplemental cash flow information				
Interest paid	\$ 52,282	\$ 70,721	\$ 246,829	\$ 192,678

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Month Periods Ended April 30, 2021 and 2020

(Expressed in Canadian dollars)

	Share capital	Share-based payment reserve	Deficit	Total equity attributable to own shareholders	Non-controlling interest	Total shareholders' equity
Balance, July 31, 2019	\$ 10,567,243	\$ 1,742,011	\$ (9,455,378)	\$ 2,853,876	\$ -	\$ 2,853,876
Shares issued on asset acquisition (Note 6)	3,500,000	-	-	3,500,000	100,000	3,600,000
Shares issued (Note 6)	1,244,399	-	-	1,244,399	-	1,244,399
Shares issued on exercise of options	73,775	(36,275)	-	37,500	-	37,500
Share-based payments (Note 18)	-	906,655	-	906,655	-	906,655
Net loss and comprehensive loss (restated) (Note 7)	-	-	(5,252,238)	(5,252,238)	(1,712)	(5,253,950)
Balance, April 30, 2020 (restated)	\$ 15,385,417	\$ 2,612,391	\$ (14,707,616)	\$ 3,290,192	\$ 98,288	\$ 3,388,480
Balance, July 31, 2020	\$ 15,385,417	\$ 2,795,044	\$ (14,844,162)	\$ 3,336,299	\$ 97,704	\$ 3,434,003
Shares issued (Note 17)	537,500	-	-	537,500	-	537,500
Shares issued for debt (Note 17)	72,617	-	-	72,617	-	72,617
Share-based payments (Note 18)	-	408,328	-	408,328	-	408,328
Net loss and comprehensive loss (restated) (Note 7)	-	-	(1,479,742)	(1,479,742)	(5,262)	(1,485,004)
Balance, April 30, 2021	\$ 15,995,534	\$ 3,203,372	\$ (16,323,904)	\$ 2,875,002	\$ 92,442	\$ 2,967,444

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Month Periods Ended April 30, 2021 and 2020

Canadian dollars)

1. Nature of operations

CanadaBis Capital Inc. ("CanadaBis" or the "Company") was incorporated under the Alberta Business Corporations Act ("ABCA") on November 29, 2016 and was classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange").

On April 26, 2019, the Company completed its Qualifying Transaction whereby it acquired all the outstanding common shares of 1926360 Alberta Ltd. operating as Stigma Pharmaceuticals ("1926360AB" or "Stigma") in exchange for 8,500,000 common voting shares of the Company. Upon completion of the Qualifying Transaction, 1926360AB became a wholly-owned subsidiary of CanadaBis and the combined entity (the "Resulting Entity") continues on the business of 1926360AB as previously constituted.

CanadaBis is the legal acquirer of 1926360AB and its wholly owned subsidiary 1998643 Alberta Ltd. ("1998643AB"), and is the continuing legal entity whose common shares are listed on the Exchange and as disclosed in the July 31, 2020 annual consolidated financial statements for reporting purposes the accounting acquirer is deemed to have been 1926360AB and those financial statements were presented on the basis of reverse acquisition accounting principles. On April 29, 2019, the Company changed its fiscal year-end to July 31, 2019.

CanadaBis' principal business is the production and sale of recreational cannabis and cannabis extracts. The Company's common shares are listed and traded on the TSX Venture Exchange under the symbol "CANB".

2. Going concern

These interim condensed consolidated financial statements ("Financial Statements") have been prepared by management on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. To date, the Company has not obtained profitable operations from its various assets and activities and continues to incur losses.

For the nine month period ended April 30, 2021, the Company incurred a net loss of \$1,479,742 (April 30, 2020 - \$5,252,238), working capital deficit of \$4,904,697 (July 31, 2020 - \$5,007,043), and negative cash flow from operations of \$1,174,185 (April 30, 2020 - \$2,370,597). 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 contingent on the Company completing successful future financings (both from equity and debt sources). Further, the Company needs to secure additional contracts with customers and continue to sell products actively in the market to produce sufficient revenues to meet both short-term and long-term obligations. In the event the Company is unsuccessful in these efforts, it will look to insiders and related entities for additional support while obligations come due. If these efforts are unsuccessful, the Company's ability to operate as a going concern will be in significant doubt. The Company plans to remedy its working capital deficiency by completing successful future financings and securing contracts with new customers in all Provinces it currently operates. See Note 28 to the Financial Statements for the additional financing secured.

Management is continuing to work with the Company's current lender to remedy covenant breaches as disclosed in Note 15 to the Financial Statements. There is risk that the lender will issue a demand letter for repayment based on the covenant breach in question. The Company has continually satisfied its minimum obligations required and is working diligently with its lender to rectify covenant breaches. The Company's ability to become compliant with financial covenants in the next twelve months relies on its ability to successfully generate revenue with existing and new customers.

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, and 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. There is no assurance that lenders with debt covenant violations will not demand repayment on the loans. These Financial Statements do not reflect adjustments to the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be used if the going concern assumptions were not appropriate. Such adjustments could be material.

3. Basis of preparation

(a) Statement of compliance

The Chartered Professional Accountants of Canada's Handbook incorporates the International Financial Reporting Standards ("IFRS") and publicly accountable enterprises, such as CanadaBis, are required to apply such standards. These Financial Statements have been prepared in accordance with IFRS applicable to the presentation of interim financial statements and International Accounting Standards ("IAS") 34, *Interim Financial Reporting*.

Certain disclosures that are normally required to be included in the notes to the annual audited financial statements have been condensed or omitted. These Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended July 31, 2020.

These Financial Statements were approved and authorized for issue by the Board of Directors on June 29, 2021.

(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 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.

Subsidiaries	Jurisdiction of incorporation	Ownership interest
Stigma Pharmaceuticals Inc.	Alberta, Canada	100%
1998643 Alberta Ltd.	Alberta, Canada	100%
Full Spectrum Labs Ltd.	Alberta, Canada	100%
2103157 Alberta Ltd.	Alberta, Canada	100%
Goldstream Cannabis Inc.	British Columbia, Canada	95%

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.

