CANADABIS
CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended April 30, 2023 and 2022

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of the unaudited condensed interim consolidated financial statements by an entity's auditor.

CANADABIS CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

(Expressed in Canadian dollars)

	April 30, 2023	July 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents (Note 8)	$ 2,786,045	$ 144,876
Trade accounts receivable and other receivables(Note 20(b))	3,347,825	2,138,947
Prepaid expenses	483,774	402,314
Biological assets (Note 10)	24,682	61,360
Inventory (Note 11)	3,870,630	2,934,874
	10,512,956	5,682,371
Long-term deposit (Note 9)	275,497	275,497
Property, plant and equipment (Note 12)	10,158,928	9,506,171
Due from related parties (Note 19)	14,090	14,090
	$ 20,961,471	$ 15,478,129
LIABILITIES		
Current liabilities		
Demand line of credit (Note 14(iii))	$ -	$ 467,453
Accounts payable and accrued liabilities	6,581,477	3,537,921
Deferred revenue	91,509	-
Goods and services tax payable	12,532	23,521
Due to related parties (Note 19)	1,435,242	1,427,951
Current portion of lease obligations (Note 13)	273,461	162,879
Current portion of long-term debt (Note 14)	989,123	6,284,574
	9,383,344	11,904,299
Deferred income liability (Note 14 (ii))	24,906	39,346
Lease obligations (Note 13)	484,995	426,728
Long-term debt (Note 14)	5,221,731	474,083
	15,114,976	12,844,456
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	16,145,534	16,145,534
Share-based payments reserve	3,325,819	3,307,556
Deficit	(13,718,044)	(16,912,603)
Total equity attributed to own shareholders	5,753,309	2,540,487
Non-controlling interest (Note 15)	93,186	93,186
	5,846,495	2,633,673
	$ 20,961,471	$ 15,478,129

Going concern (Note 2)

Approved by the Board of Directors

Travis McIntyre

Shane Chana

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET INCOME AND COMPREHENSIVE INCOME

For the Three and Nine Month Periods Ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
REVENUE				
Gross revenue (Note 25)	$ 9,582,737	$ 4,303,673	$ 26,978,484	$ 10,640,526
Excise duty (Note 25)	3,532,316	1,435,758	9,561,471	3,149,999
Net revenues (Note 6)	6,050,421	2,867,915	17,417,013	7,490,527
Cost of sales (Note 7)	3,352,865	1,599,701	9,114,606	3,819,403
Gross profit	2,697,556	1,268,214	8,302,407	3,671,124
EXPENSES				
Depreciation and amortization	83,492	74,572	238,474	231,489
General and administration	1,619,518	980,345	4,842,516	2,933,659
Share-based payments (Note 17)	596	13,284	18,263	54,336
	1,703,606	1,068,201	5,099,253	3,219,484
Income from operations	993,950	200,013	3,203,154	451,640
Other income and expenses				
Financing costs (Note 23)	(111,293)	(122,104)	(336,565)	(381,702)
Other income (expenses) ((Note 20(b))	316,135	45,228	327,970	56,255
	204,842	(76,876)	(8,595)	(325,447)
Net income and comprehensive income for the period	1,198,792	123,137	3,194,559	126,193
Attributed to:				
Equity holders of the parent	1,198,792	121,937	3,194,559	126,574
Non-controlling interest	-	1,200	-	(381)
	$ 1,198,792	$ 123,137	$ 3,194,559	$ 126,193
Per share amount (Note 22)				
Basic and diluted	$ 0.01	$ 0.00	$ 0.02	$ 0.00

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Nine Month Periods Ended April 30, 2023 and 2022

(Expressed in Canadian dollars)

	Share capital	Share-based payment reserve	Deficit	Total equity attributable to own shareholders	Non-controlling interest	Total shareholders' equity
Balance, July 31, 2021	$ 15,995,534	$ 3,253,086	$ (17,520,935)	$ 1,727,685	$ 93,567	$ 1,821,252
Shares issued (Note 16)	150,000	-	-	150,000	-	150,000
Share-based payments (Note 17)	-	54,336	-	54,336	-	54,336
Net loss and comprehensive loss for the period	-	-	126,574	126,574	(381)	126,193
Balance, April 30, 2022	$ 16,145,534	$ 3,307,422	$ (17,394,361)	$ 2,058,595	$ 93,186	$ 2,151,781
Balance, July 31, 2022	$ 16,145,534	$ 3,307,556	$ (16,912,603)	$ 2,540,487	$ 93,186	$ 2,633,673
Share-based payments (Note 17)	-	18,263	-	18,263	-	18,263
Net income and comprehensive income for the period	-	-	3,194,559	3,194,559	-	3,194,559
Balance, April 30, 2023	$ 16,145,534	$ 3,325,819	$ (13,718,044)	$ 5,753,309	$ 93,186	$ 5,846,495

See accompanying notes to the unaudited condensed interim consolidated financial statements

