

NABIS HOLDINGS INC.

(formerly INNOVATIVE PROPERTIES INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2019 AND 2018

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

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 financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – *Interim Financial Reporting*.

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

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited, in Canadian dollars)
As at

	Note	July 31, 2019	October 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 20,256,431	\$ 705,836
Marketable securities	4	63	167,052
Receivables		158,359	6,646
Prepaid		3,238,637	35,000
		23,653,490	914,534
Non-Current Assets			
Property and equipment	6	7,381,830	200,000
Intangible assets	7, 11	355,304	-
Investment in Cannova Medical	3, 8	13,174,336	-
TOTAL ASSETS		\$ 44,564,960	\$ 1,114,534
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade payables and accrued liabilities	9	\$ 576,176	\$ 264,033
Interest payable	13	233,920	-
Lease liability	11	94,481	-
Mortgage payable	12	3,199,396	-
		4,103,973	264,033
Long-Term Liabilities			
Convertible debentures	13	22,088,443	-
TOTAL LIABILITIES		26,192,416	264,033
SHAREHOLDERS' EQUITY			
Share capital	14	21,170,984	4,513,498
Advance subscriptions	14	-	687,500
Reserves	14	16,931,312	2,326,938
Deficit		(19,729,752)	(6,677,435)
TOTAL SHAREHOLDERS' EQUITY		18,380,400	850,501
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 44,564,960	\$ 1,114,534
Nature of operations	1		
Commitments	16		
Subsequent Events	17		

On behalf of the Board

"Liran Kandinov"

Director

"Shay Shnet"

Director

The accompanying notes are an integral part of these financial statements.

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)**CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

For the Three and Nine Months ended July 31,

(Unaudited, in Canadian dollars)

	Note	Three Months		Nine Months	
		2019	2018	2019	2018
Expenses					
Amortization	6, 7	\$ 89,779	\$ 44	\$ 139,828	\$ 416
Bad debts		-	-	4,425	-
Bank charges		2,361	630	4,716	1,729
Consulting and management fees	9	739,604	39,221	1,816,890	648,025
Corporate development		796,392	-	870,021	-
Corporate finance		137,473	-	1,718,485	-
Filing and transfer agent fees		14,089	4,808	105,599	20,418
Insurance		61,306	-	151,335	-
Investor relations		635,236	-	847,943	-
Marketing		687,784	-	1,731,340	1,104
Office and miscellaneous		82,879	806	218,351	17,507
Professional fees	9	163,194	13,797	1,034,730	206,258
Stock-based compensation	14	7,953	-	1,334,572	-
Salaries		215,038	-	560,345	-
Travel and meals		99,516	-	277,386	-
		<u>3,732,604</u>	<u>59,306</u>	<u>10,815,966</u>	<u>895,457</u>
Other Items					
Accretion expense	13	(736,692)	-	(1,000,023)	-
Change in fair value of marketable securities	4	(8,371)	(83)	(166,989)	(412,160)
Gain (loss) on sale of marketable securities	4	-	-	-	148,723
Foreign exchange gain (loss)		48,488	(63)	11,092	(4)
Interest and other income		101,070	-	137,143	147
Interest expense		(700,130)	-	(1,079,777)	-
Recovery of loan receivable		-	-	-	40,000
Gain from sale of equipment		1,216	-	1,216	-
Share of loss of Cannova Medical		(139,013)	-	(139,013)	-
		<u>(1,433,432)</u>	<u>(20)</u>	<u>(2,236,351)</u>	<u>(223,294)</u>
Net and comprehensive loss		\$ (5,166,036)	\$ (59,326)	\$ (13,052,317)	\$ (1,118,751)
Basic and diluted loss per share		\$ (0.05)	\$ (0.00)	\$ (0.14)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding		101,494,364	26,142,033	93,546,943	22,857,351

The accompanying notes are an integral part of these financial statements.

