



CANADABIS
— CAPITAL INC. —

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Years Ended July 31, 2023 and 2022

CanadaBis Capital Inc.

Management Discussion & Analysis

For the Years Ended July 31, 2023 and 2022

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) for CanadaBis Capital Inc. (“CanadaBis” or the “Company”) should be read in conjunction with the Company’s audited consolidated financial statements for the years ended July 31, 2023 and July 31, 2022 (“Financial Statements”) and MD&A. CanadaBis’ Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), and the accounting policies applied in these Financial Statements are based on IFRS as issued, outstanding and in effect on August 1, 2022. 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. This MD&A is dated November 28, 2023.

BACKGROUND & STRATEGIC TRANSACTIONS

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

- Deliver quality products and services to the business-to-business and business-to-consumer market.
- 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.

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

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YEAR END HIGHLIGHTS

	Three months ended		Years ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Gross revenue	\$7,626,185	\$6,411,808	\$34,604,669	\$17,052,334
Excise duty	2,820,745	2,233,366	12,382,216	5,383,365
Net revenues	4,805,440	4,178,442	22,222,453	11,668,969
Cost of sales	1,324,156	2,277,345	10,438,762	6,096,748
Gross profit	3,481,284	1,901,097	11,783,691	5,572,221
Net income and comprehensive income	1,249,935	481,758	4,444,494	607,951
Net income per share (basic and diluted)	\$0.01	\$0.00	\$0.03	\$0.00
Adjusted EBITDA	\$1,765,574	\$675,619	\$5,832,232	\$1,727,569

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

2023 HIGHLIGHTS

- The Company again generated record performance with positive earnings after tax of \$1,249,935 and \$4,444,494 for the three months and the year ended July 31, 2023. This was achieved through steady sales quarter-over-quarter stemming from increased demand of new and existing SKUs (Stock Keeping Unit – unique code to identify a product) distributed in the 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 bring its newest product line, Super Slim Cigarette Style Pre-Rolls, the Electric Dartz. The Company was able to, first of its kind, infuse Electric Dartz which have been well received in the provinces. All the new flavours that were launched in previous quarter have continued to post growth and record sales in Alberta, British Columbia, Manitoba, Saskatchewan, and Ontario. 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 realized the highest gross revenue since its incorporation, reaching a total of \$34.6 million for the year ended July 31, 2023.
- Adjusted EBITDA also showed record positive results with \$1.8 million and \$5.8 million for the three months and the year ended July 31, 2023, respectively, mainly resulting from increased Brand awareness and continued growth of the Dab Bod products and the launch of the High Priestess brand and multiple new SKUs under the Dab Bod Brand into the marketplace. These brands have been well received and sold-out multiple times with increasing orders from provincial purchasers. Based on high demand and increased purchase orders from the Provinces of Alberta, Ontario, and British Columbia on products such as Moonrocks, Infuse Pre-rolls, Live Rosin vapes and high CBD cartridges, the Company anticipates continuing to demonstrate positive performance in the next quarter.
- Stigma Grow's deep innovation pipeline is showcased by the consistent launch of new SKU's and new products driven by customer demand.
- The Company sold over 1,700,000 units of combined concentrate and dry flower for the year ended July 31, 2023, a more than 112.5% increase compared to the 800,000 units sold over the corresponding period.
- The Company continues to manage its input expenses through negotiation with multiple suppliers to save costs while increasing concentrate yields.
- 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.

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SELECT QUARTERLY FINANCIAL INFORMATION

Three months ended	July 31, 2023	April 30, 2023	January 31, 2023	October 31, 2022	July 31, 2022	April 30, 2022	January 31, 2022	October 31, 2021
(Unaudited)	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1
Gross revenue	\$7,626,185	\$9,582,737	\$9,583,323	\$7,812,425	\$6,411,808	\$4,303,674	\$3,892,049	\$2,444,802
Excise duty	2,820,745	3,532,316	3,364,418	2,664,738	2,233,366	1,435,759	1,114,734	599,505
Net revenues	4,805,440	6,050,421	6,218,905	5,147,687	4,178,442	2,867,915	2,777,315	1,845,297
Cost of sales	1,324,156	3,352,865	2,978,016	2,783,725	2,277,345	1,599,701	1,306,734	912,968
Gross profit	3,481,284	2,697,556	2,978,016	2,363,962	1,901,097	1,268,214	1,470,581	932,329
Net income (loss) and comprehensive income (loss)	1,249,935	1,198,792	1,295,454	700,313	481,758	123,137	273,975	(270,919)
Net income (loss) per share (basic and diluted)	\$0.01	\$0.01	\$0.01	\$0.01	\$0.00	\$0.00	\$0.00	\$(0.00)

During fiscal 2022, the Company increased its revenue generating activities in all three segments: Cultivation and Wholesale, Retail, and Extract. This trend has continued to date in fiscal 2023. Refer to “*Segmented Information and Products and Services Offered*” for additional information.