CANADABIS CAPITAL INC.
UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three and Nine Month Periods Ended April 30, 2023 and 2022
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	April 30, 2023	April 30, 2022	April 30, 2023	April 30, 2022
Cash provided by (used in)				
Operating activities				
Net income for the period	$ 1,198,792	$ 123,137	$ 3,194,559	$ 126,193
Items not affecting cash				
Accretion expense	10,885	10,899	33,456	32,908
Depreciation and amortization (Note 12)	173,826	129,166	476,004	396,884
Realized fair value on inventory sold	46,139	57,961	47,532	82,906
Change in fair value of biological asset	(5,138)	22,884	(6,265)	1,313
Loss on disposal of property, plant and equipment	1,639	-	1,639	-
Write down of inventory	258	10,629	31,176	10,629
Gain on derecognition of lease (Note 12(v))	-	(39,585)	-	(39,585)
Non-cash other income	(4,681)	(4,716)	(14,440)	(13,959)
Non-cash interest expense	3,791	7,582	3,791	7,582
Share-based payments	596	13,284	18,263	54,336
Changes in non-cash working capital (Note 24)	(1,361,142)	(599,078)	923,550	(1,137,322)
	64,965	(267,837)	4,709,265	(478,115)
Financing activities				
Issuance of shares	-	-	-	150,000
Advances from related parties	43,789	(9,749)	217,129	23,161
Repayment of amounts due to related parties	(102,619)	(450)	(209,838)	(279,083)
Proceeds from demand line of credit	-	592,110	-	592,110
Repayment on demand line of credit	-	-	(467,453)	-
Proceeds from long-term debt (Note 14)	81,604	-	81,604	-
Repayment of long-term debt (Note 14)	(254,817)	(200,123)	(662,863)	(526,432)
Lease obligation (Note 13)	(72,128)	(51,676)	(282,571)	(151,812)
	(304,171)	330,112	(1,323,992)	(192,056)
Investing activities				
Purchase of property, plant and equipment (Note 12)	(425,462)	(27,515)	(749,404)	(121,736)
Proceeds on disposal of property, plant and equipment	5,300	-	5,300	-
	(420,162)	(27,515)	(744,104)	(121,736)
Net change in cash and cash equivalents	(659,368)	34,760	2,641,169	(791,907)
Cash and cash equivalents				
Beginning of the period	3,445,413	22,836	144,876	849,503
End of the period	$ 2,786,045	$ 57,596	$ 2,786,045	$ 57,596
Supplemental cash flow information				
Interest paid	$ 100,688	$ 115,536	$ 299,598	$ 341,212

See accompanying notes to the unaudited condensed interim consolidated financial statements

1. Nature of operations

CanadaBis Capital Inc. ("CanadaBis" or the "Company") was incorporated under the Alberta Business Corporations Act ("ABCA") on November 29, 2016 and was classified as a Capital Pool Corporation ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange Inc. (the "Exchange"). On April 26, 2019, the Company completed its Qualifying Transaction and listed on the Exchange.

CanadaBis' principal business is the production and sale of recreational cannabis and cannabis extracts. The Company's common shares are listed and traded on the TSX Venture Exchange under the symbol "CANB". The address of the Company's registered office is 255C Clearview Drive, Red Deer County, Alberta, Canada T4E 3B6.

2. Going concern

These consolidated financial statements ('Financial Statements") have been prepared by management on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. As at April 30, 2023, the Company was compliant with the externally imposed debt covenants on the Commercial Mortgage Loan and presented the short-term portion due for payment in the next twelve months (Note 14 (iii)) as a current liability. The Company's compliance is subject to the Credit Union's review as certain covenants are annually assessed (Note 14 (iii)). The Company's ability to maintain compliance with financial covenants in the next twelve months relies on its ability to successfully generate revenue with existing and new customers and maintain profitability. Subsequent to April 30, 2023, the Company is in negotiations with the Credit Union for more favorable terms for the Commercial Mortgage Loan. For the corresponding period, as at July 31, 2022, the Company was noncompliant with its externally imposed debt covenants and the entire balance due of $6,284,574 was classified as current.

These Financial Statements do not reflect adjustments to the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be used if the going concern assumptions were not appropriate. Such adjustments could be material.

3. Basis of preparation

(a) *Statement of compliance*

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

Certain disclosures that are normally required to be included in the notes to the annual audited financial statements have been condensed or omitted. These Financial Statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended July 31, 2022.

These Financial Statements were approved and authorized for issue by the Board of Directors on March 30, 2023.

(b) Basis of consolidation

Subsidiaries are entities controlled by CanadaBis. Control exists when CanadaBis has the power, directly or indirectly, to govern the financial and operating policies of an entity and to be exposed to the variable returns from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements of CanadaBis from the date the control commences until the date the control ceases.

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

Intercompany balances and any unrealized gains and losses or income and expenses arising from transactions with subsidiaries are eliminated to the extent of CanadaBis' interest.

(c) *Non-controlling interest*

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

The Company owns 95% of the outstanding common shares of its subsidiary, Goldstream Cannabis Inc. These consolidated financial statements include 100% of the assets and liabilities related to Goldstream Cannabis Inc., and include a non-controlling interest representing 5% of Goldstream Cannabis Inc.'s assets and liabilities not owned by the Company.

(d) *Basis of presentation*

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

4. Significant accounting policies

These Financial Statements follow the same accounting policies as the most recent annual audited financial statements. Accordingly, these Financial Statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended July 31, 2022. Certain prior period amounts have been reclassified throughout the Financial Statements to conform with current period presentation. Gross revenue and excise duty are presented in the unaudited condensed consolidated statement of net income and comprehensive income to conform with current period presentation.

New and amended accounting standards adopted

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

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

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

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

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

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

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

5. Critical accounting estimates and judgements

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities, and the disclosure of contingent assets and liabilities. These estimates and judgements concern matters that are inherently complex and uncertain. Judgements and estimates are continually evaluated and are based on historical experience and expectation of future events. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. The critical accounting estimates and judgments used in the preparation of these Financial Statements are consistent with those critical accounting estimates and judgments as disclosed in the audited consolidated financial statements as at and for the year ended July 31, 2022.