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, in Canadian dollars)

	Number of Shares	Amount	Option Reserve	Warrant Reserve	Loan Reserve	Deficit	Total
Balance at October 31, 2017	16,414,966	\$ 2,008,082	\$ 130,901	\$ 315,908	\$ 123,504	\$ (1,523,745)	\$ 1,054,650
Private placement	11,183,899	2,882,442	-	1,591,118	-	-	4,473,560
Share issuance costs	-	(377,026)	-	-	-	-	(377,026)
Finders' fee warrants	-	-	-	165,507	-	-	165,507
Net and comprehensive loss	-	-	-	-	-	(1,118,751)	(1,118,751)
Balance at July 31, 2018	27,598,865	4,513,498	130,901	2,072,533	123,504	(2,642,496)	4,197,940
Net and comprehensive loss	-	-	-	-	-	(4,034,939)	(4,034,939)
Balance at October 31, 2018	27,598,865	4,513,498	130,901	2,072,533	123,504	(6,677,435)	163,001
Convertible debentures	-	-	-	6,062,556	6,063,163	-	12,125,719
Shares issued for acquisition	13,299,999	11,969,999	-	-	-	-	11,969,999
Private placement	63,333,333	5,500,000	-	-	-	-	5,500,000
Finders' fee shares	2,726,000	283,900	-	-	-	-	283,900
Share issuance costs	-	(1,859,559)	-	-	-	-	(1,859,559)
Finders' fee warrants	-	-	-	1,575,659	-	-	1,575,659
Exercise of warrants	587,125	366,916	-	(185,846)	-	-	181,070
Exercise of finders' fee warrants	1,250,000	220,510	-	(158,010)	-	-	62,500
Stock options granted	-	-	1,334,572	-	-	-	1,334,572
Exercise of options	550,000	175,720	(87,720)	-	-	-	88,000
Net and comprehensive loss	-	-	-	-	-	(13,052,317)	(13,052,317)
Balance at July 31, 2019	109,345,322	\$ 21,170,984	\$ 1,377,753	\$ 9,366,892	\$ 6,186,667	\$ (19,729,752)	\$ 18,372,544

The accompanying notes are an integral part of these financial statements.

NABIS HOLDINGS INC. (formerly Innovative Properties Inc.)**CONSOLIDATED INTERIM STATEMENTS OF CASHFLOWS**

For the Nine Months ended July 31,

(Unaudited, in Canadian dollars)

	2019	2018
Operating Activities		
Net loss for the period	\$ (13,052,317)	\$ (1,059,424)
Adjustment for non-cash items		
Accretion	1,000,023	-
Amortization	139,828	372
Bad debt	4,425	-
Change in fair value of marketable securities	166,989	412,076
Gain from sale of marketable securities	-	(148,723)
Interest expense	272,199	-
Stock-based compensation	1,334,572	-
Changes in non-cash working capital items		
Receivables	(156,138)	(32,982)
Due from related parties	-	(2,221)
Prepaid	(3,203,637)	-
Trade payables and accrued liabilities	312,142	(221,805)
Net cash flow used in operating activities	(13,181,914)	(1,052,707)
Investing Activities		
Acquisition of equipment	(460,609)	-
Acquisition of land	(2,916,256)	-
Acquisition of intangible assets	(265,409)	-
Acquisition of Cannova Medical	(1,204,337)	-
Construction in progress	(790,628)	-
Disposal of equipment	11,538	-
Proceeds from sale of marketable securities	-	451,590
Loan to unrelated parties	-	(4,000,000)
Deposit	-	380,000
Net cash flow provided by investing activities	(5,625,701)	(3,168,410)
Financing Activities		
Issuance of shares for cash, net	4,812,500	4,262,041
Exercise of warrants	243,570	-
Exercise of options	88,000	-
Issuance of debentures, net	33,214,140	-
Net cash flow provided by financing activities	38,358,210	4,262,041
Change in cash during the period	19,550,595	40,924
Cash, beginning of period	705,836	292,023
Cash, end of period	\$ 20,256,431	\$ 332,947

The accompanying notes are an integral part of these financial statements.

NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

1. Nature and Continuance of Operations

Nabis Holdings Inc. (formerly Innovative Properties Inc.) (the “Company”) was incorporated under the Business Corporations Act of British Columbia on October 31, 2002. During the year ended October 31, 2017, the Company discontinued its previous business of providing administrative services. The head office, principal address and records office of the Company are located at Unit 1409, 5000 Yonge Street, Toronto, Ontario, Canada, M2N 7E9.