CANADABIS CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Month Periods Ended April 30, 2021 and 2020
 Canadian dollars)

3. Basis of preparation (continued)

(c) *Non-controlling interest*

Non-controlling interest represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of shareholders' equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interest consists of the non-controlling interest at the date of the original acquisition plus the non-controlling interest share of changes in equity since the date of acquisition. The Company owns 95% of the outstanding common shares of its subsidiary, Goldstream Cannabis Inc. These consolidated financial statements include 100% of the assets and liabilities related to Goldstream Cannabis Inc., and include a non-controlling interest representing 5% of Goldstream Cannabis Inc.'s assets and liabilities not owned by the Company.

(d) *Basis of presentation*

These Financial Statements have been prepared on a historical cost basis except for biological assets and certain financial instruments which are measured at fair value. These Financial Statements are presented in Canadian dollars, which is also the functional currency.

4. Critical accounting estimates and judgements

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities, and the disclosure of contingent assets and liabilities. These estimates and judgements concern matters that are inherently complex and uncertain.

Judgements and estimates are continually evaluated and are based on historical experience and expectation of future events. 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

5. Significant accounting policies

These Financial Statements follow the same accounting policies as the most recent annual audited financial statements. Accordingly, these Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended July 31, 2020. Certain prior period amounts have been reclassified throughout the Financial Statements to conform with current period presentation. Changes in fair value related to biological assets and realized fair value on inventory sold are presented in notes to the Financial Statements. See Notes 9, 10 and 26.

6. Acquisition

Goldstream Canadabis Inc.

On August 13, 2019, the Company acquired 95% of the outstanding shares of Goldstream Cannabis Inc. ("Goldstream") for \$3,500,000 payable in 11,666,666 common voting shares of CanadaBis, at a price of \$0.30 per common voting share. The transaction was accounted for as a share-based payment transaction under IFRS 2. At the time of the acquisition, Goldstream was party to lease for 13 acres of undeveloped land that has been zoned for cannabis production.

The transaction does not constitute a business combination as Goldstream does not meet the definition of a business under IFRS 3. The residual value of the share consideration has been recorded as share-based payment expense within the Company's Financial Statements. Legal fees of \$33,833 were incurred in conjunction with the acquisition.

Consideration

Common shares	3,500,000
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Identifiable net assets acquired

Cash	\$ 2,000,000
Right-of-use asset – Land	380,295
Lease liability	(380,295)
Non-controlling interest	(100,000)
Identifiable net assets acquired	1,900,000

Unidentifiable net assets acquired

Share-based payments	1,600,000
Total net assets and share-based payments	\$ 3,500,000

7. Restatements of prior periods presented

(a) For the nine month periods ended April 30, 2020

	Previously reported	Adjustment	Restated
Expenses			
Share-based payments (i)	\$ 2,590,866	\$ (84,211)	\$ 2,506,655
Other income and expenses			
De-recognition of lease (ii)	(214,135)	214,135	-
Net loss attributable to shareholders	(5,122,314)	129,924	(5,252,238)
Per share amount - Basic and diluted	\$ (0.04)	\$ 0.00	\$ (0.04)

CANADABIS CAPITAL INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Month Periods Ended April 30, 2021 and 2020

Canadian dollars)

7. Restatements of prior periods presented (contir	As at April 30, 2020					
Deficit, beginning of period	\$	(9,455,378)	\$	-	\$	(9,455,378)
IFRS 16 Adjustment (ii)		(214,135)		214,135		-
Net loss attributable to shareholders		(5,122,314)		(129,924)		(5,252,238)
Deficit, end of period	\$	(14,791,827)	\$	84,211	\$	(14,707,616)

Non-controlling interest, beginning of period	As at April 30, 2020					
Non-controlling interest, beginning of period	\$	-	\$	-	\$	-
Shares issued on asset acquisition (i)		184,211		(84,211)		100,000
Non-controlling interest		(1,712)		-		(1,712)
Non-controlling interest, end of period	\$	182,499	\$	(84,211)	\$	98,288

- (i) Restated periods presented for the three month period ended October 31, 2019 and the nine month period ended April 30, 2020 to reflect the non-controlling interest recognized upon completion of the Goldstream Acquisition (Note 6) adjusted for changes in initial estimate of the right-of-use asset and liability that were adjusted in the July 31, 2020 audited consolidated financial statements. The corresponding correcting adjustment was a decrease in share-based payments as the residual value of the share consideration received upon acquisition was recorded as share-based payment expense.
- (ii) On August 1, 2019, the Company adopted IFRS 16 using the modified retrospective method and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As part of the Goldstream acquisition (Note 6), the Company acquired a ROU asset and a lease liability. The lease agreement included a buyout option, which the Company exercised in a prior period. Subsequent to filing the interim financial statements for the first three quarters of July 31, 2020, the IFRS 16 Adjustment of \$214,135 an increase to opening deficit at August 1, 2019 was adjusted to \$Nil in the July 31, 2020 audited consolidated financial statements. The corresponding correcting adjustment is a reversal of de-recognition of this lease purchase option presented as other income in previously reported interim financial statements for first three quarters of the year ended July 31, 2020.

(b) For the nine month periods ended April 30, 2021

For the nine month period ended April 30, 2021, the previously reported financial information as at and for the three month period ended October 31, 2020, was restated as presented below as impacts the Financial Statements.

Expenses	Three months ended October 31, 2020					
	Previously reported	Adjustment	Restated			
Share-based payments (iii)	\$	244,609	\$	(126,996)	\$	117,613
Net loss attributable to shareholders		(828,616)		(126,996)		(701,620)
Per share amount - Basic and diluted	\$	(0.01)	\$	(0.00)	\$	(0.01)

Deficit, beginning of period	As at October 31, 2020					
Deficit, beginning of period	\$	(14,844,162)	\$	-	\$	(14,844,162)
Net loss and comprehensive loss		(828,616)		(126,996)		(701,620)
Deficit, end of period	\$	(15,672,778)	\$	(126,996)	\$	(15,545,782)

Share-based payments reserve, opening balance		2,795,044		-	\$	2,795,044
Share-based payments (iii)		244,609		126,996		117,613
Share-based payments reserve, end of period	\$	3,039,653	\$	126,996	\$	2,912,657

- (iii) Restated the share-based payments for the three month period ended October 31, 2020 to adjust the previously recognized share-based payment expense for stock options surrendered and cancelled during this period that are treated as modifications for accounting purposes. This restatement is included in the restated financial information for the nine month period ended April 30, 2020 as presented in the unaudited condensed consolidated statement of operations and comprehensive loss.