6. Net revenues

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
Extract	$ 5,779,262	$ 2,654,710	$ 16,810,935	$ 6,610,044
Retail	139,415	154,061	400,714	534,029
Cultivation and wholesale	131,744	59,144	205,364	346,454
	$ 6,050,421	$ 2,867,915	$ 17,417,013	$ 7,490,527

7. Cost of sales

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
Extract	$ 3,177,267	$ 1,439,777	$ 8,722,954	$ 3,240,749
Retail	103,433	115,071	292,653	365,004
Cultivation and wholesale	72,165	44,853	98,999	213,650
	$ 3,352,865	$ 1,599,701	$ 9,114,606	$ 3,819,403

During the three and nine months ended April 30, 2023, the depreciation charge of $75,017 and $195,055, respectively were included in cost of sales - extract. For the corresponding periods presented, the depreciation charge of $43,127 and $130,351 respectively were included in the cost of sales - extract.

During the three and nine months ended April 30, 2023, the cost of sales - extract included realized fair value included in the packaged extraction inventory (finished goods) produced and wholesale using the Company's own cultivated inventory of $46,139 and $47,532, respectively that were sold during the period presented. For the corresponding periods presented, the cost of sales- extract included realized fair value included packaged extraction inventory (finished goods) produced and wholesale using the Company's own cultivated inventory of $57,961 and $82,906, respectively.

During the three and nine months ended April 30, 2023, an inventory write down of $Nil and $258, respectively for own cultivated inventory destroyed was recognized in the cost of sales - cultivation and wholesale. During both the three and nine month periods ended April 30, 2023, own cultivated inventory quantities with an aggregate value of $10,629 were destroyed. During the three and nine month periods ended April 30, 2023, inventory products with an aggregate value of $258 were written off and $30,918 for the corresponding periods presented.

8. Cash and cash equivalents

As at April 30, 2023, the cash and cash equivalents balance includes GICs with aggregate value of $700,000 that each are redeemable without penalties.

9. Long-term deposit

In connection with the new debt facility (see Note 14 (iii)), a term deposit for commercial hold backs and an interest rate of 0.20% was obtained. The maturity date is July 13, 2023 and this term deposit cannot be redeemed until the lien as stipulated in the commitment letter is removed. The lien is regarding a statement of claim against the Company which the Company deems without merit and filed a counterclaim. As at April 30, 2023, the lien remained in place. As at April 30, 2023, the balance of $275,497 includes interest earned of $1,048 that is readily available to the Company.

10. Biological Assets

	April 30, 2023	July 31, 2022
Balance, beginning of period	$ 61,360	$ 29,027
Capitalized cost of biological assets	279,173	385,481
Changes in fair value	6,265	49,800
Cash cost transferred to inventory upon harvest	(322,116)	(402,948)
	$ 24,682	$ 61,360

During the three and nine months ended April, 2023, the depreciation charge of $15,317 and $42,475, respectively related to property, plant and equipment used in the growth and harvesting of biological assets was capitalized to biological assets. For the corresponding periods presented, the depreciation charge of $11,467 and $35,046, respectively were capitalized to biological assets.

During the three and nine months ended April 30, 2023, the gross profit included the changes in fair value related to the biological assets of $5,138, and $6,265 respectively. For the corresponding periods presented, the gross profit included changes in fair value related to the biological assets of $(22,884) and $(1,313), respectively.

During the three months ended April 30, 2023, the Company successfully completed its seventeenth harvest. At April 30, 2023, the remaining plants were 11% complete relative to the next expected harvest. During the nine month period ended April 30, 2023, the selling price of $3.15 per dry flower gram and $1.26 per trim gram used in the valuation process remained unchanged from July 31, 2022.

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

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

The following table quantifies each significant unobservable input, and also provides the impact a 10% increase/decrease in each input independently would have on the fair value of biological assets as at April 30, 2023 and July 31, 2022.

	April 30, 2023	10% change as at April 30, 2023	July 31, 2022	10% change as at July 31, 2022
Selling price (Dry Flowers)	$3.15 p/gram	$3,500	$3.15 p/gram	$3,500
Yield per plant	42 grams	$3,500	42 grams	$3,500
Survival rate	95.0%	$5,300	95.0%	$5,300

11. Inventory

	April 30, 2023	July 31, 2022
Retail	$ 665,584	$ 329,454
Harvested cannabis	373,448	273,836
Extraction and tolling	2,831,598	2,331,584
	$ 3,870,630	$ 2,934,874

12. Property, Plant and Equipment

	Land	Building and improvements (i)	Plant and equipment (ii)	Office equipment	Computer hardware	Automobiles	Total
Cost							
Balance, July 31, 2021	$ 2,805,295	$ 6,738,228	$ 1,177,557	$ 86,169	$ 22,995	$ 41,560	$ 10,871,804
Additions	-	61,265	130,814	-	9,272	61,996	263,347
Derecognition of lease (iii)	(380,295)	-	-	-	-	-	(380,295)
Balance, July 31, 2022	2,425,000	6,799,493	1,308,371	86,169	32,267	103,556	10,754,856
Additions (iv)	-	416,641	549,462	67,112	15,332	87,153	1,135,700
Disposals	-	-	(8,385)	-	-	-	(8,385)
Balance, April 30, 2023	$ 2,425,000	$ 7,216,134	$ 1,849,448	$ 153,281	$ 47,599	$ 190,709	$ 11,882,171
Accumulated depreciation							
Balance, July 31, 2021	$ 39,024	$ 503,609	$ 184,900	$ 32,174	$ 12,712	$ 9,677	$ 782,096
Depreciation	14,837	265,143	202,602	17,210	8,935	11,723	520,450
Derecognition of lease (iii)	(53,861)	-	-	-	-	-	(53,861)
Balance, July 31, 2022	-	768,752	387,502	49,384	21,647	21,400	1,248,685
Depreciation (v)	-	208,953	221,187	16,987	9,135	19,742	476,004
Disposals	-	-	(1,446)	-	-	-	(1,446)
Balance, April 30, 2023	$ -	$ 977,705	$ 607,243	$ 66,371	$ 30,782	$ 41,142	$ 1,723,243
Net book value							
April 30, 2023	**$ 2,425,000**	**$ 6,238,429**	**$ 1,242,205**	**$ 86,910**	**$ 16,817**	**$ 149,566**	**$ 10,158,928**
July 31, 2022	$ 2,425,000	$ 6,030,741	$ 920,869	$ 36,785	$ 10,620	$ 82,156	$ 9,506,171

