



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended October 31, 2022 and 2021

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

As at

(Expressed in Canadian dollars)

	October 31, 2022	July 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents (Note 8)	\$ 1,452,721	\$ 144,876
Accounts receivable (Note 20(b))	1,773,318	2,138,947
Prepaid expenses	665,083	402,314
Biological assets (Note 10)	29,979	61,360
Inventory (Note 11)	2,625,732	2,934,874
	<u>6,546,833</u>	<u>5,682,371</u>
Long-term deposit (Note 9)	275,497	275,497
Property, plant and equipment (Note 12)	9,527,898	9,506,171
Due from related parties (Note 19)	14,090	14,090
	<u>\$ 16,364,318</u>	<u>\$ 15,478,129</u>
LIABILITIES		
Current liabilities		
Demand line of credit (Note 14(iii))	\$ -	\$ 467,453
Accounts payable and accrued liabilities	4,282,700	3,537,921
Goods and services tax payable	82,579	23,521
Due to related parties (Note 19)	1,485,599	1,427,951
Current portion of lease obligations (Note 13)	162,896	162,879
Current portion of long-term debt (Note 14)	6,088,076	6,284,574
	<u>12,101,850</u>	<u>11,904,299</u>
Deferred income liability (Note 14 (ii))	34,500	39,346
Lease obligations (Note 13)	400,013	426,728
Long-term debt (Note 14)	478,929	474,083
	<u>13,015,292</u>	<u>12,844,456</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	16,145,534	16,145,534
Share-based payments reserve	3,322,596	3,307,556
Deficit	(16,212,290)	(16,912,603)
Total equity attributed to own shareholders	<u>3,255,840</u>	<u>2,540,487</u>
Non-controlling interest (Note 15)	93,186	93,186
	<u>3,349,026</u>	<u>2,633,673</u>
	<u>\$ 16,364,318</u>	<u>\$ 15,478,129</u>

Going concern (Note 2)

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 NET INCOME (LOSS) AND COMPREHENSIVE**

For the Three Month Periods Ended October 31, 2022 and 2021

(Expressed in Canadian dollars)

	Three months ended	
	October 31, 2022	October 31, 2021
REVENUE		
Gross revenue (Note 25)	\$ 7,812,425	\$ 2,444,802
Excise duty (Note 25)	2,664,738	599,505
Net revenues (Note 6)	5,147,687	1,845,297
Cost of sales (Note 7)	2,783,725	912,968
Gross profit	2,363,962	932,329
EXPENSES		
Depreciation and amortization	75,683	78,130
General and administration	1,469,539	970,770
Share-based payments (Note 17)	15,040	27,171
	1,560,262	1,076,071
Income (loss) from operations	803,700	(143,742)
Other income and expenses		
Financing costs (Note 23)	(108,920)	(132,367)
Other income (expenses)	5,533	5,190
	(103,387)	(127,177)
Net income (loss) and comprehensive income (loss) for the period	700,313	(270,919)
Attributed to:		
Equity holders of the parent	700,313	(270,128)
Non-controlling interest	-	(791)
	\$ 700,313	\$ (270,919)
Per share amount (Note 22)		
Basic and diluted	\$ 0.01	\$ (0.00)

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 Three Month Periods Ended October 31, 2022 and 2021

(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, 2021	\$ 15,995,534	\$ 3,253,086	\$ (17,520,935)	\$ 1,727,685	\$ 93,567	\$ 1,821,252
Share-based payments (Note 17)	-	27,171	-	27,171	-	27,171
Net loss and comprehensive loss for the period	-	-	(270,128)	(270,128)	(791)	(270,919)
Balance, October 31, 2021	\$ 15,995,534	\$ 3,280,257	\$ (17,791,063)	\$ 1,484,728	\$ 92,776	\$ 1,577,504
Balance, July 31, 2022	\$ 16,145,534	\$ 3,307,556	\$ (16,912,603)	\$ 2,540,487	\$ 93,186	\$ 2,633,673
Share-based payments (Note 17)	-	15,040	-	15,040	-	15,040
Net income and comprehensive income for the period	-	-	700,313	700,313	-	700,313
Balance, October 31, 2022	\$ 16,145,534	\$ 3,322,596	\$ (16,212,290)	\$ 3,255,840	\$ 93,186	\$ 3,349,026

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 Month Periods Ended October 31, 2022 and 2021
(Expressed in Canadian dollars)