(c) Restatement of unaudited interim consolidated statements of cash flows

The unaudited condensed interim consolidated statements of cash flows for the three and nine months ended April 30, 2020 and the nine month period ended April 30, 2021, as inclusive of the three month period ended October 31, 2020, were restated for the above noted adjustments (i) to (iii) and to conform prior periods as previously presented with current period presentation.

8. Net revenues

	Three months ended		Nine months ended					
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020				
Extraction and tolling	\$	1,853,676	\$	286,101	\$	4,092,330	\$	286,101
Retail		309,519		277,494		999,902		561,010
Cultivation and wholesale		50,112		-		110,443		-
	\$	2,213,307	\$	563,595	\$	5,202,675	\$	847,111

CANADABIS CAPITAL INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Month Periods Ended April 30, 2021 and 2020

(Canadian dollars)

9. Cost of sales

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Extraction and tolling	\$ 922,452	\$ 258,380	\$ 2,427,694	\$ 505,697
Retail	222,197	188,217	698,782	395,095
Cultivation and wholesale	34,657	-	91,443	-
	\$ 1,179,306	\$ 446,597	\$ 3,217,919	\$ 900,792

During the three and nine month periods ended April 30, 2021 depreciation charge of \$15,795 and \$47,965, respectively were included in cost of sales of extraction and tolling. For the comparative periods revenue was mainly generated from retail revenue and comparative periods were not restated to confirm with current presentation as not material.

During the three and nine month periods ended April 30, 2021, the extraction and tolling cost of goods sold included realized fair value included in the packaged extraction inventory (finished goods) produced using the Company's own cultivated inventory of \$68,762 and \$95,402, respectively sold during these periods presented.

10. Biological Assets

	April 30, 2021	July 31, 2020
Balance, beginning of period	\$ 71,718	\$ 32,266
Capitalized cost of biological assets	339,445	665,605
Changes in fair value	73,974	(61,286)
Cash cost transferred to inventory upon harvest	(450,091)	(564,867)
	\$ 35,045	\$ 71,718

During the three and nine month periods ended April 30, 2021, the depreciation charge of \$11,522 and \$35,085, respectively related property, plant and equipment used in the growth and harvesting of biological assets were capitalized to biological assets. No depreciation charge was capitalized for the corresponding periods presented.

During the three and nine month periods ended April 30, 2021, the gross profit included the changes in fair value related to the biological assets of \$15,039 and \$79,394, respectively and \$196,569 and \$140,909, respectively for the corresponding periods presented.

During the nine month period ended April 30, 2021, the Company successfully completed its seventh, eighth and ninth harvests. At April 30, 2021, the remaining plants were 62% complete relative to the next expected harvest. During the three month period ended April 30, 2021, the selling price used in the valuation process was decreased from \$4.5 per gram to \$3.15 per gram for dried cannabis flowers to be aligned with current market considerations factoring other considerations including but not limited to THC content and variety of strains.

The Company measures its biological assets at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in grams for flower and trim being cultivated, and then adjust those amounts for selling price per gram and costs to sell. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy, as there is currently no actively traded commodity market in Canada for cannabis plants. The fair value of cannabis plants was determined using a valuation model that estimates the expected harvest yield per crop and applies this to the estimated fair value less costs to sell per gram of dried cannabis flower. Significant unobservable inputs were used by management as part of this model:

- Selling price – calculated based on weighted average selling prices of cannabis of comparable companies in the industry as well as prices paid for bulk cannabis that was acquired from arms-length licensed producers for use in the extraction and tolling operations
- Yield – represents the expected number of dried cannabis flower and trim which are expected to be obtained from each harvested cannabis plant
- Survival rate – represents the percentage of plants that start in the vegetative room that will eventually be harvested

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input independently would have on the fair value of biological assets as at April 30, 2021 and July 31, 2020.

		10% change
Selling price	\$3.15 p/gram	\$3,500
Yield	42 grams	\$3,500
Survival rate	95%	\$5,300

11. Inventory

	April 30, 2021	July 31, 2020
Retail	\$ 193,269	\$ 154,902
Harvested cannabis	42,406	171,438
Extraction and tolling	974,334	757,984
	\$ 1,210,009	\$ 1,084,324

CANADABIS CAPITAL INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Month Periods Ended April 30, 2021 and 2020

Canadian dollars

12. Property, Plant and Equipment

	Land	Building and improvements (i)	Plant and equipment	Office equipment	Computer hardware	Automobiles	Total
Cost							
Balance, July 31, 2019	\$ 2,425,000	\$ 1,343,905	\$ 274,075	\$ 138,559	\$ -	\$ -	\$ 4,181,539
Additions	-	5,049,963	424,285	54,322	1,350	12,500	5,542,420
Adjustments	-	980	(35,031)	(21,405)	16,641	-	(38,815)
IFRS 16 adoption	380,295	-	-	-	-	29,060	409,355
Balance, July 31, 2020	2,805,295	6,394,848	663,329	171,476	17,991	41,560	10,094,499
Additions (ii)	-	96,041	670,646	2,565	5,003	-	774,256
Reclassifications (iii)	-	247,339	(163,733)	(83,606)	-	-	-
Balance, April 30, 2021	\$ 2,805,295	\$ 6,738,229	\$ 1,170,242	\$ 90,435	\$ 22,994	\$ 41,560	\$ 10,868,755
Accumulated depreciation							
Balance, July 31, 2019	\$ -	\$ 14,912	\$ 28,416	\$ 21,596	\$ -	\$ -	\$ 64,924
Depreciation	-	193,805	37,376	24,103	6,156	1,365	262,805
Balance, July 31, 2020	-	208,717	65,792	45,699	6,156	1,365	327,729
Depreciation (iv)	72,402	198,003	70,536	13,357	4,624	6,217	365,138
Reclassifications (iii)	-	29,949	-	(29,949)	-	-	-
Balance, April 30, 2021	\$ 72,402	\$ 406,720	\$ 136,328	\$ 59,056	\$ 10,780	\$ 7,582	\$ 692,867
Net book value							
April 30, 2021	\$ 2,732,893	\$ 6,331,509	\$ 1,033,914	\$ 31,379	\$ 12,215	\$ 33,978	\$ 10,175,887
July 31, 2020	\$ 2,805,295	\$ 6,186,131	\$ 597,537	\$ 125,777	\$ 11,835	\$ 40,195	\$ 9,766,770