RESULTS OF OPERATIONS

Overall gross revenues for the year ended July 31, 2023, increased to \$34.6 million from \$17.1 million in the comparative period. This significant increase was due to sales from its new and existing SKUs launched under the Dab Bod Brand and the industry's demand for new innovative products such as the High Priestess brand and the Infuse Pre-rolls. This drove a 102% increase in net revenue compared to the same period in 2022. During the year ended July 31, 2023, the Company increased revenue in 2023 Q2 over 2023 Q1 by 22%. Revenue for 2023 Q2 and 2023 Q3 showed a consistent increase over Q4 due to the initial launch of multiple new SKUs in the major Provinces such as Alberta, British Columbia and Ontario. CanadaBis reported net revenues of \$4.8 million for the 2023 Q4 as compared to \$4.2 million for the comparative period in 2022. The Company has experienced growth in the existing Provinces such as Alberta, Ontario. See *Segmented Reporting section to this MD&A, for a more detailed discussion.*

The Company continues to be profitable, recognizing net income for the three months ended July 31, 2023, of \$1.2 million compared to a net income of \$0.5 million in the comparative period in 2022. This resulted in an 184% increase in net income due to increased sales of hydrocarbon products and several new SKUs to the Provinces.

The Company was able to maintain efficiencies through cost savings by renegotiating input material pricing while also implementing new procedures in its production lines to cut and manage operational costs.

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 year ended July 31, 2023, was \$6.7 million compared to \$4.2 million for the comparative period, with the increase largely due to the Company's continued revenue growth and product demand which has required additional corporate and human resources. The Company continues to maintain its cost management plans, along with a focus on increasing efficiencies, cashflow and liquidity.

- Wages for 2023 was \$2.6 million compared to \$1.7 million in the same comparative period. This increase of 53% is due to the significant increase in revenue and production. The Company's revenue growth has shown a 102% increase due to new products in the market.
- Legal and accounting fees for 2023 was approximately \$287 thousand compared to approximately \$272 thousand of the comparative period. This was due to professional services related to collection of the remaining balance from our equity raise.
- Advertising and promotion remain comparable period over period even though there has been a 169% increase due to significant increase in revenue.

Although Cost of sales increased quarterly period over period for July 31, 2023, the Company was able to maintain its overall impact largely from renegotiating with suppliers for lower costs on input material. Other contributing factors included high volume purchasing in bulk to realize better pricing and terms.

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Share-based payments expense of \$50,985 for the year ended July 31, 2023 mainly related to recognition of the expense associated with options granted during the period. The share-based payments expense of \$54,470 for the comparative period of 2022 decreased compared to prior periods due to options vesting, offset by the cancellation of unvested options related to the departures of several option holders and the remaining tranches outstanding as at July 31, 2022 vested in fiscal 2023.

Finance costs decreased to \$446,107 for the year ended July 31, 2023, compared to \$492,635 for the comparative period due to payments against the Commercial Mortgage Loan.

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 of \$757,919 that is due on March 9, 2024.

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 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 year ended July 31, 2023.

For the year ended July 31, 2023	Cultivation and wholesale			Retail	Extract	Eliminations	Consolidated
Gross revenue (external customers)	\$ 1,064,406	\$ 549,670	\$ 32,990,593	\$ -	\$ 34,604,669		
Excise duty	491,967	-	11,890,249	-	12,382,216		
Net revenue (external customers)	572,439	549,670	21,100,344	-	22,222,453		
Cost of sales	493,746	400,811	9,544,205	-	10,438,762		
Gross profit	78,693	148,859	11,556,139	-	11,783,691		
General and administrative							6,713,071
Depreciation and amortization							342,745
Share-based payments							50,986
Operating income							4,676,889
Financing costs							(446,108)
Other income (expenses)							332,941
Net income before taxes							4,563,722
Income tax expense - current income tax							119,228
Net income and comprehensive income							\$ 4,444,494

Below is a summary of results by reportable segments for the year ended July 31, 2022.

For the year ended July 31, 2022	Cultivation and wholesale			Retail	Extract	Eliminations	Consolidated
Gross revenue (external customers)	\$ 539,535	\$ 679,240	\$ 15,833,559	\$ -	\$ 17,052,334		
Excise duty	160,839	-	5,222,526	-	5,383,365		
Net revenue (external customers)	378,696	679,240	10,611,033	-	11,668,969		
Cost of sales	175,518	490,729	5,430,501	-	6,096,748		
Gross profit	203,178	188,511	5,180,532	-	5,572,221		
General and administrative							4,174,276
Depreciation and amortization							305,921
Share-based payments							54,470
Operating Income							1,037,554
Financing costs							(492,635)
Other income (expenses)							63,032
Net income before taxes							607,951
Income tax expense - current income tax							-
Net income and comprehensive income							\$ 607,951

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 the year ended July 31, 2023, was \$0.6 million compared to \$0.4 million for the comparative period in 2022. This increase was due to several specialize SKU launch 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 in 2024 fiscal year along with other dry flower brands that is expected to be released as well.

