



# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three and Nine Months Ended April 30, 2024 and 2023

# CanadaBis Capital Inc.

## Management Discussion & Analysis

### For the Three and nine Months Ended April 30, 2024 and 2023

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#### MANAGEMENT DISCUSSION AND ANALYSIS

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This Management Discussion and Analysis (“MD&A”) for CanadaBis Capital Inc. (“CanadaBis” or the “Company”) should be read in conjunction with the Company’s unaudited condensed interim financial statements for the three and nine months ended April 30, 2024 and 2023 (“Financial Statements”) and the July 31, 2023 audited consolidated financial statements and MD&A. These Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the presentation of interim financial statements and International Accounting Standards (“IAS”) 34, Interim Financial Reporting, and the accounting policies applied in these Financial Statements are based on IFRS as issued, outstanding and in effect on August 1, 2023. All amounts are presented in Canadian dollars unless otherwise stated.

These Financial Statements include the financial information of the Company’s subsidiaries:

- Stigma Pharmaceuticals Inc. – 100% held;
- 1998643 Alberta Ltd. (operating as “Stigma Grow”) - 100% held; include cultivation and wholesale, and Extract;
- Full Spectrum Labs Ltd. (operating as “Stigma Roots”) – 100% held;
- 2103157 Alberta Ltd. (operating as “INDICative Collection”) -100% held; the retail operation; and
- Goldstream Cannabis Inc. – 95% held.

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

Additional information relating to CanadaBis is available under CanadaBis’ SEDAR profile at [www.sedar.com](http://www.sedar.com). This MD&A is dated June 25, 2024.

#### BACKGROUND & STRATEGIC TRANSACTIONS

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

- Deliver quality products and services to the business-to-business and business-to-consumer market;
- Launch and maintain multiple brands under the Stigma Grow umbrella to gather as much market share, while delivering a product with repeatable sales. Brands include DAB BODS, WHITE NGL, BLACK NGL, HIGH PRIESTESS, AND STIGMA GROW;
- Provide a range of high potency concentrates and extracts, potent flower and pre rolls;
- Provide third-party and white label processing contracts with reputable, high-volume producers, including product development R&D;
- Continue to introduce new Canadian concentrate products under our own, as well as third-party brands;
- Develop our brand as an in-demand Licensed Producer with unique abilities and maneuverability; and
- Support education initiatives within the industry to inform consumers on cannabis and its use.

The Company currently owns a 66,000 square foot facility and approximately 44,000 square feet of the building has been developed and equipped for capacity to grow 225 kg of cannabis per year. Majority of the footprint is equipped and being used for production of cannabis products such as extracts and Infused Pre rolls.

Effective November 26, 2020, the Company received its Cannabis 2.0 sales license, allowing it to sell Cannabis concentrates products to end users.

On April 26, 2019, the Company completed its Qualifying Transaction and listed on the Exchange.

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**QUARTERLY HIGHLIGHTS**

	Three months ended		Nine months ended	
	April 30, 2024	April 30, 2023	April 30, 2024	April 30, 2023
Gross revenue	\$7,084,646	\$9,582,737	\$23,160,774	\$26,978,484
Excise duty	3,114,749	3,532,316	9,138,722	9,561,471
Net revenues	3,969,897	6,050,421	14,022,052	17,417,013
Cost of sales	1,801,591	3,352,865	7,166,491	9,114,606
Gross profit	2,168,306	2,697,556	6,855,561	8,302,407
Net income and comprehensive income	109,824	1,198,792	926,842	3,194,559
Net income per share (basic and diluted)	\$0.00	\$0.01	\$0.01	\$0.02
Adjusted EBITDA	\$497,663	\$1,525,508	\$2,183,193	\$4,066,658

*Adjusted EBITDA is a Non-GAAP performance measure. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" for further details.*