- (i) Included in property, plant and equipment is \$430,991 (2020 - \$417,809) of building improvements and equipment that is not subject to amortization as it is currently under construction.
- (ii) On January 31, 2021, 1998643 Alberta Ltd. entered into a lease arrangement with a company that is owned by two directors and a significant shareholder of CanadaBis to lease an extraction machine over a 72-month term for a monthly payment of \$11,991.47 plus applicable taxes and residual value of \$1, with first payment due April 30, 2021. Considering the related party nature of this transaction and outside of the normal course of business, the rate implicit to the arrangement approved by the Board of Directors was 11.0% and the original vendor cost of the asset was supported by an arm's length transaction between the lender and the vendor. For accounting purposes, the incremental borrowing rate for the Company (lessee) was assessed as 12.0% supported by an independent financing quote but due to financing constraints the Company entered into this lease arrangement with a related party. As at January 31, 2021, a right-of-use asset of \$629,240 was recognized and a corresponding lease obligation (Note 14). The right-of use asset is depreciated over the lease term on a straight-line basis, which is shorter than the asset's useful life.
- (iii) During the nine month period ended April 30, 2021, certain assets within an asset class was reclassified to be aligned with a particular asset class based on underlying nature and use of asset. The resulting reclassification had no impact on useful lives and resulting determination of depreciation charge. Individual assets with an aggregate cost of \$163,733 were reclassified from "Plant and equipment" to "Building and Improvements", and assets used in cultivation with an aggregate cost of \$83,606 and accumulated depreciation of \$29,949 were reclassified from "Office equipment" to "Building and Improvements".
- (iv) This represents the aggregate depreciation charge for the nine month period ended April 30, 2021 that is prior to the capitalization of \$35,085 to Biological Assets (Note 10) and reclassification of \$47,965 from the "Depreciation and amortization" financial statement line item to Extraction and Tolling cost of goods sales (Note 9) for presentation purposes.

13. Intangible assets

Cost	
Balance, July 31, 2019	\$ -
Adjustments	38,815
Additions	1,089
Balance, July 31, 2020 and April 30, 2021	\$ 39,904
Accumulated amortization	
Balance, July 31, 2019	\$ -
Amortization	18,915
Balance, July 31, 2020	18,915
Amortization	9,949
Balance, April 30, 2021	\$ 28,864
Net book value	
April 30, 2021	\$ 11,040
July 31, 2020	\$ 20,989

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14. Lease obligations

Right-of-use assets

The cost and accumulated depreciation related to the right-of-use assets have been included in property, plant and equipment (see Note 12). The changes in the net book value for the Company's right-of-use assets during the nine month period ended April 30, 2021 were as follows:

Cost	Plant and equipment	Vehicle	Building and Improvements	Land	Total
Balance, July 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Opening balance adjustment IFRS 16 adoption (i)	-	-	3,712,436	-	3,712,436
Goldstream acquisition	-	-	-	380,295	380,295
Additions	-	29,060	-	-	29,060
Derecognition as right-of-use asset (i)	-	-	(3,712,436)	-	(3,712,436)
Balance, July 31, 2020	-	29,060	-	380,295	409,355
Additions (Note 12 (ii))	629,240	-	-	-	629,240
Balance, April 30, 2021	\$ 629,240	\$ 29,060	\$ -	\$ 380,295	\$ 1,038,595
Accumulated depreciation					
Balance, July 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	921	-	-	921
Balance, July 31, 2020	-	921	-	-	921
Depreciation	8,739	4,347	-	72,402	85,489
Balance, April 30, 2021	\$ 8,739	\$ 5,268	\$ -	\$ 72,402	\$ 86,410
Net book value					
Balance, April 30, 2021	\$ 620,501	\$ 23,792	\$ -	\$ 307,893	\$ 952,185
Balance, July 31, 2020	\$ -	\$ 28,139	\$ -	\$ 380,295	\$ 408,434

Lease liabilities

	April 30, 2021	July 31, 2020
Balance, beginning of period	\$ 404,091	\$ -
Opening balance adjustment IFRS 16 adoption (i)	-	3,712,436
Derecognized on exercise of purchase option (i)	-	(3,712,436)
Goldstream acquisition (ii)	-	380,295
Vehicle lease	-	29,060
Plant and equipment (Note 12 (ii))	629,240	-
Lease payments	(54,262)	(49,577)
Interest expense	39,210	44,313
Balance, end of period	1,018,279	404,091
Less current portion	(87,481)	(12,446)
	\$ 930,798	\$ 391,645

Amounts recognized in profit and loss

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Lease expense on short-term lease (iii)	\$ 5,450	\$ 5,895	\$ 24,252	\$ 42,689
Interest expense on lease liabilities	17,142	5,400	39,210	28,439
Amounts expensed in profit and loss	\$ 22,592	\$ 11,295	\$ 63,462	\$ 71,128

Lease payments

The required undiscounted cash flows of lease payments of the lease liability as at April 30, 2021, are as follows:

	2021
Less than 1 year	\$ 200,272
1-5 years	971,869
More than 5 years	585,221
	\$ 1,757,362

- (i) On April 1, 2019, the Company entered into a lease for a cannabis cultivation facility, with an option to purchase, for a period of 5 years, with additional 5 year renewal term. The initial 5 year term expires in December 2023. CanadaBis has the option to purchase the facility for \$4,200,000 plus 5% interest per annum, if the option is exercised after the first anniversary of the lease term. The lease contemplated the Company incurring all direct operating expenses for the facility, in lieu of rent. The monthly operating expenses are capped at \$10,000 per month. As a result, there are no fixed minimum payments to be incurred by CanadaBis as a result of the lease. A 60 days cure period exists for non-payment of rent after a 12-month default period.

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14 Lease liabilities (continued)

This lease was accounted for as a lease under the provisions of IFRS 16 at August 1, 2019. The Company recognized a right-of-use asset and a corresponding lease obligation. On August 23, 2019, the Company exercised its option to purchase the facility and derecognized the right-of-use asset and associated lease obligation. The cultivation facility was purchased from a company of which one of the directors is also a director of CanadaBis.

- (ii) With the acquisition of Goldstream Cannabis Inc. (see Note 6), the Company assumed the lease liability related to the lease of 13 acres of undeveloped land, zoned for cannabis cultivation. The Company has determined that this contract constitutes a lease under IFRS 16.
- (iii) The Company has a short-term lease (being defined as leases with a term of 12 months or less) with respect to its office space. The lease term is on a month-to-month basis and as a result, the Company has expensed the costs associated with this contract.

