

Form 51-102F3
Material Change Report

Item 1 Name and Address of Company

Entheos Capital Corp. (the “Company”)
Suite 2080-777 Hornby Street
Vancouver, British Columbia
V6Z 1S4

Item 2 Date of Material Change

June 25, 2021

Item 3 News Release

A news release was disseminated on June 25, 2021 through the facilities of Cision.

Item 4 Summary of Material Change

The Company has entered into a definitive share exchange agreement dated for reference March 15, 2021 (the “Agreement”) with the BC Bud Corporation (“BCBC”) and all of its shareholders whereby the Company will acquire all of the issued and outstanding securities of BCBC by way of share exchange (the “Transaction”).

Item 5 Full Description of Material Change

The Company has entered into the Agreement to complete the Transaction with BCBC. The Company will issue 26,250,000 common shares in its capital (“ENTH Shares”) to the holders of common shares in the capital of BCBC (“BCBC Shares”).

Upon the successful completion the Transaction the Company intends to delist its common shares from the TSX Venture Exchange (“TSXV”) and list its common shares on the Canadian Securities Exchange (“CSE”). The Transaction constitutes a ‘reverse takeover’ of the Company.

As two directors of the Company, being CEO Brayden Sutton and Director Josh Taylor are each the holders of 40% of the issued and outstanding shares of BCBC, the Transaction constitutes a ‘related party transaction’ as defined in *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). As a result, the completion of the Transaction will be subject to the valuation and majority of the minority shareholder approval requirements of MI 61-101.

The Transaction will be reviewed and considered by the Company’s remaining independent director. Malahat Valuation Group has prepared an initial valuation report dated December 21, 2020 in respect of BCBC which concludes that the fair market value of BCBC is in the range of \$7.9-\$8.7 million. A copy of the valuation is attached to this material change report.

Upon completion of the Transaction, Corey Larricq will resign as a Director of the Company and Samantha Shorter will resign as Chief Financial Officer of the Company. Brayden Sutton will remain as CEO and a Director and Josh Taylor will remain as a Director and be appointed as President. In addition, Dayna Lange and Justin Chorbajian will join the board of the Company on completion of the Transaction.

Approval for the Transaction will be sought from the Company's shareholders at the annual and special meeting of shareholders currently scheduled for July 29, 2021, which will be held electronically.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

This Report is not being filed on a confidential basis in reliance on subsection 7.1(2) or (3) of National Instrument 51-102.

Item 7 Omitted Information

No information has been omitted on the basis that it is confidential information.

Item 8 Executive Officer

Brayden Sutton is knowledgeable about the material change and the Report and may be contacted (778) 656-0377.

Item 9 Date of Report

June 28, 2021

The BC Bud Corporation



Comprehensive Valuation Report

December 21, 2020

PRIVATE AND CONFIDENTIAL

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PRIVATE AND CONFIDENTIAL

Comprehensive Valuation Report

December 21, 2020

Wanda Halpert
Concord Business Development
500 – 666 Burrard Street
Vancouver BC, V6C 3P6

Re: Comprehensive Business Valuation of BC Bud Corporation

Dear Wanda Halpert

1.0 TERMS OF REFERENCE AND INTRODUCTION

Pursuant to the terms of our engagement letter dated Monday, November 30, 2020, you have requested our Comprehensive Valuation Report which indicates en bloc fair market value (FMV) of all issued and outstanding shares of The BC Bud Corporation (**BCBC** or the *Company*) as at December 2, 2020 (the “Valuation Date”). We are valuing **BCBC** as a whole with no consideration given for minority discounts or control premiums.

For the purpose of our opinion, the fair market value is defined as:

The highest price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm’s length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Said fair market value is determined on an intrinsic (or “stand-alone”) value basis, this is without consideration of post-acquisition synergies that may accrue in varying degrees to arm's length and non-arm’s length purchasers.

We understand that you require our Comprehensive Valuation Report to assist you in determining the fair market value of **BCBC** on a going-concern basis for the purpose of supporting a listing application with the Canadian Securities Exchange of the *Company* shares.

We are relying on the management forecasts in our valuation which include reasonable revenue impacts of the COVID-19 pandemic; our valuation has contemplated the immediate and possible future effects of the COVID-19 pandemic, the likely impact on the cost of capital, discount rates, surrounding the uncertainty of the economy in both the short and medium-term that were known at the Valuation Date.

2.0 VALUE CONCLUSION

Having regards to the assumptions, scope of review, restrictions, and qualification noted herein the Comprehensive Valuation Report, we conclude the en bloc FMV of **The BC Bud Corporation** to be in the range of:

\$7,900,000 to \$8,700,000

This approximate value range was determined using an Earnings Approach using the management prepared forecast based on what the business can earn after taking into consideration the value of redundant assets and the long term debt of the *Company*;

	Low	High
Business Enterprise Value	\$ 7,900,000	\$ 8,700,000
Redundant Assets	\$ -	\$ -
Debt & liabilities	\$ -	\$ -
Total	\$ 7,900,000	\$ 8,700,000

Implied Enterprise Value to EBITDA Multiple

	Low	High
Business Enterprise Value	\$ 7,929,801	\$ 8,653,067
EBITDA Year 1	\$ 341,402	\$ 341,402
Implied Multiple	23.23	25.35

3.0 RESTRICTIONS OF USE OF REPORT AND CONCLUSION

Neither this report, nor the conclusions set out herein, are intended for general circulation nor publication, nor is it to be reproduced or used for any other purpose other than that outlined above, without our prior and express written permission. We will not assume any responsibility or liability for losses occasioned to you, the business shareholders, or to any third parties as a result of the circulation, publication, reproduction, or use of this report.

This Report is not intended for submission to any court, or be used in any legal court proceedings.

We reserve the right (but will be under no obligation) to review all assumptions, qualifications and calculations set out in this report in light of any new facts, trends, or changing conditions existing at any date prior to, or at the valuation date which become known to us subsequent to the date of this report, and, if considered necessary by us, to review our calculation in light of the same.

This report has been prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators (CICBV) and sets out the data, reasoning, and analysis upon which our calculation is based. This report is a Comprehensive Valuation Report as described in the CICBV's Practice Standard No. 110, which is defined as:

“...any written communication containing a conclusion as to the value of shares, assets, or an interest in a business, prepared by a Valuator acting independently.”

This valuation work was completed and conclusions determined by the Valuator, and any other person(s) involved, working independently and objectively in accordance with the Practice Standards of the CICBV. Compensation of the valuator or any other person involved in the valuation work is not, and will not be, contingent on an action or event resulting from the use of the Comprehensive Valuation Report.

The total liability of Malahat Valuation Group Inc. and all Principals, Partners, staff or other personnel for any claim in tort or contract related to professional services provided, errors, omissions or negligence including breach of fiduciary duty or otherwise pursuant to our engagement performed or not performed is limited to the amount of professional fees actually paid for those services. No claim shall be brought against any of the above parties, in contract or in tort, more than two years after the date of the engagement.

Nothing contained in this document is to be construed as a legal interpretation of, or an opinion on, any contract, document, legal or otherwise, nor is it to be interpreted as a recommendation to invest or divest.

This report must be read in its entirety, selected comments or conclusions are only valid in the context of the whole report and must not be examined on a standalone basis.

4.0 GENERAL QUALIFICATIONS

Minority discount and control premiums were not considered relevant in this valuation as a 100% ownership stake in **BCBC** is being valued.

Our valuation of **BCBC's** Fair Market Value should not be relied upon at any date other than the valuation date without first consulting us, and without our written approval.

The data and statistical information set out in this report have been taken from sources that are believed to be reliable and correct. Notwithstanding, we do not guarantee the accuracy or correctness of the same.

Our valuation has considered the possible effects of the COVID-19 pandemic, the likely impacts on the cost of capital, discount rates, and future uncertainty both in the short term and in the longer future that were known at the valuation date.

All values expressed herein are in terms of Canadian dollars (unless otherwise noted).

5.0 DEFINITIONS

5.1 *Notional Valuation*

The estimate is rendered in a “notional context.” That is, the *Company* has not been offered for sale at the current date or the valuation date, and there is no assurance that the company would be purchased at a price equal to, or approximately equal to, our market value calculation.

Stated differently, we are expressing our estimate as to what we believe, at the valuation date, to be the intrinsic value of the business. Intrinsic value is a notional value which we believe would prevail based upon the rates of return required by investors given economic and business conditions existing at the valuation date, without consideration of synergistic benefits or other purchaser-perceived benefits that might accrue in differing degrees to arm's length corporate purchasers. This is because:

- i. In theory and in practice, each potential purchaser will have a different proposed utilization for the *Company* and its assets, and each will have a different

accumulated income tax position and perhaps different income tax rate, all of which will affect the post-acquisition discretionary after-tax cash flow of each purchaser.