	Three months ended	
	October 31, 2022	October 31, 2021
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	\$ 700,313	\$ (270,919)
Items not affecting cash		
Accretion expense	11,249	10,970
Depreciation and amortization (Note 12)	133,473	133,487
Realized fair value on inventory sold	1,393	35,728
Change in fair value of biological asset	8,039	(43,692)
Non-cash other income	(4,846)	(4,590)
Non-cash interest expense	3,791	3,971
Share-based payments	15,040	27,171
Changes in non-cash working capital (Note 24)	1,249,950	(224,179)
	2,118,402	(332,053)
Financing activities		
Advances from related parties	80,674	-
Repayment of amounts due to related parties	(23,026)	(277,823)
Repayment on demand line of credit	(467,453)	-
Repayment of long-term debt (Note 14)	(202,901)	(129,976)
Lease obligation (Note 13)	(42,651)	(50,068)
	(655,357)	(457,867)
Investing activities		
Purchase of property, plant and equipment (Note 12)	(155,200)	(39,773)
	(155,200)	(39,773)
Net change in cash and cash equivalents	1,307,845	(829,693)
Cash and cash equivalents		
Beginning of the period	144,876	849,503
End of the period	\$ 1,452,721	\$ 19,810
Supplemental cash flow information		
Interest paid	\$ 93,880	\$ 89,097

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended October 31, 2022 and 2021

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 and listed on the Exchange.

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". The address of the Company's registered office is 255C Clearview Drive, Red Deer County, Alberta, Canada T4E 3B6.

2. Going concern

These 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. During the year ended July 31, 2022, the Company became profitable for the first time since commencement of operations, and therefore, to date the Company does not have a history of profitable operations from its various assets and activities.

For the three months ended October 31, 2022, the Company incurred a net income (loss) of \$700,313 (October 31, 2021 - \$(270,919)), current liabilities exceed current liabilities by \$5,555,017 (July 31, 2022 - \$(6,221,928)), and positive (negative) cash flow from operations of \$2,118,402 (October 31, 2021 - \$(332,053)). As at July 31, 2022 and October 31, 2022, the Company was noncompliant with its externally imposed debt covenants and the entire balance due of \$6,088,076 and \$6,284,574, respectively were classified as current. The Credit Union confirmed in writing to the Company that payment of the Commercial Mortgage as at July 31, 2022 is not demanded due to this non-compliance with debt covenants and that this loan will be classified as long-term for purposes of their assessments (See Note 14(iii)). 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) and continued profitable operations 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 noncompliance with debt covenants by completing successful future financings and continue securing contracts with new and existing customers in all Provinces that it currently operates in. See Note 14(iii) to the Financial Statements for the additional financing to be secured for repayment of related party balances. 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 and maintain profitability. The next annual review date has been set for November 30, 2023 but may be changed at the discretion of the Credit Union.

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, 2022.

These Financial Statements were approved and authorized for issue by the Board of Directors on December 29, 2022.

(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.

(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.

CANADABIS CAPITAL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended October 31, 2022 and 2021

Canadian dollars)

3. Basis of preparation (Continued)

(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. 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, 2022. Certain prior period amounts have been reclassified throughout the Financial Statements to conform with current period presentation. Gross revenue and excise duty are presented in the unaudited condensed consolidated statement of net income (loss) and comprehensive income (loss) to conform with current period presentation.

New and amended accounting standards adopted

As at August 1, 2022, the Company adopted the following standards that had no material impact on these Financial Statements either due to not being applicable or limited relevance based on nature and extend of the Company's operations:

(a) IFRS 3 "Business Combinations" was amended to add a new concept to the recognition principle in order to ensure the accounting remains unchanged for present obligations that exist at date of acquisition as a result of past events.

(b) In accordance with the IAS 16 "Property, plant and equipment" amendment, the Company is prohibited from deducting from the cost of the underlying asset the amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, the Company will recognize such sales proceeds and related costs in profit and loss.

(c) When assessing whether a contract will be in a loss-making position, i.e. onerous contracts, in accordance with the amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" the Company will determine costs that relate directly to a contract consists of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

(d) IAS 41 "Agriculture" was amended to remove the requirement to exclude cash flows from taxation when measuring fair value thereby; aligning the fair value measurement requirements in IAS 41 with those in other IFRS standards.

(e) In accordance with IFRS 9 "Financial Instruments", the fees in the "10 per cent" test for derecognition of financial liabilities. The Company will include these fees when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

(f) Amendments were made to illustrative examples within IFRS 16 "Leases", by removing the reimbursement of leasehold improvements example to prevent potential for confusion regarding whether the reimbursement would meet the definition of lease incentives.

5. 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 current and future periods. The critical accounting estimates and judgments used in the preparation of these Financial Statements are consistent with those critical accounting estimates and judgments as disclosed in the audited consolidated financial statements as at and for the year ended July 31, 2022.

6. Net revenues

	Three months ended	
	October 31, 2022	October 31, 2021
Extract	\$ 4,978,901	\$ 1,490,439
Retail	125,407	198,010
Cultivation and wholesale	43,379	156,848
	<u>\$ 5,147,687</u>	<u>\$ 1,845,297</u>

7. Cost of sales

	Three months ended	
	October 31, 2022	October 31, 2021
Extract	\$ 2,675,863	\$ 661,690
Retail	89,281	145,273
Cultivation and wholesale	18,581	106,005
	<u>\$ 2,783,725</u>	<u>\$ 912,968</u>

During the three months ended October 31, 2022 and 2021, the depreciation charge of \$45,815 and \$43,504, respectively were included in cost of sales - extract.