15. Long-term debt

	CEBA loan	RRRF Loan	Vendor takeback mortgage	Demand mortgage	Total
Balance, July 31, 2019	\$ -	\$ -	\$ 1,142,333	\$ 750,000	\$ 1,892,333
Acquisition of building and improvements	-	-	-	3,482,500	3,482,500
Proceeds on fixed term mortgage (Note 15(ii))	-	-	-	209,067	209,067
Canada Emergency Business Account (CEBA) Note (15 (v))	80,000	-	-	-	80,000
Repayment of principal	-	-	-	(29,752)	(29,752)
Accretion	-	-	-	1,079	1,079
Accrued interest on vendor takeback mortgage (Note 15 (ii))	-	-	20,867	-	20,867
Balance, July 31, 2020	80,000	-	1,163,200	4,412,894	5,656,094
Less current portion	-	-	(281,700)	(4,412,894)	(4,694,594)
	\$ 80,000	\$ -	\$ 881,500	\$ -	\$ 961,500

	CEBA loan	RRRF Loan	Vendor takeback mortgage	Demand mortgage	Total
Balance, July 31, 2020	\$ 80,000	\$ -	\$ 1,163,200	\$ 4,412,894	\$ 5,656,094
Additional funding (Note (15 (v) and (vi))	40,000	330,814	-	-	370,814
Repayment of principal	-	-	-	(171,220)	(171,220)
Accretion	-	-	-	880	880
Accrued interest on vendor takeback mortgage (Note 15 (ii))	-	-	16,200	-	16,200
Balance, April 30, 2021	120,000	330,814	1,179,400	4,242,555	5,872,769
Less current portion	-	-	(297,900)	(4,242,555)	(4,540,455)
	\$ 120,000	\$ 330,814	\$ 881,500	\$ -	\$ 1,332,314

- (i) On April 15, 2019, the Company through its wholly subsidiary 1998643 Alberta Ltd. ("1998643AB") acquired land for its present cultivation facility, for total consideration of \$1,763,000. Consideration consisted of \$881,500 in cash and a 5-year vendor takeback mortgage also in the amount of \$881,500. The mortgage bears interest at 6% per annum, payable monthly, and the principal is due on maturity date of April 15, 2024. One of the shareholders of the vendor is a director of CanadaBis.
- (ii) On acquisition of 2103157AB, the Company assumed the fixed term mortgage and vendor tack-back mortgage with respect to the purchase of the retail location as follows:
 - (a) Original vendor takeback mortgage for \$250,000, bearing interest at 8% per annum, with a maturity date of January 22, 2021 which was not settled as at January 31, 2021. The lender can trigger demand for payment. The principal plus accrued interest is due on maturity. The mortgage is secured by a fixed charge over the land. The Company anticipates settling this debt in July 2021 using the funding to be received under the New Credit Facility (Note 28).
 - (b) A fixed term mortgage in the amount of \$1,000,000, due on demand. On April 27, 2021, the Company renewed the facility payable in monthly blended installments of \$4,747 bearing interest at lender's prime rate lending rate plus 1.55% per annum until April 1, 2022. The mortgage is secured by a fixed charge over the building, land, and improvements as well as a personal guarantee in the amount of \$500,000 issued by an Officer and Director of the Company. The mortgage agreement requires that the Company: 1) maintain a minimum Debt Service Coverage ratio of 1.40:1 and maintain a minimum Current ratio of 1.25:1, both based on the recent annual Financial Statements, and ii) Debt to Equity to not exceed 3.0:1. The Company is in violation of certain debt covenants. As at April 30, 2021 \$917,700 (July 31, 2020 - \$953,396) was drawn on the mortgage.
- (iii) On August 23, 2019, the Company exercised its option to purchase and acquired the cultivation facility for consideration of \$4.2 million. The consideration was paid by deposit previously paid of \$375,000, cash of \$375,000, settlement of invoices on the vendor's behalf and proceeds from the mortgage. The Company acquired the cultivation facility from a company where the director of the Company is also a director. The Company 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. On June 30, 2020 the mortgage was converted into a demand term loan with blended monthly payments of \$26,200, bearing interest at bank's prime rate plus 1.5%, expired on June 1, 2021. The mortgage is secured by a fixed charge over the buildings, land, and improvements as well as a Joint & Several Guarantees and Postponement in the amount of \$3,500,000. The Company anticipates settling this debt in July 2021 using the funding to be received under the New Credit Facility (Note 28). The mortgage agreement requires that the Company: 1) maintain a minimum Debt Service Coverage ratio of 1.40:1 and maintain a minimum Current ratio of 1.25:1, both based on the recent annual Financial Statements, and ii) Debt to Equity to not exceed 3.0:1. The Company is in violation of certain debt covenants.
- (iv) At April 30, 2021, 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 this facility for the nine month period ended April 30, 2021 was 4.0% (July 31, 2020 - 4.0%).

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15. Long-term debt (continued)

- (v) On April 9, 2020, the Government of Canada announced the Canada Emergency Business Account ("CEBA") loan program to small Canadian businesses to assist these businesses with working capital requirement during the COVID-19 pandemic. The maximum amount available under the program is \$40,000, of which \$10,000 is forgiven if the loan is repaid prior to December 31, 2022. The Company, through its two wholly owned subsidiaries, have applied for and received \$80,000 under the CEBA loan program. The loan is non-interest bearing and matures on December 31, 2022. During the nine month period ended April 30, 2021, additional funding of \$20,000 was secured by each of these entities with same repayment terms as initial funding received.
- (vi) On February 23, 2021, the Company through one of its wholly-owned subsidiaries secured funding of \$393,428 under the Regional Relief and Recovery Fund ("RRRF"), an economic relief program under Canada's overall COVID-19 Economic Response Plan to fund ongoing non-capital operations. Repayment of this loan commences on January 31, 2023 with 35 consecutive monthly installments of \$10,930 and one final payment of \$10,878 due on December 31, 2025. Interest will be charged at an average bank rate plus 3% from commencement of repayment on January 31, 2023 to December 30, 2025. Considering the interest free period and that received funding at an interest rate below market, the funding was deemed a government grant resulting in a deferred income liability recognized representing the benefit received. As at April 30, 2021, the deferred income liability outstanding was \$62,614 net of \$1,496 recognized during the three and nine month periods ended April 30, 2021 as other revenue representing recognition of this benefit over the term of the funding agreement. An annual effective interest rate of 5.45% was considered reflective of a market rate available at a financial institution under similar terms of repayment. A corresponding accretion expense of \$1,496 was recognized during these periods to accrete the loan outstanding, resulting in a net impact of \$nil to net loss for the three and nine month periods ended April 30, 2021.