(i) Included in property, plant and equipment is $769,596 (July 31, 2022 - $430,991) of building improvements and equipment that is not subject to amortization as it is currently under construction.

(ii) On January 31, 2021, 1998643 Alberta Ltd. entered into a lease arrangement with a company that is owned by two directors and a significant shareholder of CanadaBis to lease an extraction machine over a 72-month term for a monthly payment of $11,991 plus applicable taxes and residual value of $1, with first payment due April 30, 2021. Considering the related party nature of this transaction and outside of the normal course of business, the rate implicit to the arrangement approved by the Board of Directors was 11.0% and the original vendor cost of the asset was supported by an arm's length transaction between the lender and the vendor. For accounting purposes, the incremental borrowing rate for the Company (lessee) was assessed as 12.0% supported by an independent financing quote but due to financing constraints the Company entered into this lease arrangement with a related party. As at January 31, 2021, a right-of-use asset of $629,240 was recognized and a corresponding lease obligation (Note 13). The right-of use asset is depreciated over the lease term on a straight-line basis, which is shorter than the asset's useful life. During the nine months ended April 30, 2023, the aggregate lease payments for the extraction machine was $107,923

(iii) With the acquisition of Goldstream Cannabis Inc. (see Note 15), the Company assumed the lease liability related to the lease of 13 acres of undeveloped land, zoned for cannabis cultivation. On February 24, 2022, a formal notice of early termination of the land lease was provided and final lease payments were made for March and April 2022. Accordingly, the net book value right of use of $326,434 and the lease liability of $366,019 as at April 30, 2022 were derecognized.

(iv) During the nine month period ended April 30, 2023, certain plant and equipment and vehicle additions were financed by entering into a lease (Note 13(i)) and long-term debt (Note 14(v).

(v) This represents the aggregate depreciation charge for the nine months ended April 30, 2023 that is prior to the capitalization of $42,475 to Biological Assets (Note 10) and reclassification of $195,055 from the "Depreciation and amortization" financial statement line item to Cost of sales - extract (Note 7) for presentation purposes.

13. Lease obligations

Right-of-use assets

The cost and accumulated depreciation related to the right-of-use assets have been included in property, plant and equipment (see Note 12). The changes in the net book value for the Company's right-of-use assets during the nine months ended April 30, 2023 were as follows:

Cost	Plant and equipment	Vehicle	Land	Total
Balance, July 31, 2021	$ 629,240	$ 29,060	$ 380,295	$ 1,038,595
Additions	-	53,579	-	53,579
Derecognition of lease (Note 12 (iii))	-	-	(380,295)	(380,295)
Balance, July 31, 2022	629,240	82,639	-	711,879
Additions (Note 12 (iv))	386,296	-	-	386,296
Balance, April 30, 2023	$ 1,015,536	$ 82,639	$ -	$ 1,098,175

13. Lease obligations (Continued)

Right-of-use assets (Continued)

Accumulated depreciation				
Balance, July 31, 2021	$ 32,174	$ 9,233	$ 39,024	$ 80,431
Depreciation	104,873	10,991	14,837	130,701
Derecognition of lease (Note 12 (iii))	-	-	(53,861)	(53,861)
Balance, July 31, 2022	137,047	20,224	-	157,271
Depreciation	136,649	12,362	-	149,011
Balance, April 30, 2023	$ 273,696	$ 32,586	$ -	$ 306,282
Net book value				
Balance, April 30, 2023	**$ 741,840**	**$ 50,053**	**$ -**	**$ 791,893**
Balance, July 31, 2022	$ 492,193	$ 62,415	$ -	$ 554,608

Lease liabilities

	April 30, 2023	July 31, 2022
Balance, beginning of period	$ 589,607	$ 996,765
Vehicles	-	53,579
Derecognition of lease (Note 11 (v))	-	(366,019)
Plant and equipment (Note 13(i))	386,296	-
Lease payments	(282,571)	(194,462)
Interest expense	65,625	99,744
Balance, end of period	758,957	589,607
Less current portion	(273,461)	(162,879)
	$ 485,496	$ 426,728

(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. 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.