During the three months ended October 31, 2022 and 2021, the cost of sales - extract included realized fair value included in the packaged extraction inventory (finished goods) produced using the Company's own cultivated inventory of \$1,393 and \$35,728, respectively that were sold during the period presented.

During the three months ended October 31, 2022, an inventory write down of \$258 for own cultivated inventory destroyed was recognized in the cost of sales - cultivation and wholesale. No own cultivated inventory quantities were destroyed during the corresponding period presented.

8. Cash and cash equivalents

As at October 31, 2022, the cash and cash equivalents balance includes a GIC of \$200,000 that is redeemable without penalties.

CANADABIS CAPITAL INC.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended October 31, 2022 and 2021

Canadian dollars)

9. Long-term deposit

In connection with the new debt facility (see Note 14 (iii)), a term deposit for commercial hold backs and an interest rate of 0.20% was obtained. The maturity date is July 13, 2023 and this term deposit cannot be redeemed until the lien as stipulated in the commitment letter is removed. The lien is regarding a statement of claim against the Company which the Company deems without merit and filed a counterclaim. As at October 31, 2022, the lien remained in place. As at October 31, 2022, the balance of \$275,497 includes interest earned of \$1,048 that is readily available to the Company.

10. Biological Assets

	October 31, 2022	July 31, 2022
Balance, beginning of period	\$ 61,360	\$ 29,027
Capitalized cost of biological assets	95,778	385,481
Changes in fair value	(8,039)	49,800
Cash cost transferred to inventory upon harvest	(119,120)	(402,948)
	\$ 29,979	\$ 61,360

During the three months ended October 31, 2022 and 2021, the depreciation charge of \$11,975 and \$11,854, respectively related to property, plant and equipment used in the growth and harvesting of biological assets was capitalized to biological assets.

During the three months ended October 31, 2022 and 2021, the gross profit included the changes in fair value related to the biological assets of \$(8,039), and \$43,692,

During the three months ended October 31, 2022, the Company successfully completed its fifteenth harvest. At October 31, 2022, the remaining plants were 34% complete relative to the next expected harvest. During the three month period ended October 31, 2022, the selling price of \$3.15 per dry flower gram and \$1.26 per trim gram used in the valuation process remained unchanged from July 31, 2022.

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 per plant – represents the expected number of dried cannabis flower which is 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 October 31, 2022 and July 31, 2021.

		10% change as at October 31, 2022	10% change as at July 31, 2022
Selling price (Dry Flowers)	\$3.15 p/gram	\$3,500	\$3,500
Yield per plant	42 grams	\$3,500	\$3,500
Survival rate	95.0%	\$5,300	\$5,300

11. Inventory

	October 31, 2022	July 31, 2022
Retail	\$ 399,887	\$ 329,454
Harvested cannabis	395,173	273,836
Extraction and tolling	1,830,672	2,331,584
	\$ 2,625,732	\$ 2,934,874

12. Property, Plant and Equipment

	Land	Building and improvements (i)	Plant and equipment (ii)	Office equipment	Computer hardware	Automobiles	Total
Cost							
Balance, July 31, 2021	\$ 2,805,295	\$ 6,738,228	\$ 1,177,557	\$ 86,169	\$ 22,995	\$ 41,560	\$ 10,871,804
Additions	-	61,265	130,814	-	9,272	61,996	263,347
Derecognition of lease (iii)	(380,295)	-	-	-	-	-	(380,295)
Balance, July 31, 2022	2,425,000	6,799,493	1,308,371	86,169	32,267	103,556	10,754,856
Additions	-	109,453	30,910	10,112	4,725	-	155,200
Balance, October 31, 2022	\$ 2,425,000	\$ 6,908,946	\$ 1,339,281	\$ 96,281	\$ 36,992	\$ 103,556	\$ 10,910,056

CANADABIS CAPITAL INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended October 31, 2022 and 2021