16. Non-controlling interests

The changes in non-controlling interests are as follows:

Balance, July 31, 2019	\$	-
Acquisition of Goldstream (Note 6)		100,000
Share of net loss for the year		(2,296)
Balance, July 31, 2020		97,704
Share of net loss for the nine month period then ended		(5,262)
Balance, April 30, 2021	\$	92,442

At April 30, 2021, the Company held a 95% ownership interest (July 31, 2020 – 95%) in Goldstream, located in British Columbia, Canada. The following table represents the summarized information for Goldstream before intercompany eliminations.

	April 30, 2021	July 31, 2020
Current assets	\$ 4,284	\$ 2,448
Non-current assets	2,277,905	2,350,307
Current liabilities	59,976	21,420
Non-current liabilities	371,746	375,624
Net revenues for the periods then ended	-	-
Net loss for the periods then ended	\$ 105,244	\$ 23,040

17. Share capital

(a) Authorized

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.

(b) Issued and outstanding

	Number of shares	Amount
Balance, July 31, 2019	111,502,952	\$ 10,567,243
Shares issued (Note 17 (b)(i))	11,666,666	3,500,000
Shares Issued (Note 17 (b)(ii))	8,295,993	1,244,399
Options exercised (Note 17 (b)(iii))	375,000	73,775
Balance, July 31, 2020	131,840,611	15,385,417
Shares issued (Note 17 (b)(iv))	3,583,333	537,500
Shares issued for debt (Note 17 (v))	558,590	72,617
Balance, April 30, 2021	135,982,534	\$ 15,995,534

- (i) On August 13, 2019, the Company issued 11,666,666 voting common shares at \$0.30 per share in conjunction with the acquisition of Goldstream Cannabis Inc. as discussed in Note 6. At April 30, 2020, 9,333,333 shares associated with this transaction were held in escrow.
- (ii) On July 31, 2020, the Company issued 8,295,993 voting common shares \$0.15 per share in a non-brokered private placement, for net proceeds of \$1,244,399.
- (iii) During the year ended July 31, 2020, 375,000 stock options were exercised for total proceeds of \$37,500 (or \$0.10 per voting common share). The fair value associated with these options of \$36,275, have been recorded as an increase to share capital with a corresponding reduction to share-based payments reserve.
- (iv) On September 14, 2020, the Company issued 3,583,333 voting common shares at \$0.15 per share in a non-brokered private placement, for net proceeds of \$537,500.

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17. Share capital (continued)

- (b) (v) On January 27, 2021, the Board approved the settlement of \$55,859 vendor payables by issuance of 558,590 common shares of the Company, at a price of \$0.10. On February 25, 2021, the Company obtained approval for issuance of shares for debt, from the TSX Venture Exchange, and these fully paid and outstanding shares were issued with a hold period of 4 months and 1 day and the debt outstanding extinguished. The fair value assigned to the shares issued for debt was determined using the closing share price of the Company on February 25, 2021. The loss on extinguishment of debt of \$16,758 was included in general and administrative expenses for the three months period ended April 30, 2021 consistent with initial classification of underlying vendor invoices.
- (c) 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 April 30, 2021, 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.

18. Share-based payments

- (a) Option plan details
The Company has established a stock option program for its officers, directors, employees, and certain consultants under which the Company may grant options to acquire common voting shares at the market price of the shares, at the grant date. With the exception of \$0.10 options, which vest immediately, all options granted under the stock option plan have a five-year term and vest over 3 years. For options issued subsequent to April 30, 2020, one-half vest immediately while remaining one-half vest on the first anniversary.
- (b) The following is a summary of changes in options from July 31, 2019 to April 30, 2021:

	Number of options	Weighted average exercise price
Outstanding, July 31, 2019	8,550,000	\$ 0.45
Granted	7,607,500	\$ 0.21
Exercised	(375,000)	\$ 0.10
Cancelled and forfeited	(2,935,000)	\$ 0.48
Outstanding, July 31, 2020	12,847,500	\$ 0.31
Cancelled and forfeited	(4,881,667)	\$ 0.48
Granted	1,050,000	\$ 0.20
Outstanding, April 30, 2021	9,015,833	\$ 0.21
Options exercisable as at April 30, 2021	4,590,832	\$ 0.21

The following table summarizes information about the stock options as at April 30, 2021:

Range of exercise prices	Number outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.10	425,000	1.10	\$ 0.10	425,000	\$ 0.10
\$0.20	7,863,333	4.47	\$ 0.20	3,804,999	\$ 0.20
\$0.29	77,500	3.83	\$ 0.29	27,500	\$ 0.29
\$0.34	200,000	3.50	\$ 0.34	66,667	\$ 0.34
\$0.50	450,000	3.25	\$ 0.50	266,666	\$ 0.50
	9,015,833	4.22	\$ 0.21	4,590,832	\$ 0.21

The following table summarizes information about the stock options as at July 31, 2020:

Range of exercise prices	Number outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.10	425,000	1.60	\$ 0.10	425,000	\$ 0.10
\$0.20	6,890,000	4.92	\$ 0.20	2,950,000	\$ 0.20
\$0.29	182,500	4.34	\$ 0.29	-	\$ 0.29
\$0.30	150,000	3.98	\$ 0.30	50,000	\$ 0.30
\$0.32	650,000	3.97	\$ 0.32	216,667	\$ 0.32
\$0.34	200,000	4.00	\$ 0.34	-	\$ 0.34
\$0.50	4,350,000	3.78	\$ 0.50	1,450,000	\$ 0.50
	12,847,500	4.34	\$ 0.31	5,091,667	\$ 0.28

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18. Share-based payments (continued)

(c) Fair value of options issued during the period

The follow table summarizes the assumptions used in the Black-Scholes option-pricing model for purposes of determining the fair value of the options granted:

	April 30, 2021	July 31, 2020
Dividend yield	0%	0.00%
Expected volatility	95.07%	100.04%
Risk-free interest rate	0.39%	1.49%
Forfeiture rate	2.00%	2.00%
Expected life (years)	2.95	5.00
Weighted average fair value of options	\$ 0.12	\$ 0.30

On February 26, 2021, the Company granted 1,050,000 share purchase options to employees and consultants of the Company. No other options were granted during the nine month period ended April 30, 2021.