**Q3 2024 HIGHLIGHTS**

- On April 23, 2024, the Company announced the launch of the latest addition to the Dab Bods brand lineup – a groundbreaking **60%+** double-infused pre-roll. This new offering sets a new benchmark for THC potency in the Canadian market. The Company continues to market its first of a kind Resin Infused Pre-rolls, Shatter Infused Pre-rolls, Resin Infused Flower, along with Moonrocks (Moonrocks are whole flower, coated in resin and rolled in kief). The Company was able to maintain sales of its newest product line, Super Slim Cigarette Style Pre-Rolls, the Electric Dartz. These new products were packaged in 10 packs 0.4 grams per roll both infused and non infused. Our previous quarter roll out products are packaged in 3-pack 0.5 grams per pre-roll format and 2 grams packaged for the Moonrock and Resin infused Flower format.
- The Company again, generated positive earnings after tax of \$109,824 and \$926,842 for the three and nine months ended April 30, 2024, respectively. The reduction in our earnings is due to price compression in the market from increased competition. Our Company's mission is based on quality and price point. Management continued to expand its marketing and promotional campaign to reposition itself as the leader of resin infused pre-roll as well as the Super Slim Cigarette Style Pre-Rolls, the Electric Dartz. As part of this initiative, the Company has invested extensively across Canada on its new and existing SKUs.
- The Company released over 17 new SKUs in Q3 2024 as part of its marketing and promotional initiatives.
- The Company realized gross revenue of \$7.08 million for April 30, 2024, 26% decrease than the same corresponding period of 2023.
- Adjusted EBITDA also showed positive results with \$0.5 million and \$2.2 million for the three and nine months ended April 30, 2024, respectively. The Company continues its campaign on Brand awareness across Canada with an expected market share increase over the next quarter as part of its new strategy. The Company launched multiple new SKUs in Q3 2024 which are expected to increase gross revenue. Based on demand for the Infuse Pre-rolls, Live Rosin vapes and high CBD cartridges, the Company anticipates continuing to demonstrate positive performance throughout 2024.
- The Company continues to manage its input expenses through negotiation with multiple suppliers to save costs while increasing concentrate yields.
- The Company sold over 450,000 units of combined concentrate and dry flower for the three months ended April 30, 2024, a more than 10% increase compared to the 410,000 units sold over the previous period.

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- Stigma Grow also continues to re-formulate its concentrate lines to meet current clients' demands to maintain larger terpene and cannabinoid profiles across the lineup.
- Negotiations with other Cannabis Cultivators are ongoing by the Company which has allowed significant reduction in costs, a trend that is expected to continue throughout 2024 as more Cultivators reposition themselves in the industry.

**SELECT QUARTERLY FINANCIAL INFORMATION**

Three months ended	April 30, 2024	January 31, 2024	October 31, 2023	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022
(Unaudited)	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Gross revenue	\$7,084,646	\$7,071,335	\$9,004,793	\$7,626,185	\$9,582,737	\$9,583,323	\$7,812,425	\$6,411,808
Excise duty	3,114,749	2,762,571	3,261,402	2,820,745	3,532,316	3,364,418	2,664,738	2,233,366
Net revenues	3,969,897	4,308,764	5,743,391	4,805,440	6,050,421	6,218,905	5,147,687	4,178,442
Cost of sales	1,801,591	2,250,159	3,114,741	1,324,156	3,352,865	2,978,016	2,783,725	2,277,345
Gross profit	2,168,306	2,058,605	2,628,650	3,481,284	2,697,556	3,240,889	2,363,962	1,901,097
Net income and comprehensive income	109,824	109,901	707,117	1,249,935	1,198,792	1,295,454	700,313	481,758
Net income per share (basic and diluted)	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00

During Fiscal 2023, the Company increased its revenue generating activities in its Cultivation and Wholesale, and Extract segments. This trend has continued to date in Fiscal 2024. The Retail segment in both Fiscal 2023 and Q3 2024 decreased compared to corresponding periods. Management undertook a strategic approach for another retail outlet to acquire the retail operation. Refer to "Segmented Information and Products and Services Offered" for additional information.

**RESULTS OF OPERATIONS**

The net revenue decreased in Q3 2024 compared to the same period of Q3 2023. This decrease was mainly due to increased competition and price compression in the market. This resulted in decreased net revenue of \$4 million compared to \$6 million for the corresponding period of 2023 or 34%. In addition, the Company is continuing its new marketing initiative and promotional campaign to expand the Dab Bods brand across Canada. This will help retailers with better awareness of the various programs, SKUs and educational approach to our wide variety of products. This initiative increased our cost period over period, resulting in the decrease in positive earnings of \$0.110 million in Q3 2024 compared to \$1.2 million in the same corresponding period of 2023. Gross revenue for Q3 2024 remains stable from Q2 2024 due to new SKU releases and our new innovative 60+ THC pre-rolls. The Company anticipates growth in the existing Provinces due to both new launches and the performance of existing products. The Company has released several versions of the new cigarette style pre-roll in infused and non-infused. The Province of Manitoba has seen higher increases from our new and existing products. See Segmented Reporting section to this MD&A, for a more detailed discussion.

The Company continues to be profitable, recognizing net income after tax for the three months ended April 30, 2024, of \$0.110 million compared to a net income after tax of \$1.2 million in the corresponding period in 2023. This change is due to additional staff coupled with advertising and promotional activities to manage demand and increased competition in the infuse pre-roll market.

Fair value adjustments to inventory relate to recording inventory at the lower of cost and net realizable value, while fair value adjustments to biological assets relate to recording these assets at fair value at each reporting date. More detail on the accounting for these items can be found in Notes 6 and 9 to the Financial Statements.