On January 30, 2018, the Company executed a binding letter of intent with Modular Block Mining Inc. (“Modular”), an arms-length private company, whereby the Company would acquire 100% of the issued and outstanding securities of Modular. During the year-ended October 31, 2018, the Company decided not to proceed with the proposed transaction. The Company intends to focus its business in the US cannabis sector and on May 29, 2019, the Company changed its name from Innovative Properties Inc. to Nabis Holdings Inc. and CSE ticker symbol remains as “NAB”.

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at July 31, 2019, the Company is not able to finance its day-to-day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds therefrom. This indicates the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs with private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. Basis of Preparation and Significant Accounting Policies

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended October 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements for the three and nine-month periods ended July 31, 2019 were reviewed and authorized for issue by the Board of Directors on September 30, 2019.

Basis of Preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments measured at fair value. The financial statements are presented in Canadian dollars unless otherwise noted.

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

2. Basis of Preparation and Significant Accounting Standards (Cont'd)**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The following subsidiaries have been consolidated for all dates presented within these financial statements:

Subsidiary	Ownership	Location
Nabis (Can) Holdings Corp.	100%	Canada
Nabis (US) Corp.	100%	USA
Nabis AZ LLC	100%	USA
Nabis Holdings Michigan Inc.	100%	USA
Nabis NM LLC	100%	USA
Nabis Technologies Corp.	100%	Canada
Nabis Holdings California Inc.	100%	USA
Be In Synergy Inc.	100%	Canada
Abis Biopharma Corporation	100%	Canada
Nabis Holdings Oklahoma Inc.	100%	USA
Nabis Oklahoma Patient Care Inc.	100%	Canada

All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

Functional and Presentation Currency

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Canadian entities is in Canadian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of assets when they are regarded as an adjustment to interest costs on those currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and

NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

2. Basis of Preparation and Significant Accounting Standards (Cont'd)

Functional and Presentation Currency (Cont'd)

- Exchange differences on monetary items receivable from or payable to a foreign operation which settlement is neither planned nor likely to occur, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Significant Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future periods include the recoverability and measurement of deferred tax assets, the valuation of marketable securities, the recoverability of trade receivables and impairment considerations for loans receivable.

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether the collection of revenue is reasonably assured.

3. Acquisitions

Acquisition of Assets of PDT Technologies, LLC

On May 30, 2019, the Company completed an acquisition of certain assets from PDT Technologies, LLC ("PDT"), a Washington-based private company, for a consideration of \$402,234 (US\$300,000).

Among the assets acquired were extraction and production equipment, rights to lease PDT's current production facility and exclusive licensing rights throughout the State of Washington to Chong's Choice brand products. In addition, the Company has an option to acquire PDT's license to process marijuana and marijuana products in the State of Washington for US\$25,000. The option to purchase expires 4 months after the completion date.

PDT, upon closing of the acquisition, would lease back the extraction and production equipment at a fee of US\$500 per month, the production facility as well as the licensing rights to Chong's Choice brand products for a fee of US\$500 per month.

The acquisition constitutes an asset acquisition as the acquired assets did not meet the definition of a business, as defined in IFRS 3, Business Combinations.

NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

3. Acquisitions (cont'd)

Acquisition of Assets of PDT Technologies, LLC (Cont'd)

The preliminary allocation of estimated consideration transferred is subject to change and is summarized as follows:

Extraction and production equipment	\$	141,411
Lease of production facility		99,067
Licensing rights and processing license		360,823
Lease liability of production facility		(99,067)
	\$	402,234

Investment in Cannova Medical Ltd.

On June 25, 2019, the Company completed its acquisition of 49% interest of Cannova Medical Ltd. ("Cannova"), a private company located in Israel that provides innovative solutions for cannabis consumption for a consideration of \$1,343,350 (US\$1,000,000) in cash and issuance of 5,911,111 common shares at a deemed price of \$0.90 per share. The Company also has an option to acquire the remaining 51% interest of Cannova by issuing 7,388,888 common shares at a deemed price of \$0.90 per share upon the completion of certain milestones.