Retail operations:

Overall net retail revenue for the year ended July 31, 2023, reduced by approximately 19%, compared to the comparative period of 2022. In general, retail operations have decreased sales from customer reduction due to increase competition in the market from significant growth in retail stores across Alberta. The Company continues to re-brand itself in the face of competition to increase market share with high expectation of growth in 2024.

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Extract:

The net extract revenue for the year ended July 31, 2023, was \$21.1 million compared to \$10.6 million for the comparative period of 2022. The Company was able to significantly increase its sales of extract products, in the Provinces of Alberta, Ontario, Manitoba, Saskatchewan and British Columbia. The Company continued to increase its sales through its continued product awareness campaign and the launch of several new SKUs 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.

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.

FINANCIAL CONDITION

The following chart highlights significant changes in the Consolidated Statements of Financial Position from July 31, 2022 to July 31, 2023:

	Increase (decrease)	Primary factors explaining change
Cash and cash equivalents	\$3,080,314	Increase is due to increase in sales and collection from the Provinces.
Trade accounts receivable and other receivables	(143,411)	Decrease is due to timing of collection of Accounts Receivable balances.
Prepaid expenses	180,104	Increase is due to the deposit on Health Canada license.
Biological assets	14,835	Net decrease due to a crop growing as at July 31, 2023, offset by harvest of crop growing as at July 31, 2022 during the year ended July 31, 2023.
Inventory	2,817,000	Increase due to high volume sales resulted from increase in demand from the Provinces.
Long-term deposit	-	Remained unchanged from July 31, 2022.
Property, plant and equipment	1,536,068	Net change due to additions and depreciation during the period.
Due from related parties	-	Remained unchanged from July 31, 2022.
Demand credit facility	(467,453)	Decrease due to repayment of credit facility during the period.
Accounts payable and accrued liabilities	2,896,278	Increase is due to products purchased to meet demand and increase in sales.
Income tax payable	119,228	Increase due to estimated taxable earnings from growth in revenue.
Goods and services tax payable	209,069	Net increase due to timing of revenue and expenses.
Due to related parties	75,004	Increase is due to vape rental expense during the period.
Lease obligation (in aggregate)	744,749	Increase is due to additional leasing equipment acquired during the period offset by payments made during the period.
Long-term debt (in aggregate)	(783,709)	Decrease is due to payments made during the period.
Deferred income liability	(18,735)	Decrease due to implied benefit from government funding.

LIQUIDITY AND CAPITAL RESOURCES

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; 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 July 31, 2023, the Company was in compliance with all these debt covenants as the debt service coverage ratio was 3.63:1, the debt-to-equity ratio factoring in an appraisal surplus as included in the defined term of the commitment letter was 0.70:1 and the current ratio was 1.44:1. As at July 31, 2023, the current portion of the Commercial Mortgage Loan to the amount of \$864,070 was included in the current liabilities.

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 at July 31, 2023, the demand line of credit was not drawn down. As at July 31, 2022, the Company was not compliant with all the covenants, and the Commercial Mortgage Loan of \$6,284,574 was reclassified as current. This presentation was consistent with past presentation as the Credit Union confirmed previously that payment would not be demanded due to non-compliance with debt covenants as this loan is classified as long-term for purposes of their assessments.

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. As at July 31, 2023, the deferred income liability outstanding was \$20,611 net of \$18,735 recognized during the year ended July 31, 2023 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. Therefore, resulting in a net impact of \$Nil to net income for the year ended July 31, 2023. A corresponding accretion expense of \$18,740 was recognized to accrete the loan outstanding during the comparative period presented offset against equal amount in other income, resulting in a net impact of \$Nil to net income for the year ended July 31, 2022.

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 then commence on the balance outstanding.

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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.

Lease obligations

During the year ended July 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 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 will be depreciated over the lease term on a straight-line basis, which is the shorter than the asset's useful life.

On February 24, 2022, a formal notice of early termination of the land lease was provided with final lease payments 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.

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 July 31, 2023.

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 and amortization expense for the years ended July 31, 2023 and 2022 were \$668,070 and \$528,165. 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).