Overall general and administrative expenses for the three months ended April 30, 2024, was \$1.8 million compared to \$1.6 million for the corresponding period. This increase is largely due to the Company's marketing and promotional initiatives. The Company continues to maintain its cost management plans, along with a focus on increasing efficiencies, cashflow and liquidity.

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- Wages for Q3 2024 was \$0.9 million compared to \$0.7 million in the same corresponding period of 2023. This increase of 30% is due additional staffing as part of the company's promotional campaign.
- Legal and accounting fees for Q3 2024 decreased by 34% or \$70,000 over the corresponding period of 2023. This was due to professional services incurred related to private equity raise and timing of year end audit expensed, with limited activity in the current period.
- Advertising and promotion remain comparable period over period even though there has been a 75% or \$340,000 increase due to the company's marketing and promotional campaign to boost revenue and awareness of the Dab Bods brand across Canada.

Overall cost of sales decreased period over period for Q3 2024 compared to Q3 2023, the Company was able to maintain the overall impact largely from renegotiating with suppliers for lower costs on input material. Other contributing factors included high volume purchases in bulk for better pricing and terms. In addition, the Company has introduced better processes in place to increase efficiency and decrease man hours in manufacturing of our new SKUs released in the market.

Share-based payments expense of \$21,793 for Q3 2024 (only) was higher than \$596 for the corresponding period of 2023, due to recognition of an expense related to options granted in Q4 2023 compared to minimal unvested options remaining outstanding in Q3 2023 to recognize an expense.

Finance costs for the three months April 30, 2024 was \$125,301, compared to \$111,293 for the corresponding period due to increase in lease obligation from additional equipment purchased in late Fiscal 2023.

#### Segmented Information and Products and Services Offered

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:

- **Cultivation and wholesale**- which cultivates and distributes cannabis and cannabis products to, and through, provincial liquor and cannabis boards, which are subsequently sold to end consumers.
- **Retail** - involves the sale of cannabis and cannabis related products to end consumers on premises owned and operated by the Company.
- **Extract** - comprised of wholesale product sales through its production facilities to distributors and licensed cannabis producers.

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. Under the Excise Tax Act, the Company is required to maintain a security deposit that remains outstanding as of date of approval of these Financial Statements, pending finalization with the tax authorities.

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 to the Financial Statements) 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.

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Below is a summary of results by reportable segments for the three and nine months ended April 30, 2024.

<b>For the nine months ended April 30, 2024</b>	<b>Cultivation and wholesale</b>			<b>Retail</b>	<b>Extract</b>	<b>Eliminations</b>	<b>Consolidated</b>
Gross revenue (external customers)	\$ 4,374,927	\$ 152,530	\$ 18,633,317	\$ -	\$ 23,160,774		
Excise duty	2,003,380	-	7,135,342	-	9,138,722		
Net revenue (external customers)	2,371,547	152,530	11,497,975	-	14,022,052		
Cost of sales	1,836,735	157,491	5,172,265	-	7,166,491		
Gross profit (loss)	534,812	(4,961)	6,325,710	-	6,855,561		
General and administrative							5,192,931
Depreciation and amortization							400,910
Share-based payments							131,534
Income from operations							1,130,186
Financing costs							(389,535)
Other income (expenses)							220,941
Net income before taxes							961,592
Income tax expense - current income tax							34,750
Net income and comprehensive income							\$ 926,842

<b>For the three months ended April 30, 2024</b>	<b>Cultivation and wholesale</b>			<b>Retail</b>	<b>Extract</b>	<b>Eliminations</b>	<b>Consolidated</b>
Gross revenue (external customers)	\$ 1,590,945	\$ -	\$ 5,493,701	\$ -	\$ 7,084,646		
Excise duty	763,447	-	2,351,302	-	3,114,749		
Net revenue (external customers)	827,498	-	3,142,399	-	3,969,897		
Cost of sales	656,552	-	1,145,039	-	1,801,591		
Gross profit	170,946	-	1,997,360	-	2,168,306		
General and administrative							1,800,697
Depreciation and amortization							129,209
Share-based payments							21,793
Income from operations							216,607
Financing costs							(125,301)
Other income (expenses)							18,518
Net income before taxes							109,824
Income tax expense - current income tax							-
Net income and comprehensive income							\$ 109,824

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Below is a summary of results by reportable segments for the three and nine months ended April 30, 2023.