19. 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 the year ended July 31, 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.

The following warrants are outstanding as at the following dates:

	Number of warrants	Weighted average exercise price
Outstanding, July 31, 2019, July 31, 2020 and April 30, 2021	3,888,143	\$ 0.50
Exercisable at end of each period noted above	3,888,143	\$ 0.50

The following table summarizes information about the Company's outstanding warrants as at April 30, 2021:

Issuance date	Warrants outstanding			Warrants exercisable	
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
November 9, 2018	2,611,143	1.0	\$ 0.50	2,611,143	\$ 0.50
February 11, 2019	277,000	1.3	\$ 0.50	277,000	\$ 0.50
April 24, 2019	1,000,000	1.5	\$ 0.50	1,000,000	\$ 0.50

20. Related party transactions

(a) The following is a summary of the Company's related party balances:

Amount due from related party	April 30, 2021	July 31, 2020
890859 Alberta Ltd.	\$ 10,940	\$ 6,432

890859 Alberta Ltd. is a company owned by a shareholder and officer of the Company. 890859 Alberta Ltd. sells non-cannabis balms and creams produced by the Company and subleases space from the Company's retail location.

Amount due to related parties	April 30, 2021	July 31, 2020
SS Pipelines Ltd. (i)	\$ 689,744	\$ 580,640
Runaway Developments Ltd. (ii)	650,000	650,000
Director and shareholders (iii)	214,643	4,939
	\$ 1,554,387	\$ 1,235,579

(i) unsecured and have no fixed terms of repayment. Accordingly, the amounts have been presented as being all current on the consolidated statements of financial position.

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20. Related party transactions (continued)

- (ii) Runaway Developments Ltd. is a company owned by a shareholder of the Company. The amounts due to Runaway Developments Ltd. bears interest at 7% per annum and matured on September 30, 2020. Subsequent to July 31, 2020 year-end, the maturity was extended to July 31, 2021.
- (iii) As at April 30, 2021, an aggregate amount of \$214,643 was due to a Director and shareholders of the Company. These amounts are due on demand, unsecured and interest free. These amounts were advances for operational purposes.

(b) The following is a summary of the Company's related party transactions:

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Expenses paid on behalf of the Company	\$ -	\$ 62,749	\$ -	\$ 135,441
Capital expenditures paid on behalf of the Company	\$ -	\$ 289,356	\$ -	\$ 624,393
	\$ -	\$ 352,105	\$ -	\$ 759,834

During the nine month period ended April 30, 2021, non-cannabis products sales of \$2,400 to the related parties were made. The Company is leasing an extraction machine from a company that is owned by three directors of CanadaBis. See Notes 12(ii) and 14 for further details.

21. Financial instruments and risk management

(a) Fair value

The carrying values of cash and cash equivalents, deposits, accounts payable and accrued liabilities, due to related parties, current portion of lease liabilities and current portion of long-term debt approximate their fair values due to the short-term nature of these financial instruments.

The carrying amounts and fair values of the Company's remaining financial assets and liabilities are as follows:

	April 30, 2021		July 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Fair value through profit and loss				
Cash and cash equivalents	\$ 313,368	\$ 313,368	\$167,002	\$167,002
Accounts receivable	880,447	880,447	1,072,341	1,072,341
Loans and receivables				
Due from related party	10,940	10,940	6,432	6,432
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	1,357,128	1,357,128	1,792,262	1,792,262
Due to related parties	1,554,387	1,554,387	1,235,579	1,235,579
Long-term debt	5,872,769	5,872,769	5,672,515	5,672,515
Lease liability	1,018,279	1,018,279	404,091	404,091

Fair value hierarchy

The financial instruments of the Company that are recorded at fair value have been classified into levels using the fair value hierarchy based on the degree to which the fair value is observable:

- 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.

(b) 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
- 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.

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21. Financial instruments and risk management (continued)

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.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	<1 Year	1-2 Years	3-5 Years	> 5 years
Accounts payable and accrued liabilities	\$ 1,357,128	\$ -	\$ -	\$ -
Due to related parties	1,554,387	-	-	-
Lease obligations	200,272	401,115	570,754	585,221
Long-term debt	4,540,455	-	1,332,314	-
	\$ 7,652,242	\$ 401,115	\$ 1,903,068	\$ 585,221

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 April 30, 2021, 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 April 30, 2021, approximately 69% of the accounts receivable balances were with three (3) parties. The Company has a credit concentration risk as it deals with counterparties that are in the licensed cannabis industry.

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

	April 30, 2021	July 31, 2020
Accounts receivable		
Not past due	\$ 360,726	\$ 1,084,417
1-30 days	416,524	39,522
31-90 days	69,939	33,902
90+ days	149,959	-
Total gross carrying amount	997,147	1,157,841
Loss allowance	(116,700)	(85,500)
Total carrying amount	\$ 880,447	\$ 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.

	April 30, 2021	July 31, 2020
Accounts receivable		
Balance, beginning of period	\$ 85,500	\$ -
New financial assets originated	31,200	85,500
Balance, end of period	\$ 116,700	\$ 85,500

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 15). A 1% increase to the interest rate would have an approximate impact of \$22,970 and \$68,910 on pre-tax earnings for the three and nine month periods ended April 30, 2021, respectively.

22. Capital management

The Company's capital management objectives are:

- To safeguard the Company's ability to continue as going concern;
- To meet its capital expenditures for its continued operations;
- To maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

In the management of capital, the Company includes share capital and net debt (defined as current assets and amounts due from related parties less current liabilities and any long-term debt). At April 30, 2021, the Company had net debt of \$7,156,871 (July 31, 2020 - \$6,353,756). As at April 30, 2021, the Company is noncompliant with the certain externally imposed covenants, see Notes 2, 15 and 28 for detailed discussion on action steps management is undertaking to address noncompliance.

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.

