

**Year Ending
June 30, 2019**

North American Cannabis Holdings, Inc.



**701 Commerce Street – Suite 500
Dallas, Texas 75202**

**CUSIP: 65676T102
Trading Symbol: USMJ**

FORWARD LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as such, may involve risks and uncertainties. These forward looking statements relate to, amongst other things, current expectation of the business environment in which the company operates, potential future performance, projections of future performance and the perceived opportunities in the market. The company's actual performance, results and achievements may differ materially from the expressed or implied in such forward-looking statements as a result of a wide range of factors.

To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as "expects", "plans", "may", "anticipates", "believes", "should", "intends", "estimates", and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with the share exchange our ability to raise additional capital to finance our activities; the effectiveness, profitability and; the future trading of our common stock; our ability to operate as a public company; our ability to protect our proprietary information; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed from time to time in our filings with the OTC Markets (the "OTC"), or otherwise.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.

FOOD AND DRUG ADMINISTRATION DISCLOSURE (FDA)

The statements found herein have not been evaluated by the Food and Drug Administration (FDA) and are not intended to diagnose, treat, cure or prevent any disease or medical condition.

**NORTH AMERICAN CANNABIS HOLDINGS, INC.
BALANCE SHEET FOR THE YEAR ENDED 06/30/2019**

ASSETS

CURRENT ASSETS:

Cash	\$ 80,000
Accounts Receivable	95,700
Inventories	125,000
Related party receivables	<u>66,500</u>
Total current assets	367,200

Series "A" preferred stock – Puration, Inc., 100,000 shares	100,000
Furniture and Equipment, net	<u>547,500</u>
TOTAL ASSETS	\$ 1,014,700

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Accounts payable – accounting/legal	\$ 179,118
Accrued consulting fees/salaries	<u>520,000</u>
Total current liabilities	699,118

Interest – reserve	200,000
Advances payable	100,000
Convertible notes payable	10,000
Convertible notes payable – prior related parties	241,250
Convertible promissory note payable #1	47,127
Convertible promissory note payable #4	50,000
Notes payable – SR	470,000
Purchase Secured Promissory Note #2	200,000
Purchase Unsecured Promissory Note #3	<u>150,000</u>
TOTAL LIABILITIES	2,217,445

STOCKHOLDERS DEFICIT:

Series D preferred stock, authorized 100,000 shares, par value \$0.001, 100,000 I/O	100
Common stock, authorized 24,000,000,000 shares, par value \$0.001, 21,101,584,299 shares I/O	21,101,584
Additional paid-in capital	392,423
Accumulated deficit during development stage	<u>(22,696,852)</u>
Total stockholders' deficit	<u>(1,202,745)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,041,700

NORTH AMERICAN CANNABIS HOLDINGS, INC.
STATEMENT OF OPERATIONS FOR THE THREE MONTHS ENDED 06/30/2019

Revenue:

Sales	\$ 313,971
Cost of sales	<u>(140,639)</u>
Gross Profit	173,332

Operating Expenses:

General and administrative expenses	<u>(141,312)</u>
Total operating expenses	<u>(141,312)</u>
Profit from operations	<u>32,020</u>

Net Profit	\$ <u>32,020</u>
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Weighted average shares outstanding:

Basic	<u>21,101,584,299</u>
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Profit per share attributed to North American Cannabis Holdings, Inc. Common stockholders:

Basic	\$ <u>0.0000015</u>
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NORTH AMERICAN CANNABIS HOLDINGS, INC.
STATEMENT OF OPERATIONS FOR THE YEAR ENDED 06/30/2019

Revenue:

Sales	\$ 1,059,471
Cost of sales	<u>(449,639)</u>
Gross Profit	609,832

Operating Expenses:

General and administrative expenses	<u>(513,612)</u>
Total operating expenses	<u>(513,612)</u>
Profit from operations	<u>96,220</u>

Net Profit	\$ <u>96,220</u>
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Weighted average shares outstanding:

Basic	<u>21,101,584,299</u>
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Profit per share attributed to North American Cannabis Holdings, Inc. Common stockholders:

Basic	\$ <u>0.0000046</u>
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NORTH AMERICAN CANNABIS HOLDINGS, INC.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 06/30/2019

CASH FLOWS OPERATING ACTIVITIES:

Net Profit	\$	<u>96,220</u>
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Adjustments to reconcile net profit:

Increase in Current Assets	(205,700)
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Increase in AP/Accrued Expenses	<u>200,000</u>
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Total Adjustments	<u>(5,700)</u>
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NET INCREASE IN CASH AND EQUIVALENTS	\$	90,520
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NOTE 1 - GENERAL ORGANIZATION AND BUSINESS

History of the Company

North American Cannabis Holdings, Inc. (f/k/a Algae International Group, Inc. f/k/a Savanna East Africa, Inc., f/k/a Nova Energy, Inc.) was incorporated in Nevada in 1995 and reincorporated in Wyoming in 2015, and is a publicly traded company presently listed on www.otcm Markets.com, symbol "USMJ".