<b>For the nine months ended April 30, 2023</b>	<b>Cultivation and wholesale</b>			<b>Retail</b>	<b>Extract</b>	<b>Eliminations</b>	<b>Consolidated</b>	
Gross revenue (external customers)	\$	471,441	\$	400,714	\$	26,106,329	\$ -	\$ 26,978,484
Excise duty		266,077		-		9,295,394	-	9,561,471
Net revenue (external customers)		205,364		400,714		16,810,935	-	17,417,013
Cost of sales		98,999		292,653		8,722,954	-	9,114,606
Gross profit		106,365		108,061		8,087,981	-	8,302,407
General and administrative								4,842,516
Depreciation and amortization								238,474
Share-based payments								18,263
Income from operations								3,203,154
Financing costs								(336,565)
Other income (expenses)								327,970
Net income before taxes								3,194,559
Income tax expense - current income tax								-
Net income and comprehensive income								\$ 3,194,559

<b>For the three months ended April 30, 2023</b>	<b>Cultivation and wholesale</b>			<b>Retail</b>	<b>Extract</b>	<b>Eliminations</b>	<b>Consolidated</b>	
Gross revenue (external customers)	\$	346,223	\$	139,415	\$	9,097,099	\$ -	\$ 9,582,737
Excise duty		214,479		-		3,317,837	-	3,532,316
Net revenue (external customers)		131,744		139,415		5,779,262	-	6,050,421
Cost of sales		72,165		103,433		3,177,267	-	3,352,865
Gross profit		59,579		35,982		2,601,995	-	2,697,556
General and administrative								1,619,518
Depreciation and amortization								83,492
Share-based payments								596
Income from operations								993,950
Financing costs								(111,293)
Other income (expenses)								316,135
Net income before taxes								1,198,792
Income tax expense - current income tax								-
Net income and comprehensive income								\$ 1,198,792

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Below is a summary of operations by segment including a detailed analysis on the change in revenue by period.

#### *Cultivation and wholesale:*

Overall, the net cultivation and wholesale revenue for Q3 2024, was \$0.8 million compared to \$0.1 million for the corresponding period in 2023. Over 700% growth. This increase was due to several specialized SKU launches in the provinces such as our Super Slim cigarette style pre-roll and milled flower positioning CanadaBis in a unique category of quality product at a low price. The Company is looking forward to this new product to increase in sales throughout Fiscal 2024 along with other dry flower brands that are expected to be released as well. For the nine months ended April 30, 2024, net revenue increased to \$2.3 million from \$0.1 million in the corresponding period.

#### *Retail operations:*

During Q2 2024, Management undertook a strategic approach for another retail outlet to acquire the retail operation, while the Company leases its property to this third party and the Company continues to direct its full attention on its LP side of the business. Overall net retail revenue for the three months ended April 30, 2024 was \$Nil compared to \$0.1 million for the corresponding 2023 period. For the nine months ended April 30, 2024, the company, gross revenue reduced by 41% compared to the corresponding period of 2023. The Company will monitor the retail industry continually to ascertain a more optimal time to re-enter the space.

#### *Extract:*

The net extract revenue for the three months ended April 30, 2024, was \$3.2 million compared to \$5.7 million for the corresponding period in 2023. The Company saw a 44% decrease in its sales of extract products, in the Provinces of Alberta, Ontario, Saskatchewan and British Columbia. The Company continued to increase its sales through its continued product awareness campaign and the launch of several new SKUs for which the market reaction was extremely positive. The Company has seen continued growth in the sale of the flavoured infuse pre-rolls and its Electric Dartz. In comparison the Wholesale Cannabis experienced a significant increase of over 700% during the same period, as driven by market preference. For the nine months ended April 30, 2024, the Company, net revenue reduced by 33% compared to the corresponding period. This was due to a reduction in the extract sector due to price compression and more competition.

#### *General*

Management monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on several measures, the most significant being profit and loss, which is measured consistently with the definition of profit and loss in the Financial Statements. Management adjusts external pricing of its products/service to end users to ensure that optimal gross profit percentages are being met, while pricing within market demand and expectations. Selling prices are adjusted to account for fluctuations in cost to achieve consistent in gross profit by product line and service.

Given the Company's position as a vertically integrated cannabis company/producer, management will continue to adjust internal strategy based on external factors causing fluctuations in either selling prices of products/services and input cost of products and services to ensure capacity allocation is being optimised on products/services in highest demand, while ensuring mandated gross profit margins are being achieved.

Management notes that the current climate of Cannabis industry is extremely competitive and saturated with multiple products across the country. The Company has several competitive advantages to ensure long-term success within the industry. In the short-term, this relates primarily with respect to our butane hydrocarbon (BHO) extraction process. Management continues to explore various concentrate products to diversify its offering to the market by formulating new products to meet demand.