Amounts recognized in profit and loss

	Three months ended		Nine months ended	
	April 30, 2023	April 30, 2022	April 30, 2023	April 30, 2022
Lease expense on short-term lease	$ 2,721	$ 955	$ 6,278	$ 4,298
Interest expense on lease liabilities	23,616	26,709	65,625	83,122
Amounts expensed in profit and loss	$ 26,337	$ 27,664	$ 71,903	$ 87,420

Lease payments

The required undiscounted cash flows of lease payments of the lease liability as at April 30, 2023, are as follows:

	2023
Less than 1 year	$ 288,513
1-5 years	615,485
More than 5 years	-
	$ 903,998

14. Long-term debt

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

	CEBA loan	RRRF Loan	Commercial Mortgage Loan	Vehicle Loan (iv)	Total
Balance, July 31, 2022	$ 120,000	$ 354,083	$ 6,284,574	$ -	$ 6,758,657
Additional funding	-	-	-	81,604	81,604.00
Repayment of principal	-	(43,720)	(616,885)	(2,258)	(662,863.00)
Accretion	-	14,440	19,016	-	33,456
Balance, April 30, 2023	120,000	324,803	5,686,705	79,346	6,210,854
Less current portion	-	(120,230)	(854,741)	(14,152)	(989,123)
	$ 120,000	**$ 204,573**	**$ 4,831,964**	**$ 65,194**	**$ 5,221,731**

14. Long-term debt (Continued)

(i) On April 9, 2020, the Government of Canada announced the Canada Emergency Business Account ("CEBA") loan program to small Canadian businesses to assist these businesses with working capital requirement during the COVID-19 pandemic. The maximum amount available under the program is $40,000, of which $10,000 is forgiven if the loan is repaid prior to December 31, 2022. The Company, through its two wholly owned subsidiaries, have applied for and received $80,000 under the CEBA loan program. During the year ended July 31, 2021, additional funding of $20,000 was secured by each of these entities with same repayment terms as initial funding received. The loan is non-interest bearing until December 31, 2022. An annual interest rate of 5% accrues from January 1, 2023 until December 31, 2025, the maturity date. Subsequent to July 31, 2022, the Government of Canada extended the repayment deadline for partial loan forgiveness from December 31, 2022 to December 31, 2023. Thereby, the interest-free period was extended by one year, effectively a two-year terms to repay the outstanding balance on or prior to December 31, 2025. If these CEBA loans remain outstanding on January 1, 2024, interest at a rate of 5% per annum will commence.

(ii) On February 23, 2021, the Company through one of its wholly-owned subsidiaries secured funding of $393,428 under the Regional Relief and Recovery Fund ('RRRF"), an economic relief program under Canada's overall COVID-19 Economic Response Plan to fund ongoing non-capital operations. Repayment of this loan 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 April 30, 2023, the deferred income liability outstanding was $24,906 net of $4,681 and $14,440, respectively recognized during the three and nine months ended April 30, 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. A corresponding accretion expense of $4,681 and $14,440 were recognized to accrete the loan outstanding during the corresponding periods presented. Therefore, resulting in a net impact of $Nil to net income for both the three and nine months ended April 30, 2023.

(iii) On June 3, 2021, the Company announced that a binding commitment letter was signed on May 24, 2021 with Connect First Credit Union (the "Credit Union") for a new credit facility of $9.6 million to be comprised of a 5-year term, $8,850,000 commercial mortgage loan bearing interest at a fixed rate of 4.35% per annum (calculated daily and payable monthly in arears) (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 arears) (collectively, the "New Credit Facility"). On July 23, 2021, the first tranche of $7,210,000 was released upon the meeting customary closing conditions and was used to settled existing long-term debt (vendor takeback mortgage and demand mortgage). Aggregate financing costs associated with the New Credit Facility incurred was $225,000 that was allocated against the Commercial Mortgage Loan. The costs associated with the loan form part of the amortized costs of the loan used to determine the effective interest rate of 3.63%. The monthly payable of principal and accrued interest of the Commercial Mortgage Loan is $91,081. The second tranche of $1,640,000 shall be advanced upon completion and delivery of the Company's July 31, 2022 year-end audited financial statements, and compliance with externally imposed covenants. Upon receipt of the second tranche, this funding will be used to settle the related party debt (Note 19). As at April 30, 2023, the demand line of credit was not drawn down.

The New Credit Facility is secured through the First Coverage Demand Collateral Mortgages over the properties held by 1998643 Alberta Ltd. and 2103157 Alberta Ltd. in the amounts of $8,850,000 and $750,000, respectively. Also, first charge security interest over all present and acquired personal property, unlimited guarantees and postponement of claims by Goldstream Cannabis Inc. and 1926360 Alberta Ltd., and the assignment and postponement of all related party debt to the amount of $1,640,000 is in place.

The commitment letter requires that the Company maintains the following debt covenants: 1) a debt service coverage ratio not less than 1.40:1 to be tested annually; 2) a debt-to-equity ratio not greater than 1.00:1.00 to be tested annually; and 3) a current ratio not less than 1.25:1.00 to be tested monthly. As at April 30, 2023, the Company was in compliance with all these debt covenants as the debt service coverage ratio was 4.67:1, the debt-to-equity ratio was 0.71:1 and the current ratio was 1.32:1.

(iv) 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.

15. Non-controlling interests

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

Balance, July 31, 2021	$ 93,567
Share of net loss for the year	(381)
Balance, July 31, 2022	93,186
Share of net loss for the period then ended	-
Balance, April 30, 2023	$ 93,186

On August 13, 2019, the Company acquired 95% of the outstanding shares of Goldstream Cannabis Inc. ("Goldstream") for $3,500,000 payable in 11,666,666 common voting shares of CanadaBis, at a price of $0.30 per common voting share. At April 30, 2023, the Company held a 95% ownership interest (July 31, 2022 – 95%) in Goldstream, located in British Columbia, Canada. The following table represents the summarized information for Goldstream before intercompany eliminations.