The Company was historically focused primarily on the recovery of oil and gas reserves through acquisition and project development, specializing in mature and marginal field enhancement, developmental exploration drilling and low risk exploration opportunities in Texas and North Dakota regions. On January 25, 2010, Daymon Bodard, the then sole director and officer of the Company, effected a transfer of control of the Company.

After January 25, 2010, the Company's updated and expanded business plan was centered around a number of diverse opportunities in East Africa, initially centered in Kenya. The Company also continued its oil and gas exploration. On April 26, 2010, the Company purchased oil drilling equipment in Texas for purposes of engaging in such oil and gas exploration.

In connection with the Company's updated business plan, on June 11, 2010, the Company amended its certificate of incorporation to change its name from Nova Energy, Inc. to Savanna East Africa, Inc.

On December 10, 2010, the Company entered into a share exchange agreement with Savanna East Africa Limited ("SEA Kenya"). Pursuant to the exchange agreement, the Company issued 100,000 shares of Series A Preferred Stock in exchange for 70,000 ordinary shares of SEA Kenya, which 70,000 ordinary shares represents 70% of the outstanding capital stock of SEA Kenya. The accompanying consolidated financial statements include those of the 70%-owned subsidiary.

SEA Kenya is a Kenyan corporation engaged in the business of identifying, acquiring and developing early stage and start up business operations or acquiring various resources to support the development of early stage and start-up business opportunities. The Company acquired SEA Kenya with the intent to pursue business opportunities in Kenya.

On March 5, 2013, the Company entered into an agreement to acquire Algae International Group, Inc. in a reverse merger transaction. In accordance with the agreement the Company executed a 1 for 20,000 reverse split. The Company also retired the Series 'A' Preferred Stock and issued Series 'D' Preferred Stock with the same provisions as the original Series 'A.' The Series 'D' was issued to the shareholders of Algae International Group. The transaction also included a change of the Company name from Savanna East Africa, Inc. to Algae International Group, Inc. The African subsidiary SEA Kenya and the Oil and Gas subsidiary, Nova Energy, remain intact subsequent to the execution of the acquisition agreement.

On October 10, 2013, Management resolved to exit the business of developing an operation to produce biodiesel from Algae. In conjunction with the exit, the subsidiary operation dedicated to the development of biodiesel from Algae was sold in exchange for a \$285,000 note with a 10 year term, bearing 10% annual interest.

Current Business Operation

On January 20, 2014, Management launched a project to redirect the Company's business development efforts. Stemming from the collateral experience garnered from the Company's brief stint in the business of organic growing and cold pressing of oil from organic mass, management made the decision to leverage that experience within the more viable hemp and cannabis market. In conjunction with the launch of the new project, the Company entered into a number of business development agreements that cumulatively represent a material capital commitment. The Company engaged services to build a hemp and cannabis growing capacity, a hemp and cannabis testing facility and a hemp and cannabis related clothing business. Collectively, the agreements to initiate the aforementioned business development make up a year long, \$600,000 capital project. The service providers have acknowledged the Company's current financial position and the inherent risk associated with the Company's ability to perform. In light of the risk, the potential project asset value has not been recorded on the balance sheet at this time. The expenses will be amortized over the life of the project. In January of 2015, the outstanding balance due was settled into a convertible note bearing 8% annual interest. In accordance with the agreements, the contracts were renewed for the 2015 calendar year.

On June 29, 2015 the Company acquired American Fitness Wholesalers Midwest, LLC d/b/a City Blends Rowlett. With this acquisition, the Company plans to introduce the AmeriCanna Café, a Cannabis infused Beverage Shop Chain. The Company acquired the business for total consideration of \$550,000 in the form of three Purchase Promissory Notes of which a balance of \$350,000 remains as of March 31, 2019.

On July 28, 2015, the Company entered into a Share Exchange Agreement with Puration, Inc. (PURA), whereas it agreed to exchange all of its wholly owned interests in certain Joint Ventures with World Hemp Oil & NaturesComfortMeds, as well as, certain pledged debts attached by a lien to such interests for two (2) Convertible Preferred Stock Series to be created and issued by Puration, Inc.. One Series ("A") shall represent fifty-one percent (51%) voting control of Puration, Inc. and the other Series ("B") shall be convertible into a number of common shares equal to number of North American Cannabis Holdings, Inc. common shares issued and outstanding at a date to be determined. Both Convertible Preferred Stock Series has been issued. On December 09, 2016, the Company converted the Series "B" Preferred Shares into 56,521,149 common shares of PURA and distributed to its shareholders of record as of October 21, 2016.