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**FINANCIAL CONDITION**

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The following chart highlights significant changes in the Consolidated Statements of Financial Position from July 31, 2023 to April 30, 2024:

	Increase / (decrease)	Primary factors explaining change
Cash and cash equivalents	\$(1,839,166)	Decrease is due to reduction in sales and timing of collection from the Provinces.
Trade accounts receivable and other receivables	742,975	Increase is due to timing of collection of trade accounts receivable balances and receivable due from sale of retail business.
Prepaid expenses	2,513	Increase due to pre-payment of the Health Canada license fee.
Biological assets	9,837	Increase due to valuation of the CanadaBis crop growing as at April 30, 2024.
Inventory	1,917,249	Increase in inventory from production of new SKUs set to be release in the market and timing of purchase of our consumables.
Long-term deposit	5,498	Interest earned on GIC as at April 30, 2024.
Property, plant and equipment	(321,704)	Net change due to additions, disposals and depreciation charge during the period.
Due from related parties	(14,090)	Decrease due to change from due from to due to position as at April 30, 2024.
Trade accounts payable and accrued liabilities	(103,639)	Increase is due to timing of payment of balance owing.
Income tax payable	24,750	Increase due to estimated taxable earnings from growth in revenue.
Goods and services tax payable	193,324	Net increase due to timing of revenue and expenses.
Due to related parties	(13,062)	Net decrease is due to decrease in vape rental expenses during the period, and repayment of amounts due as at July 31, 2023.
Lease obligation (in aggregate)	(245,670)	Decrease is due to payments made during the period.
Long-term debt (in aggregate)	(769,607)	Decrease is due to payments made during the period.
Deferred income liability	(10,527)	Decrease due to implied benefit from government funding.

**LIQUIDITY AND CAPITAL RESOURCES**

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The commitment letter requires that the Company maintains the following debt covenants as defined: 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 April 30, 2024, the Company was in compliance with all these debt covenants as the debt service coverage ratio was 2.39:1, the debt-to-equity ratio factoring in an appraisal surplus as included in the defined term of the commitment letter was 0.63:1 and the current ratio was 1.46:1.

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#### Loans

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 meeting customary closing conditions and was used to settle the 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 available to be advanced upon completion and delivery of the Company's July 31, 2023 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 of date of approval of these Financial Statements, the receipt of these funds remains outstanding. As at April 30, 2024, an amount of \$360,167 was drawn down on the line of credit, which is classified as financing activities for purposes of presentation in the unaudited condensed interim consolidated statement of cash flows for the three and nine months ended April 30, 2024

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.

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 commenced on February 1, 2023 with 35 consecutive monthly installments of \$10,930 and one final payment of \$10,878 due on December 31, 2025. Interest is charged at an average bank rate plus 3% from commencement of repayment 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. 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. As at April 30, 2024, the deferred income liability outstanding was \$10,084 net of \$3,109 and \$10,527, respectively recognized during the three and nine months ended April 30, 2024 as other income representing recognition of this benefit over the term of the funding agreement. Corresponding amounts were recognized as accretion expenses for these periods presented. Other income and the corresponding accretion expense of \$4,681 and \$14,440 respectively were recognized to accrete the loan outstanding during the three and nine periods ended April 30, 2023. Therefore, resulting in a net impact of \$Nil to net income for the three and nine months ended April 30, 2024 and 2023.

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, has 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, 2023, to January 18, 2024. Prior to January 18, 2024, an aggregate of \$80,000 was repaid for these CEBA loans outstanding and the remaining aggregate balance of \$40,000 representing the debt forgiveness portion was recognized and presented as other income in the unaudited condensed consolidated statement of net income and comprehensive income for the nine months ended April 30, 2024.

Effective February 16, 2023, the Company entered into a loan agreement to finance the purchase of a vehicle for an amount of \$81,603, net of a cash down payment of \$10,000. The loan is repayable over a 60-month term at \$1,635 per month bearing an interest rate of 7.49% per annum. Repayment commenced on March 18, 2023. Effective January 31, 2024, the Company entered into a loan agreement to finance the purchase of a vehicle for an amount of \$75,851 with no cash downpayment. The loan is repayable over a 72-month term at \$1,388 per month bearing interest at an annual rate of 9.49%. Repayment commenced on February 8, 2024.

#### Lease obligations

During the three-month ended October 31, 2023, the Company entered into the following lease arrangements:

- (i) The Company entered into a lease arrangement with a company to lease a pre-roll machine over a 36-month term for a monthly payment of \$9,826 plus applicable taxes and a residual value of \$1. A one-time payment of \$95,664 was made and monthly payments commenced on November 1, 2022 for an aggregate payment of \$184,095 during the year ended July 31, 2023. The rate implicit to the lease was

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15.0%. As at November 1, 2022, a right-of-use asset of \$386,296 was recognized and a corresponding lease obligation. 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.