	April 30, 2023	July 31, 2022
Current assets	$ 4,284	$ 4,284
Non-current assets	1,972,460	1,972,460
Current liabilities	111,384	111,384
Non-current liabilities	-	-
Net revenues for the three and nine month periods ended April 30, 2023 and 2022	-	-
Net income (loss) for the three month periods ended April 30, 2023 and 2022	-	24,003
Net income (loss) for the nine month periods ended April 30, 2023 and 2022	$ -	$ (7,615)

16. Share capital

(a) Authorized

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

(b) Issued and outstanding

	Number of shares	Amount
Balance, July 31, 2021	135,982,534	15,995,534
Shares issued (Note 16 (b)(i))	1,153,846	150,000
Balance, July 31, 2022 and April 30, 2023	137,136,380	16,145,534

(b) (i) On November 5, 2021, the Company announced that it is proceeding with the previously announced amended private placement (the "Amended Private Placement") and withdrew its previously announced short-form prospectus offering of units. The Amended Private Placement of 11,538,462 units (the "Units") of the Corporation at a price of $0.13 per unit for gross proceeds of $1,500,000 (collectively, the "Amended Private Placement"). Each Unit shall be comprised of one (1) common share of the Company ("Common Share") and one (1) common share purchase warrant ("Warrant"). Each Warrant will entitle the holder thereof to purchase one (1) Common Share ("Warrant Share") at an exercise price of $0.25 per Warrant Share for three years from the date of issuance of such Warrants. The Common Shares and Warrants comprising the Units are subject to a hold period of four months and one day.

On December 1, 2021, the Company closed the first tranche of its previously announced non-brokered private placement consisting of 1,153,846 Units at a price of $0.13 per Unit to raise gross proceeds of $150,000. Each unit consisted of one common share and one common share warrant. Each Warrant entitles the holder to purchase one additional share at a price of $0.25 per share for a period of three years following closing or until December 1, 2024 (Note 18). As at the date of approval of these Financial Statements, the second tranche of the Amended Private Placement has not closed.

17. Share-based payments

(a) Option plan details

The Company has established a stock option program for its officers, directors, employees, and certain consultants under which the Company may grant options to acquire common voting shares at the market price of the shares, at the grant date. With the exception of $0.10 options, which vest immediately, all options granted before April 30, 2020 under the stock option plan have a five-year term and vest over 3 years. For options issued subsequent to April 30, 2020, one-half vest immediately while remaining one-half vest on the first anniversary, unless otherwise stated.

(b) The following is a summary of changes in options from July 31, 2021 to April 30, 2023:

	Number of options	Weighted average exercise price
Outstanding, July 31, 2021	8,821,667	$ 0.21
Cancelled and forfeited	(1,341,667)	$ 0.21
Expired	(425,000)	$ 0.10
Outstanding, July 31, 2022	7,055,000	$ 0.22
Granted	100,000	$ 0.20
Outstanding, April 30, 2023	7,155,000	$ 0.22
Options exercisable as at April 30, 2023	7,155,000	$ 0.22

The following table summarizes information about the stock options as at April 30, 2023:

	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$0.20	6,660,000	2.28	$ 0.20	6,660,000	$ 0.20
$0.29	45,000	1.62	$ 0.29	45,000	$ 0.29
$0.50	450,000	1.01	$ 0.50	450,000	$ 0.50
	7,155,000	2.20	$ 0.22	7,155,000	$ 0.22

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

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

(c) Fair value of options issued during the period

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

	April 30, 2023	**July 31, 2022**
Dividend yield	0.00%	-
Expected volatility	95.07%	-
Risk-free interest rate	3.12%	-
Forfeiture rate	2.00%	-
Expected life (years)	2.91	-
Weighted average fair value of options	$ 0.12	$ -

17. Share-based payments (Continued)

On August 5, 2022, the Company granted 100,000 options to an employee. During the nine month period ended April 30, 2023, no options expired or were exercised. 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.

18. Warrants

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

(a) During the year ended July 31, 2020, the original expiry of the following common share purchase warrants was extended for additional 24 months with reduction of the exercise price from $1.00 per common share purchase warrant to $0.50 per common share purchase warrant.

On November 9, 2018, the Company completed non-brokered private placements of 5,222,286 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for $1.00 per common voting share for a period of 12 months from the closing date. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on November 9, 2021 unexercised.

On February 11, 2019, the Company completed a non-brokered private placement, to members of the management team, of 554,000 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for $1.00 per common voting share for a period of 12 months from the closing date. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on February 11, 2022 unexercised.

On April 24, 2019, the Company issued 2,000,000 units, each unit comprising of one common voting share and one-half common voting share purchase warrant. Each whole warrant entitles its holder to acquire one common voting share for $1.00 per common voting share for a period of 12 months from the closing date. In accordance with the Company's accounting policy, the full value of the unit proceeds was allocated to common shares. These warrants expired on April 24, 2022 unexercised.

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

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

	Number of warrants	Weighted average exercise price
Outstanding, July 31, 2021	3,888,143	$ 0.50
Expired (Note 18(a))	(3,888,143)	$ 0.50
Issued (Note 18(b))	1,153,846	$ 0.25
Outstanding, July 31, 2022 and April 30, 2023	1,153,846	$ 0.25
Exercisable, July 31, 2022 and April 30, 2023	-	$ 0.25

The following table summarizes information about the Company's outstanding warrants as at April 30, 2023:

		Warrants outstanding			Warrants exercisable	
Issuance date	Expiry date	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
December 1, 2021	December 1, 2023	1,153,846	1.59	$ 0.25	-	$ 0.25

19. Related party transactions

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

Amount due from related party	**April 30, 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. sells non-cannabis balms and creams produced by the Company and subleases space from the Company's retail location for rental income of $600 and $1,200 for the three and nine months ended April 30, 2022, respectively. No rental income was received for the three and nine months ended April 30, 2023.