- ii. The market for the *Company* is not a perfect one, and the price that would be paid would be a function of (among other things) the competence and contacts of the intermediary selected to assist in its sale, the methodology utilized, and the resultant extent of its exposure to the marketplace, the number of purchasers attracted to it, and the negotiating strength and skill of both the vendor and the ultimate purchaser.
- iii. Where no specific arm's-length purchasers have been clearly identified, it is extremely difficult, if not impossible, to comment on the specific price that will be paid in an open market transaction with any degree of certainty. Until such time as the *Company* is offered for sale, it is speculative as to whether purchasers who would see significant "utilization advantages" related to the *Company's* assets or general synergies or have an advantageous income tax base (or prospective income tax rate) exist.
- iv. Our estimate of to the market value of the *Company* does not include consideration of any extraordinary or synergistic market value for the entity.

Definitions and Abbreviations

- a. CICBV – Canadian Institute of Chartered Business Valuators
- b. COMPANY – The BC Bud Corporation
- c. BCBC – The BC Bud Corporation
- d. EBITDA – Earnings Before Interest, Tax, Depreciation, and Amortization
- e. FMV – Fair Market Value
- f. NAICS – North America Industry Classification System
- g. PV – Present Value of Future Cash Flow
- h. UCC – Un-Depreciated Capital Cost of Fixed Assets

5.2 Consideration for Special Purchaser

As **BCBC** is privately owned start-up cannabis branding and distribution company, providing, for the most part selling non-proprietary products and services, steps to investigate the existence of special purchasers were very limited and not considered in the valuation of the *Company* for the following reasons:

- a) Management has advised us that, to the best of their knowledge, no potential purchaser to date has made a bona fide offer for the *Company* or any portion thereof. Management has further advised us that nothing has come to their attention to substantiate the interest of any corporate purchaser, and in any event,

they know of no way to quantify the economies of scale that might be available to such a purchaser of the entire *Company* or its underlying assets.

- b) Given the nature of our assignment, we have not exposed the *Company* for sale in the open market. Therefore, we are unable to determine whether there were any special interest purchasers who might be willing to pay a price greater than the FMV estimated in this report. A special purchaser might be willing to pay a price in excess of FMV due to their perceptions of economic synergies or strategic advantages of the combined entities. Given the difficulty in quantifying such premium a special interest purchaser may pay, if any, we have not considered such premiums in our valuation.
- c) Although the calculations set out in this report attempt to reflect the underlying asset values and what we perceive to be the long-term income potential of the *Company*, it is important that the reader clearly understands that an arm's length, third-party purchaser may be willing to pay a price other than that noted herein. We re-emphasize that it is our view that only when a business interest is exposed for sale, can the impact on "price" of arm's length, third-party synergies be quantified with any degree of certainty.

6.0 SCOPE OF REVIEW AND ASSUMPTIONS

6.1 *Scope of Review*

In preparing this report we relied upon the following:

1. Representations made by Josh Taylor (shareholder) and Brayden Sutton (shareholder).
2. Unaudited Proforma five-year financial forecast prepared by management.
3. Interviews with Josh Taylor, Brayden Sutton and Wanda Halpert.
4. Management list of product categories, retail penetration rates and unit sales.
5. Company business plan.
6. Certificate of incorporation and corporate profile.
7. Trademark applications and supporting documents.
8. Joint venture manufacturing and distribution agreements with Peak Processing, Black Rose Organics and Habitat Inc.
9. Company pitch deck and investor presentation slides.

10. Where required, we relied on the statements of management without independent verification. We discussed with management the future operations of the *Company*, useful lives of existing assets along with their replacement costs, the ability to sustain existing revenue levels, and future growth opportunities. We did not audit or otherwise verify the information, *Company* financial statements, or income tax calculations provided to us. If said statements, information, and/or calculations are inaccurate, many of the observations contained herein are potentially in error.

6.2 General Assumptions

In preparing this report we have, in addition to the assumptions noted elsewhere herein, made the following assumptions:

- At the Valuation Date, no specific special purchaser(s) were identified that would pay a premium to purchase the *Company* shares and/or assets.
- Representations by management that there are no partnership agreements in place at **BCBC** or any related companies with respect to the sale and/or purchase or any other conditions that may have an impact on any conclusions made in this report.
- **BCBC** has no contingent liabilities, unusual contractual obligations, or substantial commitments, other than in the ordinary course of business.
- **BCBC** has no litigation pending or threatened. All contracts governing the operation of the *Company* have been disclosed to me and that these agreements are legal and binding.
- There are no verbal agreements contradicting the written agreements that would have a significant impact on other assumptions, calculations, or conclusions in this report.
- There were no contracts being negotiated at the current date which might have a material effect on the future operating results of **BCBC** that have not been noted in this report.
- There are no Canada Revenue Agency, WorkSafe BC, or any other regulatory issues or obligations that would have a material effect on the financial position of **BCBC**.
- Josh Taylor and Brayden Sutton each own 50% of the Common Voting Shares of **BCBC** through their own corporations; TJT Ventures Ltd. and Sutton Ventures Inc. respectively.

In addition:

- Where required, we relied on the statements of management without independent verification.
- We did not audit or otherwise verify the financial information or income tax calculations provided to us.
- There was no independent verification and/or market appraisal for any of the equipment, machinery, or assets owned by the *Company*.

6.3 Scope Limitations

If any of the scope, assumptions, or limitations in Sections 6.1, 6.2, and 6.3 are not the case, and/or other information comes to light, and/or market appraisals are commissioned for any physical property or real estate interest, again we reserve the right (but will be under no obligation) to review all calculations included or referred to in this report and if we consider it necessary to revise our conclusions and observations in light of any information which becomes known to us after the date of this report.

We have relied on information, materials, and representation provided to us by the *Company's* management and associated representatives. We will rely on a letter of representation, to be obtained from management of the *Company* prior to the issuance of a final form of this report, wherein they confirm certain representations and warranties that they made to the author of this report, including a general representation that they have no information or knowledge of any material facts, or information not specifically noted herein, that would reasonably be expected to have a material effect on the conclusions expressed herein.

The Final Report may not be relied upon by any party other than **Concord Business Development**, the *Company* shareholders, and their authorized advisors.

7.0 BASIS OF VALUATION

In general, there are three basic approaches to estimating value:

- Earning-based approach
- Asset-based approach
- Market-based approach

7.1 *Earnings Based Approach*

Earnings-Based Methods are predicated on the idea that a business's value lies in its ability to generate earnings or cash flows. This valuation method determines the business value based on its income-producing capacity, the consistency, and the risk associated with those earnings. These future earnings or cash flows are converted to a single present amount (discounted to present day dollars).

There are several variations of this approach such as the capitalized earnings approach, the capitalized cash flow approach, and the discounted cash flow approach. These methods seek to arrive at a business value by applying a multiple or capitalization rate to normalized earnings. The capitalization rate can vary substantially, depending upon the industry, the economy, the outlook for the business, and its associated risk factors.

The underlying concept is to determine an amount that a purchaser is willing to pay today for an anticipated earnings or cash-flow stream to be realized in the future.

7.2 *Asset-Based Approach*

The Asset-Based Method calculates the value of all tangible and intangible assets held by the business. This approach ignores the future earning potential of the company. Thus, a pure asset-based valuation model is often used for companies that are not a going concern or are looking to liquidate. This approach is also used as an aid in establishing the fair value where the entity is valued as a going concern under an earnings approach or where the earnings stream is not reflective of the underlying assets of the entity due to losses, irregular earning patterns, and/or a lack of predictability. For companies that are going-concern businesses, this approach is only appropriate where no commercial goodwill exists, for example, an investment holding company.

The underlying concept of a liquidation asset-based approach is to determine the net cash that would be received if all assets were sold, liabilities paid off, and taxes paid.

7.3 Market Approach

The Market-Based Method estimates a business's value by comparing recent transactions of comparable companies. This requires observable prices and other information generated by actual transactions involving identical, similar, or otherwise comparable companies. Once comparable transactions are identified the multiples paid based on the earnings of the other similar businesses usually EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is analyzed and applied to the EBITDA of the subject company being valued

Transaction data for public companies are usually more reliable than comparable data from privately-owned companies. Issues with respect to applying the Market Approach to privately-owned companies arise from; the lack of comparable company financial information, difficulty in objectively identifying and quantifying the differences between the companies, and the illiquidity of privately-held companies vs. that of publicly listed ones. However, in reality, no two businesses are exactly alike, private transaction data is especially hard to find and the details of those transactions that affect the purchase price are typically not made public.

The underlying concept is to determine an amount that a purchaser is willing to pay for the company given what other buyers have paid to consummate past transactions for similar or comparable companies.

7.4 Minority Discounts

When valuing a specific class of shares or a partial interest other than en bloc value, consideration of a minority interest discount may be appropriate. Valuing less than a controlling interests (i.e. 50% or less) it may be appropriate to provide a discount from the pro-rata FMV to reflect the disadvantages of owning less than a controlling interest. Shareholders owning a non-controlling interest, where there is no mitigating factors present, may face liquidity issues or a lack of market in which to recover the full value of their investment.

A combination of the above approaches may be necessary to consider the various elements of each unique company and/or are associated with various forms of intellectual property.

7.5 Approach Selected

Given that **BCBC** is a pre-revenue start-up company with no established revenues, the Earnings-Based Approach to determine the fair market value based on management-prepared best estimate forecast is most appropriate. More specifically we have used a Discounted Cash Flow (DCF) Methodology based on management prepared five-year Pro-forma financial forecast.