Canadian dollars

12. Property, Plant and Equipment (Continued)

	Land	Building and improvements (i)	Plant and equipment (ii)	Office equipment	Computer hardware	Automobiles	Total
Accumulated depreciation							
Balance, July 31, 2021	\$ 39,024	\$ 503,609	\$ 184,900	\$ 32,174	\$ 12,712	\$ 9,677	\$ 782,096
Depreciation	14,837	265,143	202,602	17,210	8,935	11,723	520,450
Derecognition of lease (iii)	(53,861)	-	-	-	-	-	(53,861)
Balance, July 31, 2022	-	768,752	387,502	49,384	21,647	21,400	1,248,685
Depreciation (iv)	-	67,797	53,491	4,382	2,583	5,220	133,473
Balance, October 31, 2022	\$ -	\$ 836,549	\$ 440,993	\$ 53,766	\$ 24,230	\$ 26,620	\$ 1,382,158
Net book value							
October 31, 2022	\$ 2,425,000	\$ 6,072,397	\$ 898,288	\$ 42,515	\$ 12,762	\$ 76,936	\$ 9,527,898
July 31, 2022	\$ 2,425,000	\$ 6,030,741	\$ 920,869	\$ 36,785	\$ 10,620	\$ 82,156	\$ 9,506,171

- (i) Included in property, plant and equipment is \$467,789 (July 31, 2022 - \$430,991) 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 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 13). 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. During the three months ended October 31, 2022, the aggregate lease payments for the extraction machine was \$35,974.
- (iii) With the acquisition of Goldstream Cannabis Inc. (see Note 15), the Company assumed the lease liability related to the lease of 13 acres of undeveloped land, zoned for cannabis cultivation. On February 24, 2022, a formal notice of early termination of the land lease was provided and final lease payments were made for March and April 2022. Accordingly, the net book value right of use of \$326,434 and the lease liability of \$366,019 as at April 30, 2022 were derecognized.
- (iv) This represents the aggregate depreciation charge for the three months ended October 31, 2022 that is prior to the capitalization of \$11,975 to Biological Assets (Note 10) and reclassification of \$45,815 from the "Depreciation and amortization" financial statement line item to Cost of sales - extraction and tolling (Note 7) for presentation purposes.

13. 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 three months ended October 31, 2022 were as follows:

Cost	Plant and equipment	Vehicle	Land	Total
Balance, July 31, 2021	\$ 629,240	\$ 29,060	\$ 380,295	\$ 1,038,595
Additions	-	53,579	-	53,579
Derecognition of lease (Note 12 (iii))	-	-	(380,295)	(380,295)
Balance, July 31, 2022 and October 31, 2022	\$ 629,240	\$ 82,639	\$ -	\$ 711,879
Accumulated depreciation				
Balance, July 31, 2021	\$ 32,174	\$ 9,233	\$ 39,024	\$ 80,431
Depreciation	104,873	10,991	14,837	130,701
Derecognition of lease (Note 12 (iii))	-	-	(53,861)	(53,861)
Balance, July 31, 2022	137,047	20,224	-	157,271
Depreciation	26,434	4,166	-	30,600
Balance, October 31, 2022	\$ 163,481	\$ 24,390	\$ -	\$ 187,871
Net book value				
Balance, October 31, 2022	\$ 465,759	\$ 58,249	\$ -	\$ 524,008
Balance, July 31, 2022	\$ 492,193	\$ 62,415	\$ -	\$ 554,608

CANADABIS CAPITAL INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended October 31, 2022 and 2021

Canadian dollars)

13. Lease obligations (Continued)
Lease liabilities

	October 31, 2022	July 31, 2022
Balance, beginning of period	\$ 589,607	\$ 996,765
Vehicles	-	53,579
Derecognition of lease (Note 11 (v))	-	(366,019)
Lease payments	(42,651)	(194,462)
Interest expense	15,953	99,744
Balance, end of period	562,909	589,607
Less current portion	(162,896)	(162,879)
	\$ 400,013	\$ 426,728

Amounts recognized in profit and loss

	Three months ended	
	October 31, 2022	October 31, 2021
Lease expense on short-term lease	\$ 2,870	\$ 2,656
Interest expense on lease liabilities	15,953	28,508
Amounts expensed in profit and loss	\$ 18,823	\$ 31,164

Lease payments

The required undiscounted cash flows of lease payments of the lease liability as at October 31, 2022, are as follows:

	2023
Less than 1 year	\$ 170,604
1-5 years	523,923
More than 5 years	-
	\$ 694,527

14. Long-term debt

	CEBA loan (i)	RRRF Loan (ii)	Commercial Mortgage Loan (iii)	Total
Balance, July 31, 2021	\$ 120,000	\$ 335,343	\$ 6,987,148	\$ 7,442,491
Repayment of principal	-	-	(727,920)	(727,920)
Accretion	-	18,740	25,346	44,086
Balance, July 31, 2022	120,000	354,083	6,284,574	6,758,657
Less current portion	-	-	(6,284,574)	(6,284,574)
	\$ 120,000	\$ 354,083	\$ -	\$ 474,083

	CEBA loan	RRRF Loan	Commercial Mortgage Loan	Total
Balance, July 31, 2022	\$ 120,000	\$ 354,083	\$ 6,284,574	\$ 6,758,657
Repayment of principal	-	-	(202,901)	(202,901)
Accretion	-	4,846	6,403	11,249
Balance, October 31, 2022	120,000	358,929	6,088,076	6,567,005
Less current portion	-	-	(6,088,076)	(6,088,076)
	\$ 120,000	\$ 358,929	\$ -	\$ 478,929