(ii) During March 2023, the Company entered into a lease arrangement with a company to lease a pre-roll machine over a 48-month term for a monthly payment of \$16,881 plus applicable taxes. A one-time payment of \$189,326 inclusive of tax was made and an amount of \$172,445 is included in lease payments for the year ended July 31, 2023. On July 31, 2023, the lease commenced as the machine was fully commissioned and made available for use by the lessor to the Company (lessee). A right-of-use asset and corresponding lease obligation of \$773,220 was recognized for this equipment lease upon commencement of the lease. Monthly lease payments commenced on August 1, 2023. This right-of-use asset is depreciated over the lease term on a straight-line basis, which is the shorter than the asset's useful life.

**COMMITMENTS AND CONTINGENCIES**

Other than disclosed in Note 13 and Note 25 of the Financial Statements, the Company has not entered into any agreements resulting in contractual commitments outstanding as at April 30, 2024.

**CAUTIONARY STATEMENT REGARDING CERTAIN NON-GAAP PERFORMANCE MEASURES**

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "Non-GAAP Measures"). As a result, this data may not be comparable to data presented by other licenced producers and cannabis companies. For an explanation of these measures to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP Measures include, but are not limited, to the following:

**Adjusted EBITDA** is a measure of the Company's financial performance. It is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare CanadaBis to its competitors and derive expectations of future financial performance of the Company. Adjusted EBITDA increases comparability between corresponding companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on biological assets, inventory, and financial instruments, which may be volatile on a period-to-period basis. Adjusted EBITDA is not a recognized, defined, or standardized measure under IFRS. The Company calculates Adjusted EBITDA as net income (loss) and comprehensive income (loss) excluding changes in fair value of biological assets, change in fair value of biological assets realized through inventory sold, depreciation and amortization expense, share-based payments, and finance costs. The depreciation charge for the three and nine months ended April 30, 2024 were \$219,857 and \$673,055, respectively. These amounts were before reclassification from "Depreciation and amortization" financial statement line item to "Cost of sales – Extract" (Note 11 (iv) to the Financial Statements) and capitalization of an amount to Biological Assets (Note 9 to the Financial Statements). Outlined below a reconciliation from GAAP measure (Net income (loss)) to Non-GAAP Measure (Adjusted EBITDA).

**Adjusted EBITDA**

(Unaudited)	Three months ended		Nine months ended	
	April 30, 2024	April 30, 2023	April 30, 2024	April 30, 2023
Net income before tax	\$109,824	\$1,198,792	\$961,592	\$3,194,559
Adjustment				
Finance cost	125,301	111,293	389,535	336,565
Depreciation and amortization	219,857	173,826	673,055	476,004
Change in fair value of biological asset	20,888	(5,138)	(1,171)	(6,265)
Realized fair value on inventory sold	-	46,139	28,648	47,532
Share-based payments	21,793	596	131,534	18,263
Adjusted EBITDA	\$497,663	\$1,525,508	\$2,183,193	\$4,066,658

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#### SHAREHOLDERS' CAPITAL

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CanadaBis is authorized to issue an unlimited number of common voting shares, common non-voting shares, and preferred shares. The common voting shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "CANB". As at June 25, 2024, CanadaBis had the following issued and outstanding:

- 138,256,380 common voting shares;
- 1,153,846 warrants; and
- 6,157,500 options.

#### Stock Option Plan

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. 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.

On August 5, 2022, the Company granted 100,000 options to an employee that vested immediately. On June 16, 2023, the Company granted 1,000,000 options with an exercise price of \$0.24 per share and a 5-year term to two directors and senior member of management. One-half of the options granted vested six months from date of grant and the remaining one-half vest on first year anniversary from the date of grant. During the year ended July 31, 2023, no options expired and 1,075,000 options were exercised (See Note 15(b)(ii))

On August 11, 2023, an employee of the Company exercised 25,000 options at an exercise price of \$0.20 per option for gross cash proceeds of \$5,000 and a reclassification of \$3,009 from contributed surplus to share capital. On November 10, 2023, an employee of the Company exercised 20,000 options at an exercise price of \$0.20 per option for gross cash proceeds of \$4,000 and a reclassification of \$2,353 from contributed surplus to share capital. On June 5, 2023, an ex-director of the Company exercised 400,000 options at an exercise price of \$0.20 per option for gross cash proceeds of \$80,000 and a reclassification of \$187,942 from contributed surplus to share capital. On July 17, 2023, an ex-director of the Company exercised 650,000 options at an exercise price of \$0.20 per share for gross cash proceeds of \$130,000 and a reclassification of \$179,380 from contributed surplus to share capital. On July 20, 2023, an employee of the Company exercised 25,000 options at an exercise price of \$0.20 per share for gross cash proceeds of \$5,000 and a reclassification of \$3,010 from contributed surplus to share capital. The reclassification of contributed surplus to share capital represents the previously recognized share-based payments recognized based on the fair value at the date of grant determined using Black-Scholes model.