In reviewing the Market Approach, we considered using the Guideline Public Company Method, however, the challenge in using such a method in respect to **BCBC** was the lack of historical revenues and the uncertainty with respect to the timing and amount of short and long-term revenues.

However, we have made efforts to corroborate the reasonableness of our primary value conclusion using industry established rules of thumb and precedent market transaction metrics that were available at the Valuation Date.

8.0 THE COMPANY

8.1 Background

History

BCBC was started by Brayden Sutton (CEO) and Josh Taylor (President) in October 2020. The *Company* grows premium recreational and food-grade cannabis to meet the market need for quality flower and trending cannabis products. Since the inception of the *Company*, investments and capital injection have come exclusively from the founders. All intellectual property (IP), personal goodwill and trademarks in this space are the result of the diligence of the two founders who both have several decades in the sector.

Present

BCBC aims to capitalize on the international cachet created by the well-known standard of excellence and recognition of the BC craft cannabis industry, with a focus on distribution and retail sales. The *Company's* business model is centered around joint-venture agreements with established growers, processors, and product manufacturers. The *Company* has several contract manufacturing relationships with existing licensed producers and retailers that will provide a ready market for their products. Products include flowers, edibles, solutions, beverages, and apparel. This joint venture model will allow **BCBC** to leverage established producers and focus on product branding, sales, and distribution rather than production. This strategy allows the *Company* to avoid the risk, capital expenditures, and lengthy licensing requirements associated with owning its own cultivation infrastructure. Strategic alliance agreements are in place with Black Rose Organics, Peak Processing Solutions and Habitat Inc.

Black Rose Organics is headquartered in Toronto, Canada, and is comprised of a team of seasoned Cannabis experts, who have extensive experience in all verticals of the industry. Black Rose currently owns and manages facilities in Markham and Scarborough Ontario and is fully licensed by Health Canada. This company produces beverage products, extract and vaporizer products, as well as topical products.

BCBC has a manufacturing agreement with Black Rose Organics (BRO) for 'CannaBeans', a dark chocolate-covered coffee bean with 1mg of THC. BRO will contract manufacture the *Company's* edible CannaBeans brand where BRO is responsible for inputs, packaging, quality assurance (QA), and Health Canada submission, processing, and distribution into both recreational and medical channels. BRO is responsible for sales and marketing initiatives to support the brand in each province. **BCBC** is also exploring contract cultivation through BRO when their second facility receives licenses. The cultivation contract will include the *Company's* proprietary genetics submissions.

Peak Processing Solutions is headquartered in Tecumseh, Ontario, Canada in a 40,000 square foot purpose-built facility. Peak Processing has capabilities to manufacture categories such as ready to drink beverages, concentrate products, and topicals.

BCBC has a tolling manufacturing agreement with Peak Processing for a non-alcoholic beer containing THC. Peak Processing will develop the beverage line called "Buds", by working on formulations in both water and non-alcoholic beverage categories.

Peak Processing Solutions will also contract manufacture live rosin vape pens, a 510-thread vape cartridge with 0.5mg of rosin. The contract will include extraction, assistance sourcing inputs, quality assurance, testing, and Health Canada submission, packaging, and distribution. This company has a Class 1 Division 2 rated production room fitted with a Class 1 Division 1 HAL Extraction booth and a hydrocarbon extractor.

Habitat Inc. is an organic aquaculture and cannabis cultivator headquartered in BC who owns the "Cake and Caviar" brand of organic cannabis products sold throughout 50 licensed stores in British Columbia. **BCBC** had partnered with Habitat Inc. to produce high-quality organic cannabis rosin concentrate products using their Solventless process technology. Habitat has committed to dedicating 40% of its organic cultivation supply to this partnership, the agreement calls for a 50/50 profit share. Further, **BCBC** has the option to expand production beyond what Habitat is able to supply by sourcing external cannabis for processing at the Habitat facility for a 10% fee for use of the facility. Habitat will be responsible for inputs, packaging, QA, and Health Canada submission, processing, and distribution into the retail and medical channels.

BCBC is also in talks with Craft Heads Brewing Co. to produce and distribute a non-alcoholic cannabis-infused beer-like beverage, as well as the new product launch for the *Company's* trademarked 'CannaBeans', a coffee bean with cannabis and chocolate product.

Competitive Advantage

According to management, their competitive advantage stems from meshing market trends with quality and craft. The *Company* founders are leveraging their considerable experience and contacts within the industry to adjust the current cannabis business model to operate without the standard overhead and construction costs. The *Company* will engage several underutilized licensed facilities through joint ventures utilizing their considerable know-how and network contacts within the industry to adjust the cannabis business model to operate without the costs normally associated with a regular start-up. This will provide an opportunity for those companies to regain some of their financial ground while providing facilities for operations at a much lower cost than new construction.

Trademarks

The *Company* name is trademarked as The BC Bud Co: Trademark 1949058. All trademarks are in active application with the Canadian Intellectual Property Office (CIPO), including the following.

- Solventless Solutions: Trademark 2026569
- Buds: Trademark 2049734
- CannaBeans: Trademark 2055323
- Not an LP: Trademark 1990169 (a cheeky strain name being created by the *Company*)

Future

Preceded by an active branding campaign, the *Company* will begin operations in British Columbia within established licensed facilities. Upon the first successful harvest, **BCBC** will initiate its next phase, which is to engage the strategic partners in the production of the non-alcoholic beer, vape products, and CannaBeans. Once operations are viable, the *Company* will apply for cannabis grow, production, and sales licences under Health Canada regulations.

The *Company* will undertake the following steps:

- Implement an aggressive marketing campaign.
- Be responsive to major qualitative and quantitative consumer research.
- Production of trending and new products such as non-alcoholic beer and CannaBeans.
- Work with existing licensed facilities to initiate grow operations.
- Collaborate with R&D and industry experts to direct new product development targeting trends.
- Apply for licensing and further develop operations.

Product Overview

The *Company* will capitalize on current consumer and market trends with the production of innovative products.

1. Flower – cannabis flower will be carefully grown to ensure quality and use for concentrates, consumables, and recreational use. Flower strains grown will include top tier strains from the legacy market and the *Company's* proprietary genetics.

2. Edibles – year one will launch with the Canna Bean, luxury chocolate covered coffee bean with cannabis. R&D will include further product development with cannabis and chocolate.
3. Beverages – Buds, is creating a non-alcoholic beer with future R&D into infused waters and other beverage classes.
4. Concentrate Products – will focus on recreational uses. The *Company's* Solventless Solutions line will include vaporizer cartridges as well as other concentrate forms.
5. Wearable branded products – will target those consumers that recognize the cachet of a particular brand and like to align themselves with a high quality, trendy lifestyle experience.

Forecasted Product Mix

- Flower bulk/pre-roll – 27.7%
- Vaporizer products – 21.5%
- Edible products – 30.1%
- Drink products – 13.5%
- Concentrate – 7.2%

Sales Mix by Distribution Channel

- Flower – 75% Medical, 25% Recreational
- Vaporizer products – 75% Medical, 25% Recreational
- Edibles – 20% Medical, 80% Recreational
- Drinks products– 100% Recreational
- Concentrates – 25% Medical, 75% Recreational

Top Competitors

- GTEC Holdings Ltd. – Kelowna, BC
- Top Leaf/sundial Growers Inc. – Calgary, AB
- We Grow BC Ltd. – Creston, BC
- Simply Bare/Rubicon Organics Inc. – Fraser Valley, BC
- Citizen Stash/Experion Holdings Ltd. – Mission, BC

Key Suppliers

- Black Rose Organics
- Peak Processing Solutions

- Habitat Inc.
- Craft Heads Brewing Co.

Management and HR Overview

The *Company's* founders have top-level management experience in the cannabis industry, with significant and relevant history in the space.

The founders have extensive experience building brands in the most developed, mature industry markets in the world, including two facility construction in Las Vegas Nevada, a 70,000 sq ft and a 300,000 sq ft facility. Both have overseen the sale of millions of units in stores throughout the Las Vegas area, with over 100 SKUs, 12 strains, pre-rolls, vape carts, extracts, as well as sales in other categories. The founders will bring this extensive experience to the operations as well as experience in raising capital in the cannabis industry with over \$100Million raised in the past six years.

Brayden Sutton, CEO

A distinguished figure in the cannabis industry, with over 20 years of practical experience with the cannabis plant. Brayden is the co-founder of Supreme Cannabis, 1933 Industries, and CannabisHealth.com and is a cannabis pioneer with a rich history of activism, investment, and valuable product offerings, who now focuses exclusively on British Columbia's thriving legal cannabis industry.

Brayden will focus on high-level strategy; he will be responsible for raising capital, deploying funds, financial management, and sales. He now manage any merger and acquisition (M&A) activities, joint ventures, and act as CFO and the face of the *Company*.

Josh Taylor, President

With over 15 years of practical experience in the cannabis industry along with CPG and pharmaceutical, in 2016 Josh joined The Rosin Factory, which was awarded two High Times Cannabis Cup Awards for Solventless flower rosin products, a first. Before founding The BC Bud Co, Josh was the Director of Business Development at 1933 Industries.