- (i) 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. During the year ended July 31, 2021, additional funding of \$20,000 was secured by each of these entities with same repayment terms as initial funding received. The loan is non-interest bearing until December 31, 2022. An annual interest rate of 5% accrues from January 1, 2023 until December 31, 2025, the maturity date. Subsequent to July 31, 2022, the Government of Canada extended the repayment deadline for partial loan forgiveness from December 31, 2022 to December 31, 2023. Thereby, the interest-free period was extended by one year, effectively a two-year terms to repay the outstanding balance on or prior to December 31, 2025. If these CEBA loans remain outstanding on January 1, 2024, interest at a rate of 5% per annum will commence.

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14. Long-term debt (Continued)

- (ii) 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 31, 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 October 31, 2022, the deferred income liability outstanding was \$34,500 net of \$4,846 recognized during the three months ended October 31, 2022 as other income 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 \$4,589 was recognized to accrete the loan outstanding during the corresponding period presented. Therefore, resulting in a net impact of \$Nil to net income for the three months ended October 31, 2022 and 2021.
- (iii) On June 3, 2021, the Company announced that a binding commitment letter was signed on May 24, 2021 with Connect First Credit Union (the "Credit Union") for a new credit 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 in arrears) (the "Commercial Mortgage Loan") and a \$750,000 on demand line of credit bearing interest at a rate of the lender's prime lending rate plus 1.00% per annum (calculated daily and payable monthly in arrears) (collectively, the "New Credit Facility"). On July 23, 2021, the first tranche of \$7,210,000 was released upon the meeting customary closing conditions and was used to settle existing long-term debt (vendor takeback mortgage and demand mortgage). Aggregate financing costs associated with the New Credit Facility incurred was \$225,000 that was allocated against the Commercial Mortgage Loan. The costs associated with the loan form part of the amortized costs of the loan used to determine the effective interest rate of 3.63%. The monthly payable of principal and accrued interest of the Commercial Mortgage Loan is \$91,081. The second tranche of \$1,640,000 shall be advanced upon completion and delivery of the Company's July 31, 2022 year-end audited financial statements, and compliance with externally imposed covenants. Upon receipt of the second tranche, this funding will be used to settle the related party debt (Note 19). As at October 31, 2022, the demand line of credit was not drawn down. The New Credit Facility is secured through the First Coverage Demand Collateral Mortgages over the properties held by 1998643 Alberta Ltd. and 2103157 Alberta Ltd. in the amounts of \$8,850,000 and \$750,000, respectively. Also, first charge security interest over all present and acquired personal property, unlimited guarantees and postponement of claims by Goldstream Cannabis Inc. and 1926360 Alberta Ltd., and the assignment and postponement of all related party debt to the amount of \$1,640,000 is in place. The commitment letter requires that the Company maintains the following debt covenants: 1) a debt service coverage ratio not less than 1.40:1 to be tested annually; 2) a debt-to-equity ratio not greater than 1.00:1.00 to be tested annually; and 3) a current ratio not less than 1.25:1.00 to be tested monthly. As at October 31, 2022, the Company was in not compliance with all these debt covenants as the debt service coverage ratio was 0.92:1, the debt-to-equity ratio was 4.00:1 and the current ratio was 0.54:1. Therefore, the Commercial Mortgage Loan as at October 31, 2022 of \$6,088,076 was classified as current. The Credit Union confirmed in writing to the Company that payment of the Commercial Mortgage as at July 31, 2022 is not demanded due to this non-compliance with debt covenants and that this loan will be classified as long-term for purposes of their assessments. Presentation as at October 31, 2022 is consistent with past presentation in the July 31, 2022 audited financial statements.

15. Non-controlling interests

The changes in non-controlling interests are as follows for the periods presented:

Balance, July 31, 2021	\$	93,567
Share of net loss for the year		(381)
Balance, July 31, 2022		93,186
Share of net loss for the period then ended		-
Balance, October 31, 2022	\$	93,186

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. At October 31, 2022, the Company held a 95% ownership interest (July 31, 2022 – 95%) in Goldstream, located in British Columbia, Canada. The following table represents the summarized information for Goldstream before intercompany eliminations.