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23. Per share amounts

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Weighted average number of common shares				
Basic and diluted	135,821,164	123,209,896	134,471,667	122,629,320

24. Financing costs

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
Interest on long-term debt	\$ 79,001	\$ 76,121	\$ 221,433	\$ 208,145
Interest on lease liabilities	17,143	11,197	39,210	34,236
Accretion expense	1,793	-	2,386	-
	\$ 97,937	\$ 87,318	\$ 263,029	\$ 242,381

25. Changes in non-cash working capital

	Three months ended		Nine months ended	
	April 30, 2021	April 30, 2020	April 30, 2021	April 30, 2020
<i>Operating activities</i>				
Accounts receivable	\$ (361,275)	\$ (286,260)	\$ 191,894	\$ (286,260)
Goods and services tax receivable	30,565	(61,757)	249,415	(125,821)
Inventory	(184,513)	(1,434,177)	(256,635)	(1,737,632)
Prepaid expenses	(37,213)	(19,740)	(50,233)	57,768
Short-term deposits	-	(2,300)	-	389,945
Accounts payable and accrued liabilities	63,759	676,898	(800,305)	1,419,256
	\$ (488,677)	\$ (1,127,336)	\$ (665,864)	\$ (282,744)
<i>Investing activities</i>				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 436,084	\$ -

As at April 30, 2021, included in inventory is \$71,255 (2020 - \$nil) of biological assets that was transferred to harvested cannabis and subsequently used in the extraction process.

26. Segmented information

For management purposes, the Company is organized into operating segments based on its products, services, locations and distribution methods. Four operating segments have been identified. These segments have been aggregated into three reportable segments: wholesale, retail and extraction and tolling. The wholesale segment, which cultivates and distributes cannabis and cannabis products to and through, provincial liquor and cannabis boards which is subsequently sold onto end consumers. Retail segment involves sale of cannabis and cannabis related products to end consumers on premise owned and operated by the Company. Extraction and tolling segment provides cannabinoid extraction services to other licensed producers.

Management monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on a number of measures, the most significant being profit and loss, which is measured consistently with the definition of profit and loss in the Consolidated Financial Statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. For segment information presentation purposes, the change to fair value on biological assets and realized fair value on finished goods sold (See Note 9) are included in "Extraction and tolling" segment as to date the Company used its own harvested cultivations in entirety the extraction process.

Operating assets and liabilities are managed on a corporate basis. General and administrative expenses, current taxes, deferred taxes and capital expenditures are not allocated to segments as they are also managed on a corporate basis. Inter-segment revenues are eliminated on consolidation and are reflected in the "eliminations" column. All other adjustments and eliminations are part of a detailed reconciliation presented below:

For the nine months ended April 30, 2021 (Restated)	Cultivation and wholesale	Retail	Extraction and tolling	Eliminations	Consolidated
Net revenue (external customers)	\$ 110,443	\$ 999,902	\$ 4,092,330	\$ -	\$ 5,202,675
Cost of sales	91,443	698,782	2,427,694	-	3,217,919
Gross profit	19,000	301,120	1,664,636	-	1,984,756
General and administrative					2,516,656
Depreciation and amortization					283,475
Share-based payments					408,328
Operating loss					(1,223,703)
Financing costs					(263,029)
Other income					1,728
Loss before taxes and non-controlling interests					\$ (1,485,004)

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26. Segmented information (continued)

For the three months ended April 30, 2021	Cultivation and wholesale	Retail	Extraction and tolling	Eliminations	Consolidated
Net revenue (external customers)	\$ 50,112	\$ 309,519	\$ 1,853,676	\$ -	\$ 2,213,307
Cost of sales	34,657	222,197	922,452	-	1,179,306
Gross profit	15,455	87,322	931,224	-	1,034,001
General and administrative					894,545
Depreciation and amortization					89,050
Share-based payments					179,312
Operating loss					(128,906)
Financing costs					(97,937)
Other income					1,517
Loss before taxes and non-controlling interests					\$ (225,326)

For the nine months ended April 30, 2020 (Restated)	Cultivation and wholesale	Retail	Extraction and tolling	Eliminations	Consolidated
Net revenue (external customers)	\$ -	\$ 561,010	\$ 286,101	\$ -	\$ 847,111
Cost of sales	-	395,095	505,697	-	900,792
Gross profit	-	165,915	(219,596)	-	(53,681)
Acquisition costs					33,833
General and administrative					1,918,943
Depreciation and amortization					503,066
Share-based payments					2,506,655
Operating loss					(5,016,178)
Financing costs					(242,381)
Other income					4,609
Loss before taxes and non-controlling interests					\$ (5,253,950)

For the three months ended April 30, 2020 (Restated)	Cultivation and wholesale	Retail	Extraction and tolling	Eliminations	Consolidated
Net revenue (external customers)	\$ -	\$ 277,494	\$ 286,101	\$ -	\$ 563,595
Cost of sales	-	188,217	258,380	-	446,597
Gross profit	-	89,277	27,721	-	116,998
General and administrative					591,807
Depreciation and amortization					161,929
Share-based payments					159,550
Operating loss					(796,288)
Financing costs					(87,318)
Other income					688
Loss before taxes and non-controlling interests					\$ (882,918)

27. Commitments and contingencies

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 Company has applied for, qualified for, and received funding from certain government economic stimulus programs (See Note 15). Subsequent to May 1, 2021, various provinces have announced gradual de-confinement regulations and re-opening plans. 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 condition of the Company in future periods, including the possible impact on future financing opportunities. It is possible that estimates in these 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.

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28. Subsequent events

On June 3, 2021, the Company announced that a binding commitment letter was signed on May 24, 2021 with Connect First Credit Union for a new facility of \$9.6 million to be comprised of a 5-year term, \$8,850,000 commercial mortgage loan bearing interest at a fixed rate of 4.35% per annum (calculated daily and payable monthly arrears) and a \$750,000 on demand line of credit bearing interest at a rate of the lender's prime landing rate plus 1.00% per annum (calculated daily and payable monthly in arrears) (collectively, the "New Credit Facility"). The New Credit Facility will be used to refinance all existing mortgages and for funding working capital needs. Funding will be made in two (2) tranches for the commercial mortgage loan, the first tranche of \$7,210,000 is subject to customary closing conditions, including registration of all security require which was met prior to approval of the Financial Statements and the Company anticipates receipt of funding in July 2021. The second tranche of \$1,640,000 shall be advanced upon completion and delivery of the Company's July 31, 2021 year-end audited financial statements. The prepaid expenses as at April 30, 2021, includes \$25,000 acceptance fee paid upon acceptance of the term sheet.