Josh will share high-level strategy responsibilities with Brayden and will be in charge of brand creation, development, aid with joint venture and partnerships, and with a focus on business development, sales and marketing oversight.

In addition to the above-summarized, management intends to hire 18 to 20 staff once fully operational as required by operations. A large emphasis will be placed on utilizing and leveraging the contracting grower's staff to fulfill operational needs. **BCBC** industry in Canada is captured under the "Cannabis Production" classification and is identified by the NAICS #111998

8.2 Financial Position

BCBC Five-Year Proforma Balance Sheet Summary:

BC Bud Corp - ProForma/Forecasted Balance Sheet Statement					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash	\$ 126,490	\$ 1,603,427	\$ 5,609,368	\$ 10,310,108	\$ 15,705,646
Accounts Receivable	\$ 177,883	\$ 689,133	\$ 2,010,537	\$ 3,758,034	\$ 5,878,200
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000
Total Current Assets	\$ 4,804,373	\$ 6,792,560	\$ 12,119,904	\$ 18,568,142	\$ 26,083,846
Capital Expenditures	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Depreciation	\$ 33,333	\$ 66,667	\$ 100,000	\$ 133,333	\$ 166,667
Total Fixed Assets	\$ 466,667	\$ 433,333	\$ 400,000	\$ 366,667	\$ 333,333
Other Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	\$ -	\$ -	\$ -	\$ -	\$ -
Total Intangible Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Total Assets	\$ 5,271,039	\$ 7,225,893	\$ 12,519,904	\$ 18,934,809	\$ 26,417,179
Liabilities					
Accounts Payable	\$ 46,150	\$ 104,200	\$ 178,700	\$ 277,350	\$ 417,150
Total Current Liabilities	\$ 46,150	\$ 104,200	\$ 178,700	\$ 277,350	\$ 417,150
Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 46,150	\$ 104,200	\$ 178,700	\$ 277,350	\$ 417,150
Shareholders' Equity					
APIC	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Stock	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Other Financing	\$ -	\$ -	\$ -	\$ -	\$ -
Retained Earnings	\$ 224,889	\$ 2,121,693	\$ 7,341,204	\$ 13,657,459	\$ 21,000,029
Total Equity	\$ 5,224,889	\$ 7,121,693	\$ 12,341,204	\$ 18,657,459	\$ 26,000,029
Total Liability & Equity	\$ 5,271,039	\$ 7,225,893	\$ 12,519,904	\$ 18,934,809	\$ 26,417,179
	-	-	-	-	-

8.3 Share Capital

Authorized

- Unlimited Common Shares

Issued and fully paid

- 50 Class A Common Voting Shares – TJT Ventures Ltd. (a wholly owned corporation by Josh Taylor)
- 50 Class A Common Voting Shares – Sutton Ventures Inc. (a wholly owned corporation by Brayden Sutton)

Note: there is no shareholder agreement in place.

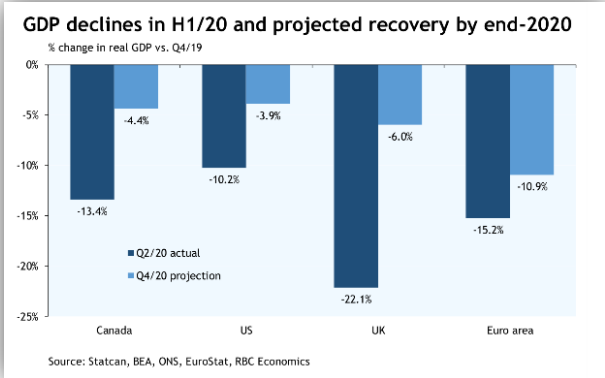
9.0 ECONOMIC AND INDUSTRY OUTLOOK

9.1 Global Economic Outlook Summary

(The following is excerpted from September 2020 Royal Bank Economic Outlook reports)

Among the many uncertainties associated with COVID-19 the ability of the global economy to recover ranks highly. The interruption of global growth was unprecedented and the snapback unexpectedly strong as government programs and central bank stimulus provided a jolt to activity. What remains unclear is whether sufficient support can be maintained until there is a vaccine that eradicates or, at least, contains the spread of the virus. The economies we cover closely all show a similar pattern with a decline in the first quarter followed by a massive drop in the second and sharp rebound in the third quarter. In general, these economies are expected to continue to grow but at a more moderate pace going forward. That said, none are projected to return to pre-COVID levels of output in 2020 with gaps ranging from over -10% in the Euro-area to -4-6% in Canada, the US, and UK at end-of-year.

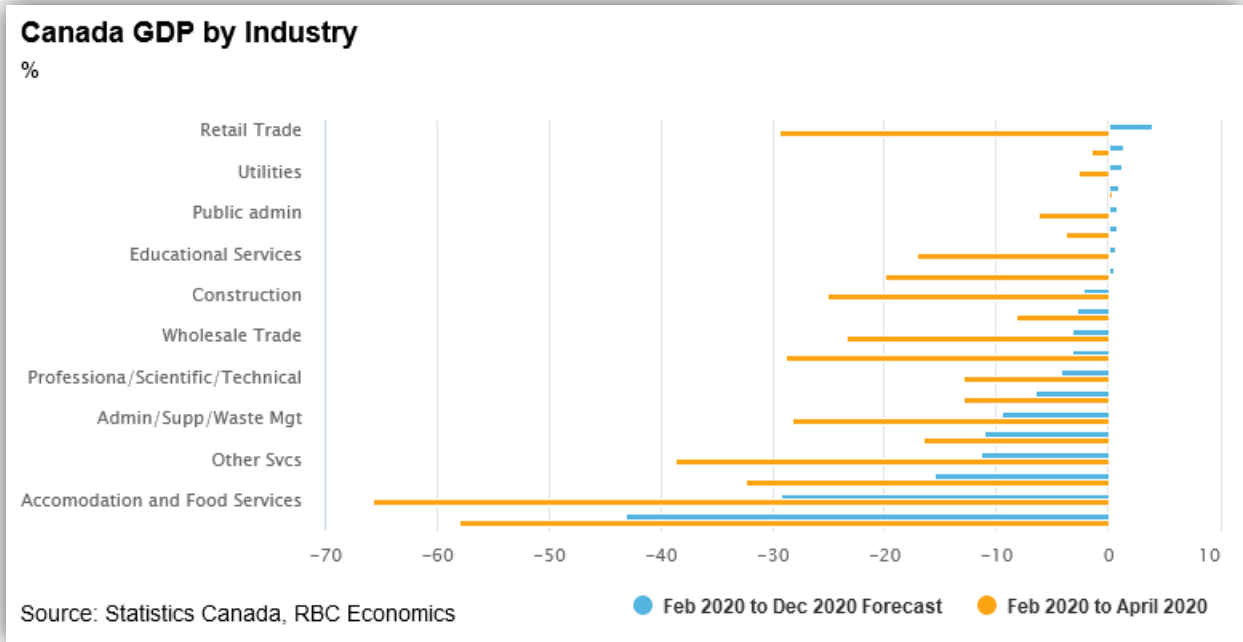
Whether the economies fully recover by the end of 2021 will depend on both the success in developing a solution to the health crisis and the ability of workers to return to work. Government income support programs, at least temporarily, softened the blow and as economies started to reopen, retail activity returned to pre-COVID levels. The persistence of low-interest rates and ratcheting up of savings amassed during the lockdown will keep consumers spending in the near term. However as government support programs gradually unwind, it will fall to improving labour market conditions to drive consumption.



9.2 Canadian Economic Outlook Summary

The unprecedented drop in economic activity from mid-March to the end of April created a huge hole in Canada's economy that will only be partially refilled in 2020. While Q1's -8.2% annualized decline looked huge from a historical perspective, it was only a fraction of Q2's staggering -38.7% drop. The good news is that the greatest weakness is in the rear-view mirror with April representing the low for the crisis. Labour market conditions correspondingly weakened in March and April and started to recover in May. By August, almost two-thirds of workers who had lost their jobs were back at work, albeit in many cases at reduced hours.

The improving tone in the labour market and continued government support saw Canadian consumer spending ratchet up to exceed pre-pandemic levels. Housing sales soared hitting an all-time high in July as buyers who were sidelined during the peak of the pandemic raced to buy homes. As governments reopened parts of the economy business



sentiment improved, manufacturing sales revved up and trade activity rebounded. The surge in imports in July points to business investment coming back although low oil prices will keep the energy sector under pressure. The federal government’s announcement of an extension of income supports including an enhancement to employment insurance payments and the establishment of additional programs have reduced the risk of a dramatic household income pullback into the end of this year.

Moving Forward

We have revised up our Q3 growth forecast to 40% at an annualized rate from 33% with Q4 now expected to show a 6% gain (up from 5% in June). While the numbers look impressive they diverge between sectors. Gains in residential construction, manufacturing, and agriculture are expected to continue however many services sector industries will face more difficult conditions. The persistence of social distancing measures and border closures will limit growth in the food and accommodation and entertainment industries. Ongoing weakness in the services industries will weigh on the economy and delay the return to full capacity.