This acquisition constitutes as an investment in associates as defined in IAS 28, Investments in Associates and Joint Ventures, as the Company had not acquired control over Cannova Medical Ltd. In accordance to IAS 28, the Company accounted for this investment using the equity method, by recording the initial investment of at cost and subsequently adjusts the initial investment to reflect the changes in value due to Nabis' share in Cannova's income or losses.

As at July 31, 2019, the Company paid the cash consideration as well as issued a total of 13,299,999 common shares to shareholders' of Cannova. However, as the milestones stipulated in the purchase agreement to acquire the remaining 51% interests were not met, the Company had not obtained control of Cannova. Also see Note 14.

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***4. Marketable Securities**

The fair value of the Company's investments in common and share-purchase warrants are as follows:

	July 31, 2019	October 31, 2018
<i>Common Shares</i>		
Fair value, beginning	\$ 125	\$ 725,851
Dispositions	-	(302,867)
Change in fair value	(65)	(422,859)
Fair value, end	60	125
<i>Warrants</i>		
Fair value, beginning	166,927	14,333
Dispositions	-	-
Change in fair value	(166,924)	152,594
Fair value, end	3	166,927
Total	\$ 63	\$ 167,052

During the nine-month period ended July 31, 2019, the Company realized a gain of \$nil (July 31, 2018 - \$148,723) with respect to its dispositions of marketable securities.

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted-average assumptions:

	July 31, 2019	October 31, 2018
Expected life of warrants	0.31 years	1.06 years
Annualized volatility	35%	116%
Risk-free interest rate	1.6%	2.2%
Dividend rate	0.0%	0.0%

5. Loan Receivable

Concurrent to the proposed transaction with Modular (Note 1), the Company provided loans in the amount of \$1,600,000 and \$2,400,000 to Modular. The loans were non-interest bearing, payable on demand and secured by general security agreements. During the year ended October 31, 2018, the Company determined that the loans had become unrecoverable and entered into an Appointment of Receiver agreement dated August 10, 2018, pursuant to which the Company exercised its rights under the general security agreements. In lieu of repayment of the aforementioned loans, and pursuant to an agreement dated October 29, 2018, the Company acquired the right, title and interest in and to certain assets, valued at \$200,000. Accordingly, the Company recorded a write-down of the loans receivable \$3,800,000 in its Statement of Comprehensive Loss for the year ended October 31, 2018.

During the year ended October 31, 2018, the Company recorded a gain of \$40,000 (October 31, 2017 - \$nil) from selling previously written-off loan receivable to a non-arm's length party.

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***6. Property and Equipment**

		Balance, October 31, 2018	Additions (Disposals)		Balance, July 31, 2019
<i>Cost</i>					
Construction-in-progress	\$	-	\$ 790,628	\$	790,628
Equipment		200,000	450,053		650,053
Land		-	6,077,373		6,077,373
		200,000	7,318,054		7,518,054
<i>Accumulated amortization</i>					
Construction-in-progress		-	-		-
Equipment		-	135,241		135,241
Land		-	-		-
		-	135,241		135,241
<i>Net book value</i>					
Construction-in-progress	\$	-	\$ 790,628	\$	790,628
Equipment		200,000	313,829		513,829
Land		-	6,077,373		6,077,373
		200,000	7,181,830		7,381,830

During the nine months ended July 31, 2019, the Company sold 30 crypto machines and made a gain of \$1,216.

7. Intangible Assets

		Balance, October 31, 2018	Additions (Disposals)		Balance, July 31, 2019
<i>Cost</i>					
Licensing rights and processing license	\$	-	\$ 260,823	\$	260,823
Rental lease		-	99,067		99,067
		-	359,890		359,890
<i>Accumulated amortization</i>					
Licensing rights and processing license		-	-		-
Rental lease		-	4,586		4,586
		-	4,586		4,586
<i>Net book value</i>					
Licensing rights and processing license	\$	-	\$ 260,823	\$	260,823
Rental lease		-	94,481		94,481
		-	355,304		355,304

8. Investment in Cannova Medical

During the nine-months ended July 31, 2019, the Company acquired 49% ownership of interests in Cannova Medical Ltd. (see note 3). The Company accounted for this investment using the equity method.

As at July 31, 2019, the carrying value of this investment was \$13,174,336, which included 49% of Cannova's loss for the period from the date of acquisition to July 31, 2019.