Amount due to related parties	**April 30, 2023**	**July 31, 2022**
SS Pipelines Ltd. (i)	$ 689,744	$ 689,745
Runaway Developments Ltd. (ii)	653,791	653,791
Director and shareholders (iii)	91,707	84,415
	$ 1,435,242	$ 1,427,951

(i) SS Pipelines Ltd. is a company owned by shareholders, a director and officer of the Company. The amounts due to relates 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.

19. Related party transactions (Continued)

(ii) Runaway Developments Ltd. is a company owned by a shareholder of the Company. The amounts due to Runaway Developments Ltd. bears interest at 7% per annum and matured on September 30, 2020. Subsequent to July 31, 2020 year-end, the maturity was extended to 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, 2023, the balance outstanding includes accrued interest of $3,791.

(a) (iii) As at April 30, 2023, an aggregate amount of $91,706 (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 $46,000 was repaid subsequent to April 30, 2023.

(b) During the three and nine months ended April 30, 2023 and 2022, no operational and capital expenses were paid by the related parties on behalf of the Company. During the three and nine months ended April 30, 2022, non-cannabis products sales to related parties were $Nil and $2,400, respectively and $Nil for both the three and nine months ended April 30, 2023. The Company is leasing an extraction machine from a company that is owned by three directors of CanadaBis. See Notes 12(ii) and 13 for further details. During the years ended July 31, 2022 and 2021, the Company entered into separate agreements to rent for a twelve-month period a vape filling machine from a director and shareholder of the Company. During the three and nine months ended April 30, 2023, aggregate equipment rental expenses of $44,347 and $207,413, respectively were incurred representing a rental fee of $1 per vape filled. For the corresponding periods presented, the equipment rental expenses of $42,221 and $111,554 were incurred. On June 27, 2022, the Board of Directors approved a consulting agreement with a director to provide certain legal, corporate and administration consulting services for a period from May 1, 2022 and an end date of April 30, 2023. The terms and conditions of this consulting agreement is within normal course of business and payable immediately. As at April 30, 2023, the accounts payable balance includes an amount of $1,047. During the three and nine months ended April 30, 2023, the consulting services expenses incurred were $1,047 and $5,530, respectively.

20. Financial instruments and risk management

(a) Fair value

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

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

	April 30, 2023		July 31, 2022	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Fair value through profit and loss				
Cash and cash equivalents	$ 2,786,045	$ 2,786,045	$144,876	$144,876
Loans and receivables				
Trade accounts receivables and other receivables	3,347,825	3,347,825	2,138,947	2,138,947
Due from related party	14,090	14,090	14,090	14,090
Financial liabilities				
Other financial liabilities				
Demand line of credit	-	-	467,453	467,453
Accounts payable and accrued liabilities	6,581,477	6,581,477	3,537,921	3,537,921
Deferred revenue	91,509	91,509	-	-
Due to related parties	1,435,242	1,435,242	1,427,951	1,427,951
Long-term debt	6,210,854	6,210,854	6,758,657	6,758,657
Deferred income liability	24,906	24,906	39,346	39,346
Lease liability	758,456	758,456	589,607	589,607

Fair value hierarchy

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

- Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3: Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

(b) Risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its development, production and financing activities. CanadaBis has exposure to credit, liquidity and interest risk. CanadaBis' risk management policies are established to:

- Identify and analyze the risks faced by the Company;
- Set appropriate limits and controls; and
- To monitor risks and adherence to market conditions and the Company's activities.

This narrative presents information about the Company's risk exposure, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

20. Financial instruments and risk management (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they are due. The Company's operating cash requirements are continuously monitored by management. As factors impacting cash requirements change, liquidity risks may necessitate the need for the Company to raise capital by issuing equity or obtaining debt financing.

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

	<1 Year	1-2 Years	3-5 Years	> 5 years
Accounts payable and accrued liabilities	$ 6,581,477	$ -	$ -	-
Deferred revenue	91,509	-	-	-
Due to related parties	1,435,242	-	-	-
Lease obligations	288,513	483,579	131,906	-
Long-term debt	989,123	2,097,049	3,219,025	-
Deferred income liability	-	29,587	-	-
	$ 9,385,864	$ 2,610,215	$ 3,350,931	$ -

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, 2023, all of which are Canadian Chartered Banks.

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, 2023, approximately 89% of the accounts receivable balances were with four parties. The Company has a credit concentration risk as it deals with counterparties that are in the licensed cannabis industry. The Company's expected credit loss allowance is determined based on 1% of not past due amounts, 5% for 1-30 days, 10% for 31- 60 days, 25% up to 90 days and 50% up to 90 days.

The Company`s aging of trade receivables was as follows:	April 30, 2023	July 31, 2022
Accounts receivable		
Not past due	$ 2,558,403	$ 1,643,738
1-30 days	395,461	536,402
31-90 days	(225)	1,121
90+ days	535,823	541,828
Total gross carrying amount	3,489,462	2,723,089
Loss allowance	(580,822)	(584,142)
Total carrying amount	$ 2,908,640	$ 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.

	April 30, 2023	July 31, 2022
Loss allowance		
Balance, beginning of period	$ 584,142	$ 537,040
Increase in loss allowance for the period	1,987	47,102
Written off during the period	(5,307)	-
Balance, end of the period	$ 580,822	$ 584,142

As at April 30, 2023, trade accounts receivables and other receivables included an amount of $439,185 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 three and nine month periods ended April 30, 2023, the other income (expenses) for both periods presented included insurance proceeds of $439,185 offset by $127,398, the cost of inventory stolen. Subsequent to April 30, 2023, the Company received $300,000 with the remaining approved balance to be received.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk through its long-term debt (Note 14). A 1% increase to the interest rate would have an approximate impact of $15,081 and $45,243 on pre-tax earnings for the three and nine months ended April 30, 2023, respectively.