Bank of Canada interest rate policy

Like the US Fed, the Bank of Canada is conducting a review of its monetary policy framework leading up to the 2021 inflation target renewal. In recent speeches, policymakers said using average inflation targeting is one of the alternative monetary policy frameworks under consideration. That said, the BoC's current flexible approach to inflation targeting which aims at returning inflation to 2% over a long time horizon already provides some of the benefits of average inflation targeting. Given the depth of the hit to the economy and expectation that a full reversal of the loss won't occur until late 2021, there is little scope that the bank will need to adjust the overnight rate from its current 0.25% until 2022.

9.3 BC Provincial Economic Outlook Summary

(The following is excerpted from the March/April 2020 RBC Provincial Economic Outlook reports)

British Columbia's early success at containing the spread of the Coronavirus led us to believe its economy would sidestep some of the heavier losses other provinces would suffer. While this is still largely our view, we now think the contraction this year will be deeper, at -5.6%, higher than we previously anticipated (-4.2%).

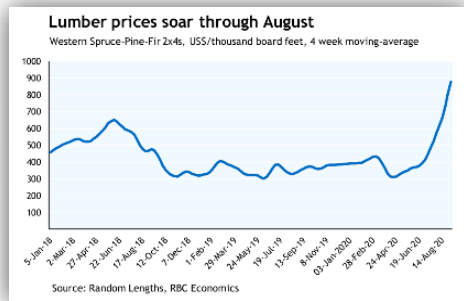
BC's economy will still outperform the Canadian average of -6.0% but slipped to the middle of our provincial growth rankings from the second place previously. At the same time, we now expect greater economic catch-up and strong capital investment will support a more vigorous 4.9% rebound next year.

BC's dropped in our provincial rankings, BC experienced larger declines in employment than the national average, down 7.8% year-to-date. Currently, over one-third of British Columbians who lost their jobs during COVID-19 have yet to regain employment. And exports have fallen significantly in BC since the crisis hit. Forest product exports (BC's top export category) are down 17% (as of July) in part reflecting housing starts in the Western US lagging other regions. Coal mining exports have also fallen (-41%), as have oil and gas exports (-19%).

Continued capital investment is providing a glimmer of hope. Non-residential construction has grown 6.9% this year as essential construction at the LNG Kitimat megaproject continued throughout the crisis. Work on the project will be ongoing next year. Moreover, the province is forging ahead with the \$2.8-billion Vancouver SkyTrain extension. This will sustain construction activity in the years to come.



Surging lumber prices reflecting record repair and remodel demand, limited supplies, and rebounding new residential construction in recent months bodes well for the near-term outlook of the BC lumber industry. If sustained, they could prompt some BC mills to boost their operating rates and hire more workers.



This would be a welcome development in an industry that has faced many layoffs in the past year. The BC government is penciling in a budget deficit of \$12.5 billion for 2020-2021 (representing 5% of the province’s GDP), the largest shortfall on record. The provincial government’s \$6.2 billion in stimulus has insulated the province from what could have been an even greater hit to GDP.

Recovery Scenario

The BC government has allowed businesses to continue operating so long as they met social distancing requirements. This relatively more permissive approach did little to contain the economic shock though. Employment plummeted by nearly 400,000 (or 15.6%) in March and April.

We have sketched out a path for each provincial economy based on governments’ current plans, and our views on the prospects of various industries. The journey toward full recovery will be long for all provinces easily stretching into 2022 or beyond in some cases.

	Feb 2020	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec 2020
NL	100	84	66	76	85	85	86	90	90	90	91
PE	100	83	90	89	93	96	96	96	96	97	97
NS	100	88	88	89	91	96	97	96	96	96	97
NB	100	88	87	88	92	97	97	96	96	97	97
QC	100	90	77	85	89	93	94	95	95	95	95
ON	100	89	82	83	88	92	94	95	95	95	95
MB	100	93	90	90	92	95	96	96	97	97	98
SK	100	91	85	87	92	95	95	95	95	95	96
AB	100	89	80	82	86	89	91	92	93	93	93
BC	100	87	85	84	88	91	93	95	96	96	96

Forecast Details									
% change unless otherwise specified									
British Columbia									
	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F
Real GDP	2.2	3.7	2.0	2.8	3.7	2.6	2.8	-5.6	4.9
Nominal GDP	3.4	5.6	2.8	5.2	7.1	4.5	5.3	-5.1	6.5
Employment	0.1	0.6	1.2	3.2	3.7	1.1	2.6	-6.6	5.5
Unemployment Rate (%)	6.6	6.1	6.2	6.0	5.1	4.7	4.7	9.1	6.5
Retail Sales	2.8	6.3	7.0	7.7	9.3	1.9	0.6	-0.3	3.8
Housing Starts (Thousands of Units)	27.1	28.4	31.4	41.8	43.7	40.9	44.9	37.2	33.0
Consumer Price Index	-0.1	1.0	1.1	1.9	2.1	2.7	2.3	0.6	0.8

Company Economic Impact Summary

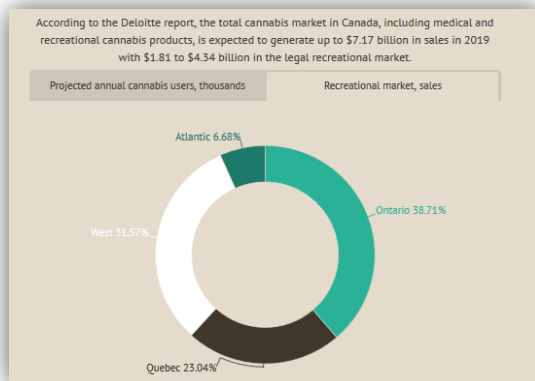
As **BCBC** is an aspiring Cannabis product distribution company, the business is expected to be somewhat correlated to the overall health of the economy, and levels of disposable income. However, Cannabis much like liquor products tend to perform well in both good and bad economic cycles. As the *Company* is targeting the “craft” market segment, management does not anticipate substantial negative impacts on Cannabis demand as a result of the current state of the economy.

In light of a relatively gloomy but recovering economic outlook for the balance of 2020 and into 2021 being led by BC provincial economy, we expect **BCBC** will face more industry-specific challenges more so than challenges stemming from economic conditions.

9.4 Industry Background

(The following are excerpted from ArcView & BDS Analytics, Statista, StatsCanand, Deloitte, CIBC, and Cannabusiness industry reports)

The BC and Canadian Cannabis Markets



The federal government legalized recreational cannabis on October 17th, 2018, Licensed Producers (LPs), operate concurrently across both the medical and adult-use markets and are responsible for cannabis cultivation through to distribution to either authorized patients or provincial liquor boards. Sales at cannabis stores in the first three months after legalization totaled \$151.5 million and reached \$907.8 million for the period from October 2018 to

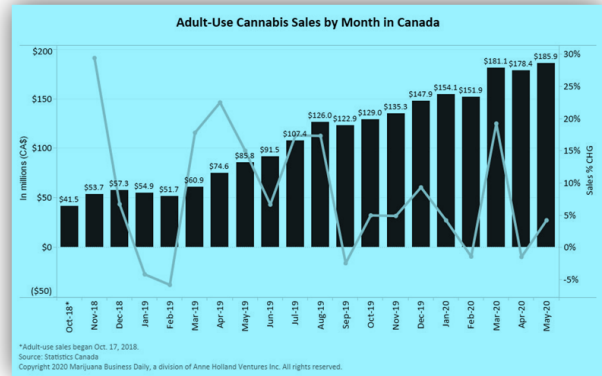
September 2019 according to Statistics Canada. Total sales of dried cannabis in Quarter 3, 2019 increased by 32.4% compared to Quarter 2, 2019 (from 28,394 kilograms to 37,588 kilograms), while total sales of cannabis oil increased by 15.7% (from 27,692 liters to 32,032 liters) during the same period. As of October 2019, Health Canada has issued 243 licenses to LPs, including 200 licenses for cultivation, 172 licenses for processing, and 135 licenses to sell (medical) cannabis.

In April of 2020, Statista reported that due to a surge in demand in the wake of the coronavirus lockdown, the province of British Columbia witnessed an increase in sales and a marked decline in cannabis inventory carry, from an average of 7.3 weeks pre-COVID crisis to about 4.2 weeks as of March 24, 2020. The upswing in the market due to COVID-19 could be impacting the cannabis market for some time to come. Based on this information, one could expect a new injection will be required to maintain the cannabis inventory demanded by users. Statista further stated that due to COVID-19, users went from 7.4% of Canada's population to 17%. This, along with the introduction of new categories of products in Canada, will have a positive impact on sales.

ArcView and BDS Analytics forecast CD \$2.8 billion in sales for 2020 and stated that in April of this year in BC, the nation's third-largest market, there was a 13.8% monthly increase to CA \$27.1 million recorded, Canadian cannabis market has been growing steadily.

After legalization, an estimated 29.4% of cannabis users or 1.5 million Canadians obtained cannabis and cannabis products from legal sources, compared with about 10.7% before recreation cannabis legalization.