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***9. Related Party Transactions*****Related Party Transactions***

All transactions with related parties have occurred in the normal course of operations. All amounts are unsecured, non-interest bearing and have no specific terms of settlement, unless otherwise noted.

	July 31, 2019	July 31, 2018
Rental income	\$ 4,302	\$ -
Management fees	66,195	392,829
Data mining preparation fees	14,048	-
Professional fees	173,595	34,254
Rent	-	6,000
	\$ 253,838	\$ 433,083

Related Party Balances

As at July 31, 2019, \$17,413 (October 31, 2018 - \$1,820) is included in trade payables and accrued liabilities from amounts owing to related parties.

10. Trade Payables and Accrued Liabilities

	July 31, 2019	October 31, 2018
Trade payables	\$ 540,854	\$ 233,879
Accrued liabilities	35,322	30,154
	\$ 576,176	\$ 264,033

11. Leases

In May 2019, the Company assumed the lease a production facility in the State of Washington when it acquired certain assets from PDT Technologies (see Note 3). The lease expires on March 31, 2023. Under the terms of the lease, the Company was required to make monthly payments of US\$1,725 from June 1, 2019 to May 31, 2020, US\$1,775 from June 1, 2020 to May 31, 2021, US\$1,825 from June 1, 2021 to May 31, 2022 and US\$1,875 from June 1, 2022 to March 31, 2023.

The statement of financial position shows the following amounts relating to leases:

	July 31, 2019	October 31, 2018
	(\$)	(\$)
Right-of-use assets		
Rental lease	94,481	-
Lease liabilities		
Current	37,396	-
Non-current	57,085	-
	94,481	-

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***11. Leases (Cont'd)**

The statement of loss shows the following amounts relating to leases:

	July 31, 2019	October 31, 2018
	(\$)	(\$)
Amortization charge of right-of-use assets		
Rental lease	4,586	-

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

12. Mortgage Payable

During the nine months ended July 31, 2019, the Company acquired five properties in the state of Michigan, USA, and the vendors of these properties offered financing to the Company to facilitate with the acquisitions. These mortgages totaled \$3,141,147 (US\$2,355,000), at an interest rate of 4% per annum and due within 12 months. The Company recorded \$104,533 as total interest expense for the mortgages.

As at July 31, 2019, the Company had a balance of \$3,199,396 in mortgage payable which included both principal and interests payable.

13. Convertible Debentures

On March 26, 2019, the Company issued 35,088 units of unsecured convertible debentures at a price of \$1,000 per unit for total principal of \$35,088,000; each unit also consists of 1,111 common share purchase warrants with an exercise price of \$1.10 per common share and expires on March 26, 2022. These convertible debentures will mature on March 26, 2022, bears interest at 8% per annum, payable on the last day of each calendar quarter and are convertible into common shares of the Company at a conversion price of \$0.90 per share at the option of the holder.

The Company paid cash commissions of \$1,873,860 to the agents on the sale of the debenture units, and issued 1,855,334 broker warrants, each carrying the right to purchase one Broker unit at a price of \$0.90 per Broker unit until March 26, 2021. Each Broker unit consists of one common share and one warrant.

NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

13. Convertible Debentures (cont'd)

The Company estimates 27% to be the market interest rate for a similar debt instrument without a conversion option of these convertible debentures and applied this rate to obtain the fair value (\$21,201,400) of the convertible debentures at inception. The Company applied the residual method to record the fair value of the conversion option of \$6,943,647 to the Company's loan reserve and \$6,942,953 to the Company's warrant reserve. The fair value recorded was offset by the cash commissions paid to the agents.

As at July 31, 2019, these convertible debentures had a carrying value of \$22,088,443 and interest payable of \$233,920.

14. Share Capital

Authorized Share Capital

Unlimited number of common shares without par value.

Advance Subscriptions

At October 31, 2018, the Company received funds in advance for a private placement which closed in November 2018.

Issued Share Capital

In late November 2018, the Company closed 2 tranches of a private placement financing. For the first tranche of financing, the Company issued 14,591,497 shares at a price of \$0.15 per share for gross proceeds of \$2,188,725. For the second tranche of financing, the Company issued 7,341,838 shares at a price of \$0.15 per share for gross proceeds of \$1,101,275, of which \$45,000 were receivable from subscribers as at January 31, 2019.