Simultaneously with the issuance of the of the Puration, Inc. Convertible Preferred Stock bearing 51% voting control, the Company settled a \$100,000 debt in exchange for the Series. On June 05, 2017, ACI Conglomerated, LLC was transferred ownership of subject Preferred Shares.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management's Use of Estimates - These financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, accordingly, require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment - The Company records its equipment at historical cost. The Company expenses maintenance and repairs as incurred. Upon disposition of equipment, the gross cost and accumulated depreciation are written off and the difference between the

proceeds and the net book value is recorded as a gain or loss on sale of assets. The Company provides for a five-year useful life for depreciation of its equipment, and depreciation begins upon the Company's placing the fixed assets into service.

Net Loss Per Share - Earnings per share is calculated in accordance with the ASC 260-10, "Earnings Per Share." Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

For the year ended June 30, 2019, potentially dilutive shares, respectively, were excluded from the shares used to calculate basic earnings per share.

NOTE 3 – GOING CONCERN

The Company has suffered recurring losses from operations and has a working capital deficit and stockholders' deficit, and in all likelihood will be required to make significant future expenditures in connection with continuing business development efforts along with general administrative expenses. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company's activities have been primarily supported by loans from various parties. The Company has sustained losses in previous reporting periods, but had a net profit of \$96,220 for the year ended June 30, 2019. Management continues to seek funding from its shareholders and other qualified investors to pursue its business plan. The Company continues to seek funding for all of the projects and operational requirements for the continuing fiscal year.

NOTE 4 – LONG-TERM NOTE RECEIVABLE

On October 10, 2013, the Company's board of directors authorized the sale, transfer and conveyance of all its rights in the Company's Pacific Algae joint venture to AlgaePur, LLC in return for 10% note receivable in the amount of \$285,000 that becomes due on October 10, 2023. The Company recognized a gain of \$250,000 sale of these assets. The note receivable balance at December 31, 2016 includes accrued interest receivable of \$91,833. The Company has decided to remove this asset from the balance sheet due to doubtful prospects of AlgaePur, LLC to repay note receivable. The Company will continue to monitor the viability of the situation going forward.

NOTE 5 – SERIES "A" PREFERRED STOCK - PURATION, INC.

In conjunction with Share Exchange Agreement the Company entered into July 28, 2015 with Puration, Inc. (PURA), the Company was issued 100,000 preferred stock shares in PURA with a liquidation/redemption value of \$1/share or \$100,000. The shares entitle the Company to fifty-one percent (51%) voting control of Puration, Inc.. On June 05, 2017, ownership of these shares were transferred to ACI Conglomerated, LLC.

NOTE 6 – FURNITURE AND EQUIPMENT

Furniture and equipment consists of drilling equipment of \$397,500 that has not been placed in service and \$150,000 of furniture and equipment acquired with the American Fitness Wholesalers Midwest, LLC d/b/a City Blends Rowlett acquisition.

NOTE 7 – ADVANCES PAYABLES – PRIOR RELATED PARTIES

In conjunction with the Share Exchange Agreement the Company entered into on July 28, 2015 with Puration, Inc. (PURA) certain Debt/Forebearance obligations in the amount of (\$525,849) has been assumed by Puration, Inc. (PURA). The amounts were previously listed on financials as Advance payables – prior related parties (1) & (2) in the amount of (\$30,000) & (\$495,849) respectively.

NOTE 8 – CONVERTIBLE NOTES PAYABLE

On February 25, 2010, the Company issued an 8% convertible note in the amount of \$10,000. The holder may convert the principal plus accrued interest into shares of the Company's common stock at a price per share equal to 50% of the closing bid price of the common stock on the date that the Company receives notice of conversion. All unpaid principal, together with the accrued but unpaid interest, are due and payable on December 31, 2011. The note is currently in default. The principal balance at June 30, 2019 is \$10,000.

NOTE 9 – CONVERTIBLE NOTES – PRIOR RELATED PARTIES

Related Party Convertible Note #1

The Company has written off certain past-due amounts of (\$991,059) with its former President, Daymon Bodar which had been assigned to a non-affiliate shareholder whose Company has been dissolved and is no longer able to collect its debts.