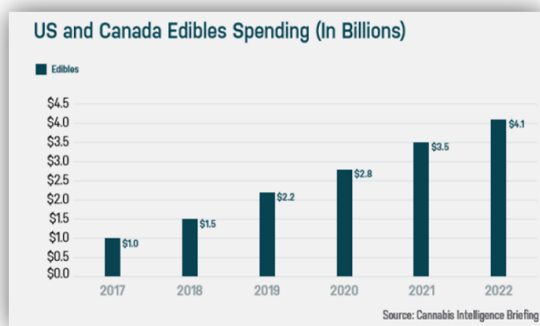
Deloitte’s 2019 Cannabis Report calls the new wave of products “Cannabis 2.0” and says there is “significant opportunity” in soon-to-be legal markets for marijuana-infused beverages (CA\$529 million), topicals (CA\$174 million), concentrates (CA\$140 million), tinctures (CA\$116 million) and capsules (CA\$114 million). The cannabis market is poised to have a major effect overall on Canada’s economy. A study from Deloitte pegged the potential economic impact of legalized recreational marijuana in Canada at more than \$22 billion, including transportation, licensing fees, and security.



According to the CIBC analysts forecast, the investment banking subsidiary of the Canadian Imperial Bank of Commerce, the Canadian cannabis adult-use market will have a retail value of \$4.1 billion in 2021. ArcView and BDS Analytics states that Canada's "Cannabis 2.0" policy expanded product offerings beyond flower and oil will impact sales and that sales are projected to continue to accelerate due to these new categories.

Cannabis 2.0 Edibles and Concentrates

According to Statistics Canada, in July 2020, legal dried cannabis sales represented 72% of total sales, cannabis extracts sales represent 14% of total sales, and edibles represent 14% of total sales.



ArcView & BDS Analytics states that edibles and concentrates have been the key drivers of market growth in legal US states and it is expected that those market segments will experience rapid growth in Canada. This is due in part, to the fact that many consumers do not want to smoke the product and prefer to be more discrete in their use of cannabis.

Additionally, the "Future of Cannabis in Canada Report," produced by Valens and Resonance Consultancy, studied the most important factors driving the overall cannabis purchase experience and found that: "Having a convenient/easy shopping experience is the #1 driver (31%), followed by having enough product available (17%). BDS analytics indicates the market share is shifting towards new trends in use, particularly towards the use of concentrates and edibles, with concentrates and edibles to see continual growth and market share gains, and that beverages are a growing portion of the edibles market.

Cannabis Regulation and Distribution

With the enactment of the Cannabis Act, provinces and territories are responsible for determining how non-medical cannabis is distributed and sold in their jurisdictions. Each jurisdiction has chosen to operate either a government-run retail model, a privately run model, or a mix of the two.



Since the legalization, legal online and retail store sales have reached \$908 million. With more than 400 retail stores in the country, 45% of Canadians live within 10 km of a cannabis store. While online cannabis retail ensures access to all Canadians regardless of proximity to a physical store, accessibility

continues to improve as more stores open across the country. Among the provinces and territories, diverse arrays of retail models and regulatory frameworks have influenced the structure and pace of the emerging cannabis market. The retail market will continue to evolve as jurisdictions adapt their regulatory approaches, as supply chains develop, and as cannabis product offerings diversify.

StatsCannabis has reported a price gap has developed between the legal and illegal market and has widened, according to the data. The average legal price increased to \$10.30 per gram in the fourth quarter from \$9.69 per gram a year earlier, while the average price of illegal cannabis decreased to \$5.73 per gram in the fourth quarter of 2019 from \$6.44 per gram in the fourth quarter of 2018.

	Retail model	Physical retail	Online retail
Newfoundland and Labrador	Public	...	✓
	Private	✓	...
Prince Edward Island	Public	✓	✓
	Private	...	...
Nova Scotia	Public	✓	✓
	Private	...	...
New Brunswick	Public	✓	✓
	Private	...	...
Quebec	Public	✓	✓
	Private	...	...
Ontario	Public	...	✓
	Private	✓	...
Manitoba	Public	...	...
	Private	✓	✓
Saskatchewan	Public	...	...
	Private	✓	✓
Alberta	Public	...	✓
	Private	✓	...
British Columbia	Public	✓	✓
	Private	✓	...
Yukon	Public	✓	✓
	Private	✓	...
Northwest Territories	Public	✓	✓
	Private	...	...
Nunavut	Public	...	...
	Private	...	...

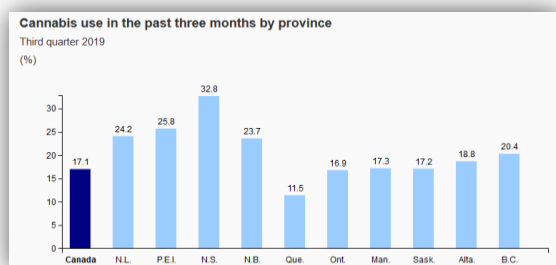
... not applicable
Source: Statistics Canada.

9.5 Customer Demographic

According to the Resonance 2018 survey, among the 27% of Canadian adults who say they have consumed any form of cannabis in the past year, 84% have consumed cannabis since legalization. Perhaps expectedly, more Canadians have started using cannabis after legalization: 5% more. As such, roughly one-third (32%) of Canadian adults are likely to use any form of cannabis in the next year.

Recreational use is concentrated among the young and youngish: 79% of 18- to 34-year-olds and 75% of 35- to 54-year-olds indulge recreationally. Still, 66% of the 55+ cannabis crowds also do it for fun. Hardly surprising, though, this generation came of age during the hippie movement.

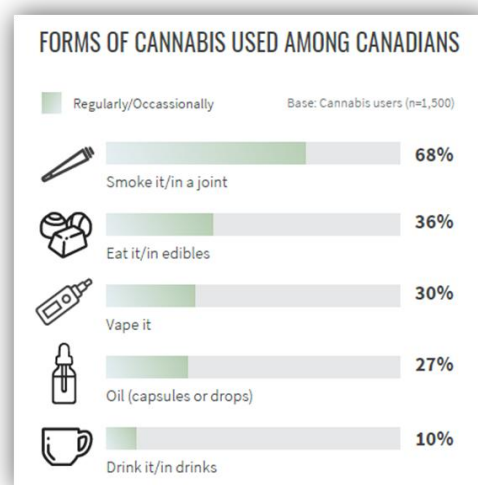
Who are the Canadians most likely to consume cannabis in the next 12 months? It's the 18- to 34-year-olds (45%), with intent trending down for those aged 35 to 54 (31%) and 55+ (24%). With 34% of the province's population planning to get stoned in the coming year, British Columbians seem determined to out-weed the rest of Canada followed by residents of Ontario (33%), Alberta (31%), Quebec (29%), and Saskatchewan/Manitoba (28%).



Reasons for use range but fun and recreation (74%) are secondary to relaxation (79%) though some might argue that relaxing is a kind of recreation. Relieving stress (69%) and aiding sleep (60%) are other common uses. More than half of users (55%) regularly/occasionally consume cannabis to

reduce anxiety, while half use it to provide relief for a medical illness/condition, and 46% use cannabis to 'help them escape'.

Among cannabis users, more than 68% of past-year cannabis users regularly or occasionally smoke cannabis in a joint. Although 67% of cannabis users have never consumed edibles, only one-third (36%) regularly or occasionally do. Vaping comes in third for how Canadian cannabis users consume, with 30% regularly or occasionally doing so. Cannabis oils come in fourth, at 27% of regular or occasional use. But the joint has some upcoming competition, with 58% of cannabis users saying they are likely to consume edibles in the future, while 44% are likely to use cannabis oil.



Retail Market Trends

According to BDS Analytics, product innovation is driving an increase in the market and there is a sharp rise in consumables and marketable cannabis-related products.

BDS research has shown that the percentage of consumers among the Canadian adult legal population has grown from 54% in 2018 to 63% percent in 2019. While the acceptance rate of cannabis has grown from 26% to 35%.

The combination of consumer growth paired with Cannabis 2.0's new product rollout results in big opportunities for retailers and brands to innovate for specific consumer segments. New consumers, new product categories, and inevitable brand growth create a great opportunity for niche marketing, but hyper-awareness of consumer preferences and trends will make a difference when it comes to winning the Canadian retail market.