	October 31, 2022	July 31, 2022
Current assets	\$ 4,284	\$ 4,284
Non-current assets	1,972,460	1,972,460
Current liabilities	111,384	111,384
Non-current liabilities	-	-
Net revenues for the three month periods ended October 31, 2022 and 2021	-	-
Net income (loss) for the three month periods ended October 31, 2022 and 2021	\$ -	\$ (15,830)

16. Share capital

(a) Authorized

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

(b) Issued and outstanding

	Number of shares	Amount
Balance, July 31, 2021	135,982,534	15,995,534
Shares issued (Note 16 (b)(i))	1,153,846	150,000
Balance, July 31, 2022 and October 31, 2022	137,136,380	16,145,534

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16. Share capital (Continued)

- (b) (i) On November 5, 2021, the Company announced that it is proceeding with the previously announced amended private placement (the "Amended Private Placement") and withdrew its previously announced short-form prospectus offering of units. The Amended Private Placement of 11,538,462 units (the "Units") of the Corporation at a price of \$0.13 per unit for gross proceeds of \$1,500,000 (collectively, the "Amended Private Placement"). Each Unit shall be comprised of one (1) common share of the Company ("Common Share") and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder thereof to purchase one (1) Common Share ("Warrant Share") at an exercise price of \$0.25 per Warrant Share for three years from the date of issuance of such Warrants. The Common Shares and Warrants comprising the Units are subject to a hold period of four months and one day.
- On December 1, 2021, the Company closed the first tranche of its previously announced non-brokered private placement consisting of 1,153,846 Units at a price of \$0.13 per Unit to raise gross proceeds of \$150,000. Each unit consisted of one common share and one common share warrant. Each Warrant entitles the holder to purchase one additional share at a price of \$0.25 per share for a period of three years following closing or until December 1, 2024 (Note 18). As at the date of approval of these Financial Statements, the second tranche of the Amended Private Placement has not closed.

17. 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 before April 30, 2020 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, unless otherwise stated.

- (b) The following is a summary of changes in options from July 31, 2021 to October 31, 2022:

	Number of options	Weighted average exercise price
Outstanding, July 31, 2021	8,821,667	\$ 0.21
Cancelled and forfeited	(1,341,667)	\$ 0.21
Expired	(425,000)	\$ 0.10
Outstanding, July 31, 2022	7,055,000	\$ 0.22
Granted	100,000	\$ 0.20
Outstanding, October 31, 2022	7,155,000	\$ 0.22
Options exercisable as at October 31, 2022	6,843,334	\$ 0.22

The following table summarizes information about the stock options as at October 31, 2022:

Range of exercise prices	Options Outstanding		Options Exercisable		
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.20	6,660,000	2.78	\$ 0.20	6,363,334	\$ 0.20
\$0.29	45,000	2.11	\$ 0.29	30,000	\$ 0.29
\$0.50	450,000	1.50	\$ 0.50	450,000	\$ 0.50
	7,155,000	2.69	\$ 0.22	6,843,334	\$ 0.22

- (b) The following table summarizes information about the stock options as at July 31, 2022:

Range of exercise prices	Options Outstanding		Options Exercisable		
	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.20	6,560,000	3.00	\$ 0.20	6,263,334	\$ 0.20
\$0.29	45,000	2.36	\$ 0.29	30,000	\$ 0.29
\$0.50	450,000	1.75	\$ 0.50	450,000	\$ 0.50
	7,055,000	2.92	\$ 0.22	6,743,334	\$ 0.22

- (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:

	October 31, 2022	July 31, 2022
Dividend yield	0.00%	-
Expected volatility	95.07%	-
Risk-free interest rate	3.12%	-
Forfeiture rate	2.00%	-
Expected life (years)	2.91	-
Weighted average fair value of options	\$ 0.12	\$ -

On August 5, 2022, the Company granted 100,000 options to an employee. During the three month period ended October 31, 2022, no options expired or were exercised.

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18. Warrants

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

- (a) During the year ended July 31, 2020, the original expiry of the following common share purchase warrants was 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.

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. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on November 9, 2021 unexercised.

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. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on February 11, 2022 unexercised.

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. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on April 24, 2022 unexercised.

- (b) On December 1, 2021, the Company closed the first tranche of its previously announced non-brokered private placement consisting of 1,153,846 Units at a price of \$0.13 per Unit to raise gross proceeds of \$150,000. Each unit consisted of one common share and one common share warrant. Each Warrant entitles the holder to purchase one additional share at a price of \$0.25 per share for a period of three years following closing or until December 1, 2024, the expiry date. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares.

- (c) The following warrants are outstanding as at the following dates:

	Number of warrants	Weighted average exercise price
Outstanding, July 31, 2021	3,888,143	\$ 0.50
Expired (Note 18(a))	(3,888,143)	\$ 0.50
Issued (Note 18(b))	1,153,846	\$ 0.25
Outstanding, July 31, 2022 and October 31, 2022	1,153,846	\$ 0.25
Exercisable, July 31, 2022 and October 31, 2022	-	\$ 0.25

The following table summarizes information about the Company's outstanding warrants as at October 31, 2022:

Issuance date	Expiry date	Warrants outstanding			Warrants exercisable	
		Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
December 1, 2021	December 1, 2023	1,153,846	2.09	\$ 0.25	-	\$ 0.25

19. Related party transactions

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

Amount due from related party	October 31, 2022	July 31, 2022
890859 Alberta Ltd.	\$ 14,090	\$ 14,090

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 for rental income of \$Nil and \$600 for the three months ended October 31, 2022 and 2021, respectively.