Additionally, the Company issued 1,399,998 shares for debt settlement with certain arms-length creditors in the amount of \$210,000 as part of the second tranche of financing. Total proceeds from this private placement were \$3,500,000. The Company paid finders' fee of \$221,400 in shares at \$0.15 per share, and issued 1,476,000 brokers' warrants to purchase up to 1,476,000 common shares at \$0.15 per share for 2 years following the issuance date. Using the Black-Scholes Option Pricing Model, brokers' warrants were valued at a fair value of \$480,101, assuming a risk-free interest rate of 2.21% - 2.23%, an expected life of 2 years, an expected volatility of 153.50% - 154.27% and no expected dividends.

In early November 2018, the Company closed a private placement financing consisting of \$40,000,000 shares at a price of \$0.05 per share for gross proceeds of \$2,000,000. In addition, the Company paid finders' fee of \$62,500 in shares at \$0.05 per share, and issued 1,250,000 brokers' warrants to purchase up to 1,250,000 common shares at \$0.05 per share for 2 years following the issuance date. Using the Black-Scholes Option Pricing Model, the brokers' warrants were valued at a fair value of \$158,010, assuming a risk-free interest rate of 2.27%, an expected life of 2 years, an expected volatility of 145.87% and no expected dividends.

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***14. Share Capital (cont'd)*****Issued Share Capital (cont'd)***

In February 2018, the Company closed its first tranche of a private placement financing consisting of 6,746,116 units at a price of \$0.40 per unit of gross proceeds of \$2,698,447. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to acquire an additional share at a price of \$0.75 per share until August 14, 2019. In March 2018, the Company closed its second and third tranches of its private placement financing consisting of 4,437,781 units at a price of \$0.40 per unit for gross proceeds of \$1,775,112. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.75 per share until September 12, 2019.

Total proceeds raised from this private placement were \$4,473,560. The fair value of the total warrants issued in the private placements was estimated to be \$1,737,608 and the residual value, \$2,735,952, was assigned to the common shares.

In addition, the Company paid an aggregate of \$211,490 in cash commission to eligible finders and issued 528,796 brokers' warrants to purchase up to 528,796 common shares for 18 months following the issuance date. The brokers' warrants were allocated a fair value of \$184,672, estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.78% - 1.79%, an expected life of 1.5 years, an expected volatility of 114% - 141% and no expected dividends.

In June 2019, the Company issued 13,299,999 common shares to acquire Cannova Medical Ltd. at a deemed price of \$0.90 per common share (see Note 3). Out of the 13,299,999 shares issued, 7,388,888 shares are in escrow and will be released upon completion of certain milestones.

Stock Options

The Company has a stock option plan whereby the Company may from time to time in accordance with the Exchange requirements grant to directors, officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 20% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities position.

A continuity of the Company's stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance at October 31, 2018	-	\$ -
Granted	6,775,000	0.22
Exercised	(550,000)	0.16
Balance at April 30, 2019	6,225,000	\$ 0.24

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***14. Share Capital (Cont'd)*****Stock Options (Cont'd)***

On November 13, 2018, the Company granted a total of 5,300,000 options to certain officers, directors and consultants. The options may be exercised within 5 years from the date of grant at a price of \$0.16 per share and are vested 100% on grant date.

On November 18, 2018, the Company granted 250,000 options to a consultant. The options may be exercised within 5 years from the date of grant at a price of \$0.38 per share and are vested 100% on grant date.

On December 3, 2018, the Company granted 550,000 options to consultants. The options may be exercised within 5 years from the date of grant at a price of \$0.47 per share and are vested 100% on grant date.

On January 10, 2019, the Company granted 250,000 options to a consultant. The options may be exercised within 5 years from the date of grant at a price of \$0.415 per share and are vested 100% on grant date.

On January 23, 2019, the Company granted 250,000 options to a director. The options may be exercised within 5 years from the date of grant at a price of \$0.68 per share and are vested 100% on grant date.

On May 7, 2019, the Company granted 75,000 options to an employee. The options may be exercised within 3 years from the date of grant at a price of \$0.65 per share and are vested 100% one year after grant date.