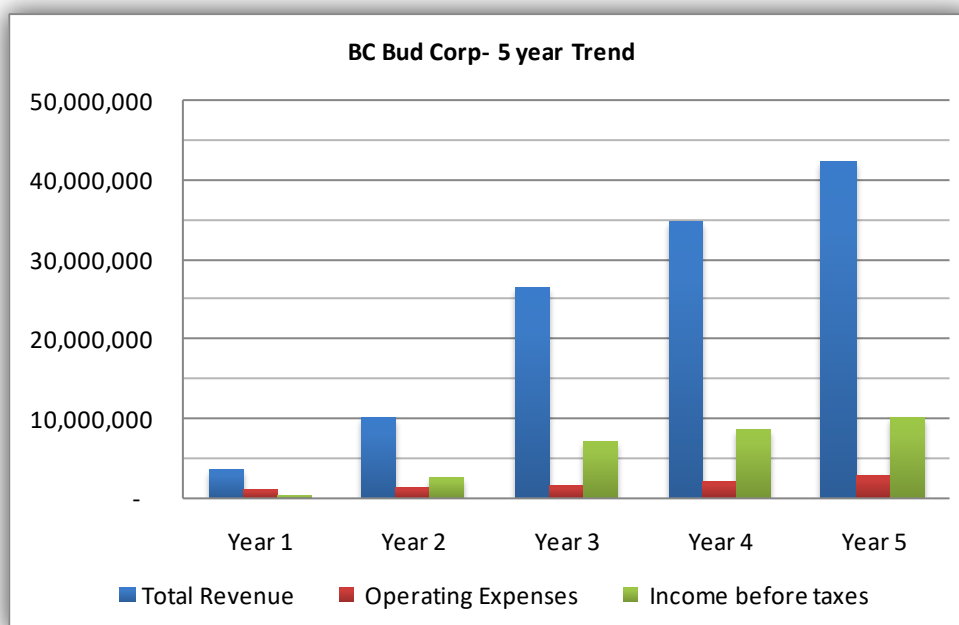
10.0 VALUATION APPROACH

10.1 Proforma Five -Year Income Statement Summary

Earnings Approach uses the best estimate of the after-tax cash flows that can be reasonably expected. We applied a Discounted Cash Flow Approach to forecasted normalized earnings to arrive at the En Bloc Fair Market Value of Equity

BCBC Proforma 5-year Statement of Income Summary

	Year 1	Year 2	Year 3	Year 4	Year 5	Average
Total Revenue	3,557,659	10,225,005	26,428,067	34,949,944	42,403,323	\$ 23,512,800
COST OF SALES	2,293,257	6,432,310	17,754,719	24,291,207	29,515,675	\$ 16,057,434
Gross Profit	1,264,402	3,792,695	8,673,348	10,658,737	12,887,649	\$ 7,455,366
	36%	37%	33%	30%	30%	33%
Operating Expenses	923,000	1,161,000	1,490,000	1,973,000	2,796,000	\$ 1,668,600
% of revenue	26%	11%	6%	6%	7%	11%
Income before taxes	308,069	2,598,361	7,150,014	8,652,403	10,058,316	\$ 5,753,433
	9%	25%	27%	25%	24%	22%
Revenue Growth Rate		187%	158%	32%	21%	100%
Expense Growth		26%	28%	32%	42%	32%
Income Growth		743%	175%	21%	16%	239%



The BC Bud Co - Forecasted Income Statement (Revised)										
	Year 1		Year 2		Year 3		Year 4		Year 5	
		%		%		%		%		%
Revenues										
Flower 3.5g	\$ 393,566	11%	\$ 1,080,577	11%	\$ 2,942,294	11%	\$ 3,437,016	10%	\$ 4,202,533	10%
Flower Pre-roll 1.5 - 2.0g	\$ 399,930	11%	\$ 1,098,050	11%	\$ 2,989,872	11%	\$ 3,492,593	10%	\$ 4,270,489	10%
Vape Cartridges	\$ 401,940	11%	\$ 1,103,568	11%	\$ 3,004,896	11%	\$ 3,510,144	10%	\$ 4,291,949	10%
Beverages	\$ 323,880	9%	\$ 1,143,456	11%	\$ 1,669,978	6%	\$ 1,832,189	5%	\$ 2,172,566	5%
CanaBean - Rec	\$ 217,718	6%	\$ 693,054	7%	\$ 1,028,778	4%	\$ 1,281,402	4%	\$ 1,459,236	3%
CanaBean - Medical	\$ 298,125	8%	\$ 1,117,500	11%	\$ 1,496,250	6%	\$ 1,785,000	5%	\$ 2,073,750	5%
Hash	\$ 761,250	21%	\$ 1,994,400	20%	\$ 6,648,000	25%	\$ 9,805,800	28%	\$ 11,966,400	28%
Rosin	\$ 761,250	21%	\$ 1,994,400	20%	\$ 6,648,000	25%	\$ 9,805,800	28%	\$ 11,966,400	28%
Total Revenues	\$ 3,557,659	100%	\$ 10,225,005	100%	\$ 26,428,067	100%	\$ 34,949,944	100%	\$ 42,403,323	100%
Cost of Goods Sold										
Flower 3.5g	\$ 286,215	73%	\$ 785,832	73%	\$ 2,139,736	73%	\$ 2,499,515	73%	\$ 3,056,225	73%
Flower Pre-roll 1.5 - 2.0g	\$ 159,570	40%	\$ 438,116	40%	\$ 1,192,944	40%	\$ 1,393,527	40%	\$ 1,703,904	40%
Vape Cartridges	\$ 100,485	25%	\$ 275,892	25%	\$ 751,224	25%	\$ 877,536	25%	\$ 1,072,987	25%
Beverages	\$ 177,486	55%	\$ 626,614	55%	\$ 915,148	55%	\$ 1,004,039	55%	\$ 1,190,566	55%
CanaBean - Rec	\$ 145,145	67%	\$ 462,036	67%	\$ 685,852	67%	\$ 854,268	67%	\$ 972,824	67%
CanaBean - Medical	\$ 99,375	33%	\$ 372,500	33%	\$ 498,750	33%	\$ 595,000	33%	\$ 691,250	33%
Hash	\$ 662,491	87%	\$ 1,735,660	87%	\$ 5,785,533	87%	\$ 8,533,661	87%	\$ 10,413,959	87%
Rosin	\$ 662,491	87%	\$ 1,735,660	87%	\$ 5,785,533	87%	\$ 8,533,661	87%	\$ 10,413,959	87%
Total Cost of Goods Sold	\$ 2,293,257	64%	\$ 6,432,310	63%	\$ 17,754,719	67%	\$ 24,291,207	70%	\$ 29,515,675	70%
Gross Profit	\$ 1,264,402	36%	\$ 3,792,695	37%	\$ 8,673,348	33%	\$ 10,658,737	30%	\$ 12,887,649	30%
Operating Expenses										
Marketing	\$ 280,000	7.9%	\$ 350,000	3.4%	\$ 500,000	1.9%	\$ 700,000	2.0%	\$ 1,000,000	2.4% (1)
Equipment	\$ 120,000	3.4%	\$ 100,000	1.0%	\$ 100,000	0.4%	\$ 100,000	0.3%	\$ 150,000	0.4% (2)
R&D	\$ 50,000	1.4%	\$ 75,000	0.7%	\$ 100,000	0.4%	\$ 150,000	0.4%	\$ 200,000	0.5%
Travel	\$ 50,000	1.4%	\$ 75,000	0.7%	\$ 100,000	0.4%	\$ 150,000	0.4%	\$ 200,000	0.5% (3)
Materials	\$ 50,000	1.4%	\$ 70,000	0.7%	\$ 100,000	0.4%	\$ 100,000	0.3%	\$ 150,000	0.4% (4)
Mortgage / Rent	\$ 36,000	1.0%	\$ 36,000	0.4%	\$ 60,000	0.2%	\$ 60,000	0.2%	\$ 96,000	0.2%
Salary	\$ 228,000	6.4%	\$ 300,000	2.9%	\$ 372,000	1.4%	\$ 500,000	1.4%	\$ 750,000	1.8% (5)
Utilities	\$ 12,000	0.3%	\$ 15,000	0.1%	\$ 15,000	0.1%	\$ 20,000	0.1%	\$ 25,000	0.1%
Insurance	\$ 12,000	0.3%	\$ 12,000	0.1%	\$ 12,000	0.0%	\$ 20,000	0.1%	\$ 30,000	0.1%
Legal & Accounting	\$ 50,000	1.4%	\$ 75,000	0.7%	\$ 75,000	0.3%	\$ 100,000	0.3%	\$ 100,000	0.2%
Telephone	\$ 6,000	0.2%	\$ 7,000	0.1%	\$ 10,000	0.0%	\$ 15,000	0.0%	\$ 20,000	0.0%
Software	\$ 5,000	0.1%	\$ 10,000	0.1%	\$ 10,000	0.0%	\$ 10,000	0.0%	\$ 15,000	0.0%
Admin	\$ 24,000	0.7%	\$ 36,000	0.4%	\$ 36,000	0.1%	\$ 48,000	0.1%	\$ 60,000	0.1%
Total Operating Expenses	\$ 923,000	25.9%	\$ 1,161,000	11.4%	\$ 1,490,000	5.6%	\$ 1,973,000	5.6%	\$ 2,796,000	6.6%
Operating Income (EBITDA)	\$ 341,402	9.6%	\$ 2,631,695	25.7%	\$ 7,183,348	27.2%	\$ 8,685,737	24.9%	\$ 10,091,649	23.8%
Depreciation	\$ 33,333	0.9%	\$ 33,333	0.3%	\$ 33,333	0.1%	\$ 33,333	0.1%	\$ 33,333	0.1%
Interests	\$ -		\$ -		\$ -		\$ -		\$ -	
Pre-tax Income	\$ 308,069	9%	\$ 2,598,361	25%	\$ 7,150,014	27%	\$ 8,652,403	25%	\$ 10,058,316	24%
Income Tax	\$ 83,179		\$ 701,558		\$ 1,930,504		\$ 2,336,149		\$ 2,715,745	
Net Income	\$ 224,890	6%	\$ 1,896,804	19%	\$ 5,219,511	20%	\$ 6,316,254	18%	\$ 7,342,570	17%