21. Capital management

The Company's capital management objectives are:

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

In the management of capital, the Company includes share capital and net debt (defined as current assets and amounts due from related parties less current liabilities and any long-term debt). At April 30, 2023, the Company had net debt of $4,587,930 (July 31, 2022 - $7,147,995).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

22. Per share amounts

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
Weighted average number of common shares				
Basic and diluted	137,136,380	137,136,380	137,136,380	136,616,515

23. Financing costs

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
Interest on long-term debt	$ 76,791	$ 84,496	$ 237,984	$ 265,672
Interest on lease liabilities	23,617	26,709	65,125	83,122
Accretion expense	10,885	10,899	33,456	32,908
	$ 111,293	$ 122,104	$ 336,565	$ 381,702

24. Changes in non-cash working capital

	Three months ended		Nine months ended	
	April 30, 2023	**April 30, 2022**	**April 30, 2023**	**April 30, 2022**
Operating activities				
Trade accounts receivable and other receivables	$ (1,557,152)	$ (525,414)	$ (1,208,878)	$ (465,469)
Goods and services tax receivable	-	15,056	-	(44,524)
Inventory	(358,658)	(76,021)	(971,521)	(1,566,100)
Prepaid expenses	(229,675)	53,223	(81,460)	(38,247)
Accounts payable and accrued liabilities	800,729	(65,922)	3,104,889	977,018
Deferred revenue	75,759	-	91,509	-
Goods and services tax payable	(92,145)	-	(10,989)	-
	$ (1,361,142)	$ (599,078)	$ 923,550	$ (1,137,322)

As at April 30 2023, included in inventory is $156,469 (July 31, 2022 - $130,979) of biological assets that was transferred to harvested cannabis inventory on hand.

25. Segmented information

For management purposes, the Company is organized into operating segments based on its products, services, locations and distribution methods. Four operating segments have been identified. These segments have been aggregated into three reportable segments: wholesale, retail and extract. The wholesale segment, which cultivates and distributes cannabis and cannabis products to and through, provincial liquor and cannabis boards which is subsequently sold onto end consumers. Retail segment involves sale of cannabis and cannabis related products to end consumers on premise owned and operated by the Company. Extract segment provides cannabinoid extraction services for the Company and also, to other licensed producers. Prior to August 1, 2022, this segment was referred to "Extraction and Tolling". Gross revenue earned includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue is gross revenue less excise taxes. Excise taxes are effectively a production tax which becomes payable when the product is removed from the Company's premises and may or may not be directly related to the revenue depending on the province of sale. It is generally not included as a separate item on external invoices; increases in excise tax are not always passed on to the customer and where a customer fails to pay for product received the Company cannot reclaim the excise tax. The Company therefore recognizes excise tax, unless it regards itself as an agent of the regulatory authorities, as a cost and reduction to revenue for the Company. Therefore, excise duty as reduction to revenue is treated as production tax and presented as a reduction of gross revenue generated from the "Cultivation and wholesale", and "Extract" segments.

Management monitors the results of its operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated on a number of measures, the most significant being profit and loss, which is measured consistently with the definition of profit and loss in the Consolidated Financial Statements. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. For segment information presentation purposes, the change to fair value on biological assets and realized fair value on finished goods sold (See Note 7) are included in "Extract" segment as to date the Company used its own harvested cultivations substantially in the extraction process.

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

For the nine months ended April 30, 2023	**Cultivation and wholesale**	**Retail**	**Extract**	**Eliminations**	**Consolidated**
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					327,970
Income before taxes					$ 3,194,559

25. Segmented information (Continued)

For the three months ended April 30, 2023	Cultivation and wholesale	Retail	Extract	Eliminations	Consolidated
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					316,135
Income before taxes					$ 1,198,792

For the nine months ended April 30, 2022	Cultivation and wholesale	Retail	Extract	Eliminations	Consolidated
Gross revenue (external customers)	$ 475,034	$ 534,029	$ 9,631,463	$ -	$ 10,640,526
Excise duty	128,580	-	3,021,419	-	3,149,999
Net revenue (external customers)	346,454	534,029	6,610,044	-	7,490,527
Cost of sales	213,650	365,004	3,240,749	-	3,819,403
Gross profit	132,804	169,025	3,369,295	-	3,671,124
General and administrative					2,933,659
Depreciation and amortization					231,489
Share-based payments					54,336
Loss from operations					451,640
Financing costs					(381,702)
Other income					56,255
Income before taxes					$ 126,193

For the three months ended April 30, 2022	Cultivation and wholesale	Retail	Extraction and tolling	Eliminations	Consolidated
Gross revenue (external customers)	$ 80,597	$ 154,061	$ 4,069,015	$ -	$ 4,303,673
Excise duty	21,453	-	1,414,305	-	1,435,758
Net revenue (external customers)	59,144	154,061	2,654,710	-	2,867,915
Cost of sales	44,853	115,071	1,439,777	-	1,599,701
Gross profit	14,291	38,990	1,214,933	-	1,268,214
General and administrative					980,345
Depreciation and amortization					74,572
Share-based payments					13,284
Loss from operations					200,013
Financing costs					(122,104)
Other income					45,228
Income before taxes					$ 123,137

26. Commitments and contingencies

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 prepaid expenses as at April 30, 2023. As at April 30, 2023, this machine is not fully commissioned and therefore, the date of commencement of the lease is not known as the leased equipment had not been made available for use by the lessor to the Company (lessee). A right-of-use asset and corresponding lease obligation will be recognized for this equipment lease upon commencement of the lease.