During the nine months period ended April 30, 2024, 400,000 options were cancelled and forfeited, 350,000 options expired unexercised and 45,000 options were exercised, as disclosed in Note 15(b)(iii). During the nine months period ended April 30, 2024, no options were granted and expired.

#### Warrants

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

Prior to July 31, 2022, the Company's warrants issued prior to December 1, 2021 expired unexercised.

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.

#### RISKS RELATED TO THE BUSINESS AND INDUSTRY

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##### Business risk

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

- actions by governmental authorities, including changes in laws, regulations and guidelines which may have adverse effects to the Company's operations;
- the risk that the Company continues as a going concern;
- potential for loss of key employees;

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- risks related to negative public perception of cannabis consumption which may have an adverse effect on the Company's operational results, consumer base, and financial results;
- competition in the marketplace, in what is quickly maturing industry;
- ability to execute the Company's strategy without additional financing;
- ability to expand operations into international jurisdictions;
- availability of strategic alliances which complement or augment the Company's existing business;
- possibility of product liability claims against the Company;
- risk of product recalls and returns;
- ability to successfully develop new products and obtain required regulatory approvals;
- conflicts of interest which may arise between the Company and its directors and officials;
- risks related to agricultural operations, including disease, insect pests, and changes in climate;
- the Company's dependence on transportation and the possibility of disruptions;
- fluctuating prices of raw materials;
- risks related to compliance with safety, health, and environmental regulations;
- risk of political and economic instability in the jurisdictions in which the Company operates;
- to successfully identify and make attractive acquisitions, joint ventures or investments, or successfully integrate future acquisitions;
- capital cost of expected expansion by the Company;
- ability of the Company to achieve expected production;
- competitive conditions of the cannabis industry;
- operating hazards and uninsured risks;
- global economy risk, which may impact the Company's ability to raise equity or obtain additional financing;
- misappropriation of assets and security breaches;
- cyber security risks, loss of information and computer systems;
- demand for the Company's products and services and fluctuations in future revenues;
- development costs remaining consistent with budgets;
- ability to manage anticipated and unanticipated costs;
- pricing of various cannabis products;
- approval by the TSX-V and regulatory authorities of the financings and acquisitions being undertaken by the Company;
- market demand for proposed product and brand launches;
- regulatory authorities continuing to act in accordance with prior guidance;
- equity and debt markets continuing to provide the Company with access to capital on terms acceptable to the Company;
- general economic trends and conditions;
- expected actions of third parties;
- future growth prospects and business opportunities;
- expected growth in the amount of cannabis sold by the Company and the expected timing, size and pricing regarding the recreational market;
- ability to renew Cannabis Act licenses and adhere to all regulatory requirements;
- expectations with respect to future production costs;
- risk of failure to acquire regulatory approvals required to produce and sell cannabis;
- expectations with respect to the renewal and/or extension of the Company's licences and permits;
- applicable laws, regulations and any amendments thereof; and
- grant and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof.

#### Financial instrument and risk management

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

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**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 April 30, 2024, all of which are Canadian Chartered Banks.

*Trade accounts receivable and other receivables*

For trade 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, 2024, approximately 89.3% of the trade 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:

	<b>April 30, 2024</b>	<b>July 31, 2023</b>
Trade accounts receivable		
Not past due	\$ 2,543,127	\$ 1,755,814
1-30 days	142,937	77,913
31-90 days	-	(922)
90+ days	20,446	526,820
Total gross carrying amount	2,706,510	2,359,625
Loss allowance	(50,287)	(548,274)
Total carrying amount	\$ 2,656,223	\$ 1,811,351

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.

	<b>April 30, 2024</b>	<b>July 31, 2023</b>
Loss allowance		
Balance, beginning of the period	\$ 548,274	\$ 584,142
Increase (decrease) in loss allowance for the period	28,833	(20,860)
Written off during the period	(526,820)	(15,008)
Balance, end of the period	\$ 50,287	\$ 548,274

The trade accounts receivable and other receivables include the following categories:

	<b>April 30, 2024</b>	<b>July 31, 2023</b>
Trades receivables	\$ 2,656,223	\$ 1,811,351
Insurance receivable (a)	-	139,185
Other receivable (b)	82,289	45,000
	\$ 2,738,512	\$ 1,995,536