Amount due to related parties	October 31, 2022	July 31, 2022
SS Pipelines Ltd. (i)	\$ 689,745	\$ 689,745
Runaway Developments Ltd. (ii)	653,791	653,791
Director and shareholders (iii)	142,063	84,415
	\$ 1,485,599	\$ 1,427,951

- (i) SS Pipelines Ltd. is a company owned by shareholders, a director and officer of the Company. The amounts due to related parties are non-interest bearing, 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.

- (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 December 31, 2021. Subsequent to July 31, 2021, additional funds of \$277,193 advanced for operational purposes during the year were repaid in the year ended July 31, 2022. As at October 31, 2022, the balance outstanding includes accrued interest of \$3,791.

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19. Related party transactions (Continued)

- (a) (iii) As at July 31, 2022, an aggregate amount of \$142,063 (July 31, 2022 - \$84,415) was due to a Director and shareholders of the Company. These amounts are due on demand, unsecured and interest free. Majority of this amount outstanding pertained to the vape filling machine rental fee, of which approximately \$38,000 was repaid subsequent to October 31, 2022.
- (b) During the three months ended October 31, 2022 and 2021, no operational and capital expenses were paid by the related parties on behalf of the Company. During the three months ended October 31, 2022 and 2021, non-cannabis products sales to related parties were \$Nil and \$2,400, respectively. The Company is leasing an extraction machine from a company that is owned by three directors of CanadaBis. See Notes 12(ii) and 13 for further details. During the years ended July 31, 2022 and 2021, the Company entered into separate agreements to rent for a twelve-month period a vape filling machine from a director and shareholder of the Company. During the three months ended October 31, 2022 and 2021, an aggregate equipment rental expense of \$77,359 and \$27,112, respectively were incurred representing a rental fee of \$1 per vape filled. On June 27, 2022, the Board of Directors approved a consulting agreement with a director to provide certain legal, corporate and administration consulting services for a period from May 1, 2022 and an end date of April 30, 2023. The terms and conditions of this consulting agreement is within normal course of business and payable immediately. As at October 31, 2022, the accounts payable balance includes an amount of \$845 due for the consulting services performed during the three months ended October 31, 2022.

20. Financial instruments and risk management

- (a) Fair value

The carrying values of cash and cash equivalents, demand line of credit, 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:

	October 31, 2022		July 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Fair value through profit and loss				
Cash and cash equivalents	\$ 1,452,721	\$ 1,452,721	\$144,876	\$144,876
Loans and receivables				
Accounts receivable	1,773,318	1,773,318	2,138,947	2,138,947
Due from related party	14,090	14,090	14,090	14,090
Financial liabilities				
Other financial liabilities				
Demand line of credit	-	-	467,453	467,453
Accounts payable and accrued liabilities	4,282,700	4,282,700	3,537,921	3,537,921
Due to related parties	1,485,599	1,485,599	1,427,951	1,427,951
Long-term debt	6,567,005	6,567,005	6,758,657	6,758,657
Deferred income liability	34,500	34,500	39,346	39,346
Lease liability	562,909	562,909	589,607	589,607

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.

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. For presentation purposes below, the Commercial Mortgage Loan included in the long-term debt, is presented using contractual maturities and not presented as payable on demand due to non-compliance with debt covenants (see Note 14 (iii)).

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20. Financial instruments and risk management (Continued)

(b) 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	\$ 4,282,700	\$ -	\$ -	-
Due to related parties	1,485,599	-	-	-
Lease obligations	170,604	320,068	203,855	-
Long-term debt	836,384	1,785,766	3,656,726	-
Deferred income liability	-	-	34,500	-
	\$ 6,775,287	\$ 2,105,834	\$ 3,895,081	\$ -

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 as at October 31, 2022, 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, 2022, approximately 87% of the accounts receivable balances were with four parties. The Company has a credit concentration risk as it deals with counterparties that are in the licensed cannabis industry. The Company's expected credit loss allowance is determined based on 1% of not past due amounts, 5% for 1-30 days, 10% for 31- 60 days, 25% up to 90 days and 50% up to 90 days.

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

	October 31, 2022	July 31, 2022
Accounts receivable		
Not past due	\$ 1,668,493	\$ 1,643,738
1-30 days	81,544	536,402
31-90 days	47,730	1,121
90+ days	541,927	541,828
Total gross carrying amount	2,339,694	2,723,089
Loss allowance	(566,376)	(584,142)
Total carrying amount	\$ 1,773,318	\$ 2,138,947

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, 2022	July 31, 2022
Loss allowance		
Balance, beginning of period	\$ 584,142	\$ 537,040
Increase in loss allowance for the period	(17,766)	47,102
Balance, end of the period	\$ 566,376	\$ 584,142

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 14). A 1% increase to the interest rate would have an approximate impact of \$16,417 on pre-tax earnings for the three months ended October 31, 2022.