On June 7, 2019, the Company granted 100,000 options to 2 new directors. The options may be exercised within 3 years from the date of grant at a price of \$0.59 per share and are vested 100% one year after grant date.

The Company recorded stock-based compensation for the above option grants having a fair value of \$1,334,572 in connection with the share-based awards using the Black-Sholes option pricing model with the following assumptions:

Risk-free interest rate	1.42% - 2.36%
Dividend yield	0.00%
Expected volatility	66.37% - 262.24%
Expected life	3 - 5 years

Warrants

A continuity of the Company's warrants is as follows:

	Number of Common Share Purchase Warrants	Number of Brokers' Warrants	Weighted Average Exercise Price
Balance at October 31, 2018	5,591,949	528,796	\$ 0.75
Issued	38,982,768	4,581,334	1.03
Exercised	(587,125)	(1,250,000)	0.13
Balance at July 31, 2019	43,987,592	3,860,130	\$ 1.03

NABIS HOLDINGS INC.**Formerly Innovative Properties Inc.**

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

*(Unaudited, in Canadian dollars)***14. Share Capital (Cont'd)*****Warrants (Cont'd)***

The expiry of warrants is as follows:

Grant Date	Expiry Date	Number of warrants issued	Weighted Average Exercise Price
February 14, 2018	August 14, 2019	3,456,555	\$ 0.75
March 12, 2018	September 12, 2019	2,509,190	0.75
November 21, 2018	November 21, 2020	1,043,875	0.15
March 26, 2019	March 26, 2021	1,855,334	0.90
March 26, 2019	March 26, 2022	38,982,768	1.10
		47,847,722	\$ 1.03

The weighted average life of remaining of these warrants outstanding at April 30, 2019 is 2.26 years.

15. Reserves***Option reserve***

The option reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded will remain in the account.

Warrant reserve

The warrant reserve records the fair value of warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded will remain in the account.

Loan reserve

The loan reserve records the equity portion of convertible debentures.

16. Commitments***Rental Lease***

A schedule of the Company's future minimum payments over the term of the lease is as follows:

Year	
2019	\$ 11,090
2020	26,306
2021	25,767
2022	25,443
2023	5,875
Total	\$ 94,481

NABIS HOLDINGS INC.

Formerly Innovative Properties Inc.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

July 31, 2019

(Unaudited, in Canadian dollars)

17. Subsequent Events

On August 12, 2019, the Company entered into an agreement to acquire 100% membership units of a licensed medical marijuana business in the State of Arizona (the “Asset”) for a total consideration of \$19,650,000 (US\$15,000,000), of which US\$7,000,000 in cash, US\$2 million in Nabis common stock and US\$6,000,000 deferred for 12 months. The Asset operates a dispensary in Phoenix, Arizona, and has been operating since 2015 with proprietary branded products and wholesale operations, including an established distribution network serving more than 50% of the dispensaries in Arizona. The dispensary will be branded as Nabis after the transaction closes.

On September 10, 2019, the Company closed the acquisition of a cultivation, production and fulfillment facility and equipment located in Camp Verde, Arizona, near Phoenix for a total consideration of \$3,478,969 (US\$2,645,000). The 44,000 square foot cultivation, fulfillment and production facility is located on 2.5 acres of land and is one of the largest industrial warehouses in the Verde Valley. In addition to its expansive floor space, the property features a 4,000 square foot mezzanine, 2,000 square feet of executive offices and a 2,000 square feet production office, given the facility’s 56-foot ceiling height clearance, there is ample room for doubling growth. Acting as the hub of Nabis’ operations, the facility will play an integral role in the expansion of the Company’s business operations, adding to its portfolio of vertically integrated assets in Arizona.

On September 18, 2019, the Company announced it had entered into a strategic agreement with CannaKorp, Inc. (“CannaKorp”), a Massachusetts-based technology start-up company that is simplifying and improving the experience for herbal vaporization, to be an authorized partner manufacturing and supplying Wisp Pods to be used in CannaKorp’s innovative Wisp Vaporizing System in the State of Arizona. In addition, the Company will supply custom Wisp Pods branded as BIS, the Company’s recently launched cannabidiol (“CBD”) brand.