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- (a) As at July 31, 2023, the remaining balance of the trade accounts receivables and other receivables relates to an amount of \$139,185 to be received from a third-party shipping company for reimbursement of the Company for loss of revenue due to theft of inventory in-transit during the quarter ended April 30, 2023. During the year ended July 31, 2023, the other income (expenses) for this period presented included a net amount of \$311,787 that represents the insurance proceeds of \$439,185 offset by \$127,398, the cost of inventory stolen. This net amount of \$311,787 is included in the other income (expenses) presented in the unaudited condensed interim statement of net income and comprehensive income for the three and nine months ended April 30, 2023. During the three months ended July 31, 2023, the Company received \$300,000 with the remaining approved balance of \$139,185 that was received subsequent to July 31, 2023.
- (b) An asset purchase agreement dated December 1, 2023 was entered into between 2103157 Alberta Ltd., a wholly-owned subsidiary of the Company (the "Vendor") that operates a retail cannabis store (the "Business"), and a third-party (the "Purchaser") to sell the Vendor's inventory and assumed contracts of its retail operations, as stipulated in this agreement for a purchase price of \$125,000 and an additional amount of approximately \$52,000 arising from the count of the inventory (the "Asset Purchase Agreement"). An aggregate accrued receivable of approximately \$177,000 related to this transaction is included in other receivables as at January 31, 2024 and other income for the three and six months ended January 31, 2024 as presented in the statement of net income (loss) and comprehensive income (loss). This sale of the retail business does not constitute discontinued operations as the retail operations have not represented a major line of business nor focus of the Company's overall operations to date. Effective September 22, 2023, the Company (the "Purchaser") entered into an option to purchase agreement with the Vendor to acquire the business that the Vendor (defined as the "Seller") will be operating at these business premises (the "Business"). The Purchaser is granted the exclusive right to purchase the Business for a period of three (3) years from six (6) months from the effective date of this option agreement. The purchase price for the Business will be calculated as 1.5 times the topline gross sales as defined in this option agreement and will be payable with 25% in cash and the remainder in the Company's shares. As at January 31, 2024, no value was assigned to this option as not reasonable to determine and reasonable certainty does not exist that this option will be exercised during the term. The Vendor owns the business premises and the Purchaser agreed to lease at a monthly rent of \$4,680 plus GST this premises from the Vendor to operate the Business for a term from December 1, 2023 to December 1, 2026.

**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 the periods presented, the Company primarily financed its operations and growth initiatives by generating revenue, equity financing and other means of short-term financing available. Management is actively pursuing all sources of financing options available, which includes working with existing and new potential lenders to consider refinancing of existing credit facilities, equity financing, and other means of short-term and long-term financing. Near-term operating capital has been funded by way of related party advances, with repayment terms disclosed in Note 20 to the Financial Statements.

**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 13). A 1% increase to the interest rate would have an approximate impact of \$13,013 and \$39,040, respectively on pre-tax earnings for the three and nine months ended April 30, 2024.

**RELATED PARTY TRANSACTIONS**

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There were transactions between related parties which required disclosure in the Financial Statements.

Balances due from related parties as at:

<b>Amount due from related party</b>	<b>April 30, 2024</b>	<b>July 31, 2023</b>
890859 Alberta Ltd.	\$ -	\$ 14,090

890859 Alberta Ltd. is a company owned by a shareholder and officer of the Company. 890859 Alberta Ltd. that sold non-cannabis balms and creams produced by the Company. As at April 30, 2024, a balance of \$10,802 was due to 890859 Alberta Ltd. This amount is non-

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interest bearing, unsecured and have no fixed terms of repayment. Accordingly, this amount is presented as current in the consolidated statement of financial position.

Balance due to related parties as at:

<b>Amount due to related parties</b>	<b>April 30, 2024</b>	<b>July 31, 2023</b>
SS Pipelines Ltd.	\$ 689,745	\$ 689,745
Runaway Developments Ltd.	653,791	653,791
Director and shareholders	135,555	159,419
890859 Alberta Ltd.	10,802	-
	<b>\$ 1,489,893</b>	<b>\$ 1,502,955</b>

- (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 April 30, 2024 and July 31, 2023, the outstanding balances included accrued interest of \$3,791.
- (iii) As at April 30, 2024 an aggregate amount of \$135,555 (July 31, 2023 - \$159,419) 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 \$29,000 was repaid subsequent to April 30, 2024. During the year ended July 31, 2023, 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 and nine months ended April 30, 2024, aggregate equipment rental expenses of \$36,709 and \$118,802, respectively were incurred representing a rental fee of \$1 per vape filled. The aggregate equipment rental expenses for the corresponding periods presented, were \$44,347 and \$207,413, respectively.

**CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS**

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There have been no significant changes in CanadaBis' critical accounting estimates for the three and nine months ended April 30, 2024. Further information on the Company's critical accounting policies and estimates are disclosed in Note 4 to the Financial Statements.

**FORWARD-LOOKING STATEMENTS**

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

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

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



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

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

- there will be no material change to the regulatory environment in which CanadaBis operates;
- pricing of various cannabis products;
- development costs remaining consistent with budgets;
- market demand for proposed product and brand launches;
- the expected growth in the amount of cannabis sold by the Company and the expected timing, size, and pricing regarding the recreational market; and
- capital cost of expected expansion by the Company, if deemed necessary.

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