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Adjusted EBITDA

(Unaudited)	Three months ended		Years ended	
	July 31, 2023	July 31, 2022	July 31, 2023	July 31, 2022
Net income before tax	\$1,369,163	\$481,758	\$4,563,722	\$607,951
Adjustment				
Finance cost	109,543	110,933	446,108	492,635
Depreciation and amortization	192,066	131,281	668,070	528,165
Change in fair value of biological asset	49,635	(48,487)	43,370	(49,800)
Realized fair value on inventory sold	12,444	-	59,976	94,148
Share-based payments	32,723	134	50,986	54,470
Adjusted EBITDA	\$1,765,574	\$675,619	\$5,832,232	\$1,727,569

SHAREHOLDERS' CAPITAL

CanadaBis is authorized to issue an unlimited number of common voting shares, common non-voting shares, and preferred shares. The common voting shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "CANB". As at November 28, 2023, CanadaBis had the following issued and outstanding:

- 138,256,380 common voting shares;
- 1,153,846 warrants; and
- 6,635,000 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. 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.

On August 5, 2022, the Company granted 100,000 options to an employee. On June 16, 2023, the Company granted an aggregate 1,000,000 options with an exercise price of \$0.24 per share to two directors and an employee with a 5-year term from June 19, 2023. One-half of these options vest in six months and the remaining half shall vest one year from the date of grant. During the year ended July 31, 2023, no options expired and 1,075,000 options were exercised. 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 year ended July 31, 2022, no options were granted, nor exercised.

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

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;
- 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;
- ability to protect and preserve intellectual property rights;
- 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

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- 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.

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 July 31, 2023, 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 July 31, 2023, approximately 82% 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:

	July 31, 2023	July 31, 2022
Account receivables		
Not past due	\$ 1,755,814	\$ 1,643,738
1-30 days	77,913	536,402
31-90 days	(922)	1,121
90+ days	526,820	541,828
Total gross carrying amount	2,359,625	2,723,089
Loss allowance	(548,274)	(584,142)
Total carrying amount	\$ 1,811,351	\$ 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.

	July 31, 2023	July 31, 2022
Loss allowance		
Balance, beginning of the year	\$ 584,142	\$ 537,040
(Decrease) increase in loss allowance for the year	(20,860)	47,102
Written off during the year	(15,008)	-
Balance, end of the year	\$ 548,274	\$ 584,142

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

	July 31, 2023	July 31, 2022
Trades receivables, net (Note 20(i))	\$ 1,811,351	\$ 2,138,947
Insurance receivable (Note 20(iii))	139,185	-
Other receivable	45,000	-
	<u>\$ 1,995,536</u>	<u>\$ 2,138,947</u>

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. 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.

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 \$59,308 on pre-tax earnings for the year ended July 31, 2023, respectively.

RELATED PARTY TRANSACTIONS

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

Balances due from related parties as at:

Amount due from related party	July 31, 2023	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. that sold non-cannabis balms and creams produced by the Company used to sublease space from the Company's retail location for rental income. This space was not subleased for the year ended July 31, 2023. The rental income for the year ended July 31, 2022 was \$2,400.

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Balance due to related parties as at:

Amount due to related parties	July 31, 2023	July 31, 2022
SS Pipelines Ltd. (i)	\$ 689,745	\$ 689,745
Runaway Developments Ltd. (ii)	653,791	653,791
Director and shareholders (iii)	159,419	84,415
	\$ 1,502,955	\$ 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 July 31, 2023 and 2022, the outstanding balances included accrued interest of \$3,791.

(iii) As at July 31, 2023, an aggregate amount of \$154,773 (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 \$72,000 was repaid subsequent to July 31, 2023. During the years ended July 31, 2023 and 2022, 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 year ended July 31, 2023, aggregate equipment rental expenses of \$302,492 was incurred representing a rental fee of \$1 per vape filled. For the comparative period presented, the aggregate equipment rental expenses of \$120,553 was incurred.

During the years ended July 31, 2023 and 2022, 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 11(ii) and 12 for further details. 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. The renewal of this contract effective May 1, 2023 was approved by the Board on October 5, 2023 under the same terms and conditions. As at July 31, 2023, the accounts payable balance includes an amount of \$5,366. During the years ended July 31, 2023 and 2022, the consulting services expenses incurred were \$10,906 and \$2,848, respectively.

CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

There have been no significant changes in CanadaBis' critical accounting estimates for the year ended July 31, 2023. Further information on the Company's critical accounting policies and estimates are disclosed in Note 4 to the Financial Statements.

FORWARD-LOOKING STATEMENTS

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

All statements other than statements of historical fact included in the MD&A may be forward-looking information. Forward-looking information are not facts, but only expectations as to future events and generally can be identified by the use of statements that include words or phrases such as, "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "likely", "may", "project", "predict", "propose", "potential", "might", "plan", "seek", "should", "targeting", "will", "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:

- 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.