Related Party Convertible Note #2

On March 31, 2010, June 30, 2010, September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011, March 31, 2012, March 31, 2013 and June 01, 2013 the Company converted a total of \$365,000 in accrued consulting fees/salaries due to the Company's former Chief Operating Officer for convertible notes in the same principal amount, due on September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011, December 31, 2011, December 31, 2011, December 31, 2011, December 31, 2012, December 31, 2012, December 31, 2013 and December 31, 2013 respectively. The notes accrue interest at 8% per annum. Principal and accrued and unpaid interest on the notes are convertible into shares of common stock at a conversion price of 50% of the closing bid price of common stock on the date of the notice of conversion. The Company converted an additional \$75,000 of earned consulting fees into a convertible note dated January 1, 2015.

At June 30, 2019, the outstanding principal balance was \$241,250.

NOTE 10 – CONVERTIBLE PROMISSORY NOTE PAYABLE, PRIOR RELATED PARTY, CURRENT

Related Party Note Payable #1

On April 26, 2010, the Company purchased certain oil drilling equipment for \$397,500, financed by issuing a promissory note payable. Of this balance, \$175,000 was assumed by the Company's Chief Executive Officer at the time of the purchase. The note bears interest at 5% per annum and matured on April 26, 2013. The unpaid amounts after the maturity date accrued interest at 21% per annum. On June 3, 2010, the Company received \$100,000 from a company majority-owned by the Company's CEO at the time of

receipt. The amount was previously classified as an advance payable. On June 30, 2010, \$200,000 was advanced on behalf of the Company by the Company's then CEO in conjunction with the acquisition of an operating company on the same date. The advance on behalf of the Company was previously booked as a loan to the Company. In conjunction with the aforementioned funds advanced to or on behalf of the Company by the former CEO, that same individual made a number of smaller advances during the same fiscal year which combined with the amounts memorialized here amounted to \$535,000. As of June 30, 2019 the outstanding balance was \$0.

NOTE 11 – CONVERTIBLE PROMISSORY NOTES PAYABLE

Convertible Promissory Note Payable #1

On August 5, 2015, the Company exchanged a prior Debt Settlement/Promissory Note Payable for a newly issued 8% Convertible Promissory Note Due December 31, 2016 in the amount of \$253,529. As of June 30, 2019, the outstanding principal balance was \$47,127.

Convertible Promissory Note Payable #2, 3 & 4

In January of 2014, the Company entered into Business Development Agreements totaling \$600,000 with two service providers in which payment was due upon initiation of the contract. In December 2014, the Company and service providers entered into a forbearance agreement whereby the service providers agreed to receive stock or a security convertible into stock in lieu of a cash payment. The Company & service providers agreed to renew the contract for an additional year in January 2015. At the same time the Company & service providers settled the outstanding then balance due into two (2) 8% Convertible Promissory Notes Payable. On October 1, 2015 the Notes Due March 31, 2016 were issued. As of December 31, 2018 the outstanding principal balances were \$0 & \$0 respectively. On April 01, 2017, an additional Note in the amount of \$300,000 was issued to service providers and the outstanding principal balance as of June 30, 2019 was \$50,000.

NOTE 12 – NOTES PAYABLE – SR

Accrued compensation in the amount of \$470,000 dating back to 2014 was converted into a Notes Payable due our CEO effective January 01, 2018.

NOTE 13 – STOCKHOLDERS' DEFICIT

Common Stock

The total number of shares of stock which the Company has authority to issue is 24,010,000,000, which consists of 24,000,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share.

Series D Preferred Stock

On September 18, 2013, the Company filed a certificate of designation of Series D Preferred Stock and the Company issued 100,000 shares of Series D preferred stock to the former shareholders of Algae (See Note 1). Pursuant to the certificate of designation:

- 100,000 shares were designated as Series D Preferred Stock.

- Holders of the Series D Preferred Stock will be entitled to receive \$1.00 per share of Series D Preferred Stock, prior to any distribution to holders of common stock, in the event of any liquidation, dissolution or winding up of the Company.
- Holders of Series D Preferred Stock will be entitled to receive dividends in the amount of 51% of net income, payable quarterly.
- Holders of Series D Preferred Stock will own 51% of the voting power of the shareholders of the Company.

The Company may not redeem shares of Series D Preferred Stock without the written consent of the holders thereof.

On June 05, 2017, ownership of these shares were transferred to ACI Conglomerated, LLC.

NOTE 13 – SUBSEQUENT EVENTS

The Company announced plans to spinoff its restaurant business “AmeriCanna Café” to Priority Aviation (USOTC: PJET) in exchange for a convertible purchase note issued by PJET. The Company is planning to convert the \$1.5 million note into a number of common PJET shares sufficient to issue one (1) PJET common share for every fifty (50) shares of USMJ common shares issued and outstanding at a date to be determined in the future.