21. 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 October 31, 2022, the Company had net debt of \$6,454,369 (July 31, 2022 - \$7,147,995). As at October 31, 2022, the Company is noncompliant with the externally imposed covenants, see Notes 2 and 14 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.

22. Per share amounts

	Three months ended	
	October 31, 2022	October 31, 2021
Weighted average number of common shares		
Basic and diluted	137,136,380	135,982,534

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23. Financing costs

	Three months ended	
	October 31, 2022	October 31, 2021
Interest on long-term debt	\$ 81,718	\$ 92,889
Interest on lease liabilities	15,953	28,508
Accretion expense	11,249	10,970
	\$ 108,920	\$ 132,367

24. Changes in non-cash working capital

	Three months ended	
	October 31, 2022	October 31, 2021
<i>Operating activities</i>		
Accounts receivable	\$ 365,629	\$ (248,595)
Goods and services tax receivable	-	(1,449)
Inventory	331,091	(319,291)
Prepaid expenses	(262,769)	(78,648)
Accounts payable and accrued liabilities	756,941	423,804
Goods and services tax payable	59,058	-
	\$ 1,249,950	\$ (224,179)

As at October 31, 2022, included in inventory is \$141,084 (July 31, 2022 - \$130,979) of biological assets that was transferred to harvested cannabis inventory on hand.

25. 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 extract. 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. Extract segment provides cannabinoid extraction services for the Company and also, to other licensed producers. Prior to August 1, 2022, this segment was referred to "Extraction and Tolling". Gross revenue earned includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue is gross revenue less excise taxes. Excise taxes are effectively a production tax which becomes payable when the product is removed from the Company's premises and may or may not be directly related to the revenue depending on the province of sale. It is generally not included as a separate item on external invoices; increases in excise tax are not always passed on to the customer and where a customer fails to pay for product received the Company cannot reclaim the excise tax. The Company therefore recognizes excise tax, unless it regards itself as an agent of the regulatory authorities, as a cost and reduction to revenue for the Company. Therefore, excise duty as reduction to revenue is treated as production tax and presented as a reduction of gross revenue generated from the "Cultivation and wholesale", and "Extract" segments. The presentation of net revenue in the three months ended October 31, 2021 were reclassified to present the gross revenue and excise tax to be consistent with the year ended July 31, 2022 presentation.

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 7) are included in "Extract" segment as to date the Company used its own harvested cultivations substantially in 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 three months ended October 31, 2022	Cultivation and wholesale	Retail	Extract	Eliminations	Consolidated
Gross revenue (external customers)	\$ 68,240	\$ 125,407	\$ 7,618,778	\$ -	\$ 7,812,425
Excise duty	24,861	-	2,639,877	-	2,664,738
Net revenue (external customers)	43,379	125,407	4,978,901	-	5,147,687
Cost of sales	18,581	89,281	2,675,863	-	2,783,725
Gross profit	24,798	36,126	2,303,038	-	2,363,962
General and administrative					1,469,539
Depreciation and amortization					75,683
Share-based payments					15,040
Income from operations					803,700
Financing costs					(108,920)
Other income					5,533
Income before taxes					\$ 700,313

CANADABIS CAPITAL INC.**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the Three Month Periods Ended October 31, 2022 and 2021

*Canadian dollars***25. Segmented information (Continued)**

For the three months ended October 31, 2021	Cultivation and wholesale		Retail	Extraction and tolling		Eliminations	Consolidated
Gross revenue (external customers)	\$	214,609	\$ 198,010	\$	2,032,184	\$ -	\$ 2,444,802
Excise duty		57,761	-		541,745	-	599,505
Net revenue (external customers)		156,848	198,010		1,490,439	-	1,845,297
Cost of sales		106,005	145,273		661,690	-	912,968
Gross profit		50,843	52,737		828,749	-	932,329
General and administrative							970,770
Depreciation and amortization							78,130
Share-based payments							27,171
Loss from operations							(143,742)
Financing costs							(132,367)
Other income							5,190
Loss before taxes							\$ (270,919)

26. 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 14 (i) and (ii)). Even though, both Provincial and Federal COVID-19 related restrictions have been eased prior to approval of these Financial Statements, certain uncertainties relating to the severity and duration of the COVID-19 pandemic continue to exist. Possible resurgences in the number of COVID-19 cases, including as a result of the potential emergence of other variants, and various potential outcomes, exit and therefore, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on the Company's business or future financial results and related assumptions, 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.