The above forecast is based on the following pricing, cost, and gross profit structure:

The BC Bud Co						
Product Category	Price/ Unit	CoGS	CoGS %	Profit/ Unit	Gross Profit	Sales Channel
Flower 3.5g	\$ 23.50	\$ 17.09	73%	\$ 6.41	27%	Recreational
Flower PR 1.5g	\$ 9.95	\$ 3.97	40%	\$ 5.98	60%	Recreational
Vape Cart	\$ 24.00	\$ 6.00	25%	\$ 18.00	75%	Recreational
Beverage	\$ 5.00	\$ 2.74	55%	\$ 2.26	45%	Recreational
Coffee Bean	\$ 3.75	\$ 2.50	67%	\$ 1.25	33%	Recreational
Coffee Bean	\$ 7.50	\$ 2.50	33%	\$ 5.00	67%	Medical
Hash	\$ 75.00	\$ 65.27	87%	\$ 9.73	13%	Recreational
Rosin	\$ 75.00	\$ 65.27	87%	\$ 9.73	13%	Recreational

Annual Unit Sales Summary:

Annual Unit Sales by Product										
Product Category	Year 1		Year 2		Year 3		Year 4		Year 5	
	Units	Growth	Units	Growth	Units	Growth	Units	Growth	Units	Growth
Flower 3.5g	16,748	100%	45,982	175%	125,204	172%	146,256	17%	178,831	22%
Flower Pre-roll 1.5 - 2.0g	40,194	100%	110,357	175%	300,490	172%	351,014	17%	429,195	22%
Vape Cartridges	16,748	100%	45,982	175%	125,204	172%	146,256	17%	178,831	22%
Beverages	64,776	100%	228,691	253%	333,996	46%	366,438	10%	434,513	19%
CanaBean - Rec	58,058	100%	184,814	218%	274,341	48%	341,707	25%	389,130	14%
CanaBean - Medical	39,750	100%	149,000	275%	199,500	34%	238,000	19%	276,500	16%
Hash	10,150	100%	26,592	162%	88,640	233%	130,744	48%	159,552	22%
Rosin	10,150	100%	26,592	162%	88,640	233%	130,744	48%	159,552	22%

Revenue projections are based on detailed monthly retail store penetration rates as shown in Appendix B. Store count is assumed to remain static through the forecast period.

Operating Expenses notes:

Costs of Goods Sold vary by product category and are based on estimates provided by manufacturing and tolling partners.

- Marketing spend is estimated at \$70,000 per brand per province Year 1-3 (based on Black Rose manufacturing agreement) and proportionate to annual revenue in Years 4 and 5 as follows:
 - Yr 1 - \$280,000
 - Yr 2 - \$350,000
 - Yr 3 - \$350,000 plus promo of \$150,000
 - Yr 4 - Proportionate to revenue growth
 - Yr 5 - Proportionate to revenue growth
- Equipment purchases Year 1 - Solventless and CannaBean
 - Yr 1 - Solventless & Cana Bean
 - Yrs 2 to 5 - expansion of existing equipment and replacement of wearable parts
- Travel proportionate to store penetration rates and expected travel demands.
- Materials include R&D, new partner development/start-up costs, and sample product selection.
- Salary expense is based on \$36,000 per sales agent, \$60,000 per management position, HR requirement expectations are as follows:
 - Yr 1 - 3 sales agents, 2 management
 - Yr 2 - 5 sales agents, 2 management
 - Yr 3 - 7 sales agents, 2 management

- Yr 4 - 7 sales agents, 6 management
 - Yr 5 - 7 sales agents, 6 management, 3 others @ \$50,000
6. Gross profit ranges between 30% and 36% of revenues with an average of 33% over the forecast period.
 7. Average operating expenses are 11% of revenues for the forecast period ranging from a high of 26% to a low of 6.6% in Yr 5.
 8. Income before tax ranges from a low of 9% to 27% of revenues with an average of 22% over the forecast period.

10.2 5-Year Forecasted Cash Flow

Forecasted Cash Flow						
	Forecast					Terminal
	2021	2022	2023	2024	2025	Terminal
Net Income b/tax	308,069	2,598,361	7,150,014	8,652,403	10,058,316	-
Amortization	33,333	33,333	33,333	33,333	33,333	-
Interest expense	-	-	-	-	-	-
EBITDA	341,402	2,631,695	7,183,348	8,685,737	10,091,649	10,394,398
<i>Normalizing adjustments</i>						
Owners salary	-	-	-	-	-	-
Normalized EBITDA	341,402	2,631,695	7,183,348	8,685,737	10,091,649	10,394,398
<i>Normalized EBITDA as a % of revenues</i>	9.6%	25.7%	27.2%	24.9%	23.8%	
less: Taxes	(37,600)	(630,600)	(1,859,500)	(2,265,100)	(2,644,700)	(2,726,500) (1)
less: sustaining capex	(120,000)	(100,000)	(100,000)	(100,000)	(150,000)	(125,000) (2)
add: PV of Tax Shield	10,900	9,100	9,100	9,100	13,700	11,400 (3)
+/- Change in Working Capital	-	-	-	-	-	- (4)
After Tax Cash Flow	194,702	1,910,195	5,232,948	6,329,737	7,310,649	7,554,298

1. Taxes are estimated at the current general business rate of 27% in British Columbia.
2. Annual sustaining capital expenditure is estimated between \$100,000 and \$125,000 per year; this includes the capital expenditure for equipment and machinery.
3. Tax-shield on CAPEX, this is the tax savings that are anticipated on the sustaining capital expenditure.

Tax shield on capex - half year rule	2021	2022	2023	2024	2025	Terminal
Gross capex	120,000	100,000	100,000	100,000	150,000	125,000
CCA Rate (blended)	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Tax Rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Discount Rate	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Tax shield on capex	12,960	10,800	10,800	10,800	16,200	13,500
1/2 Year Rule	0.845	0.845	0.845	0.845	0.845	0.845
Tax shield on capex	10,900	9,100	9,100	9,100	13,700	11,400

4. Based on the forecast, we assume the *Company* will be earning sufficient free cash to support its working capital requirements without requiring additional capital injections.

10.3 Discount Rate

A discount rate represents the total expected rate of return that a prospective buyer or investor would demand on future anticipated economic benefits to be received based on the purchase of an ownership interest in an asset or security, given the perceived risk inherent in that particular asset or security to actually receive the economic benefits in the amounts and timeframes expected. The discount rate is referred to as the Cost of Equity or the Weighted Average Cost of Capital. An appropriate discount rate was selected after taking into consideration the following factors:

The basic formula for the Build-up Model is the following:

$$E(R_i) = R_f + RP_m + RP_s +/- RP_i + RP_u$$

Where:

$E(R_i)$	= Expected rate of return on a security in the marketplace
R_f	= Rate of return for a risk-free security as of the valuation date
RP_m	= Equity risk premium for securities sold in the open market
RP_s	= Risk premium for small size equities traded in the open market
RP_i	= Industry Risk Premium
RP_u	= Unsystematic risk related to the specific security interest (Company Risk Premium)

Risk-Free Rate of Return (R_f)

The risk-free rate is the return an investor can expect to receive on a totally risk-free asset. The risk-free rate normally used is the prevailing yield to maturity on long-term federal government bonds.

The risk-free rate of return plays an important role in modern portfolio theory which argues that the risk-free rate of return is the minimum return investors will accept on their investment. As compensation for higher risk, investors demand the risk-free rate of return plus a premium on riskier cash flows and/or business opportunities.

The Government of Canada's long-term benchmark bond yields is 1.28%. (Dec 10, 2020)

Public Equity Market Risk (RP_m)

The public equity market risk premium represents the historical returns public market equity investors have realized for placing capital in equity investments as opposed to risk-free securities. This premium is over and above the risk-free rate and is quantified with reference to long-term stock market rates of return including dividends and capital appreciation in excess of the long-term federal government bonds.

The equity risk premium is 6.12% in Canada (January 2020)

(source: Aswath Damodaran, New York University – Stern School of Business January 2020 Study).

Small Size Equities Risk Premium (RPs)

To determine the indicated size-adjusted equity risk premium using the CRSP data provided by Cost of Capital Professional, we must add a size premium to the abovementioned equity risk premium, which reflects the additional required return associated with investments in smaller equity companies as compared to larger companies. The Size Premium was based on CRSP decile 10 which included 657 firms with an equity market capitalization size ranging from \$1,973,000 to \$229,748,000 in Q4 2019. The CRSP decile 10 mean annual return reached 19.33% between 1928 and 2018. We utilized the CRSP data reflecting the risk premium for the tenth decile. This premium is 7.64%.

Industry Specific Risk Factors (RPI)

Industry-specific risks and opportunities related to external factors that all companies face in a particular industry. An adjustment may be required to increase or decrease the cost of equity, depending on whether the industry is more or less risky than the level of risk implied in public equity market rates of return as discussed above. Certain industries are more susceptible than others to fluctuations in the economic, regulatory, or political environments, and social trends such as health consciousness or environmental awareness. Other factors that may affect a specific industry to a greater degree include competitive structures, barriers to entry, the price of key inputs, transportation costs, technological changes, and overall growth rates.

The Cannabis Industry is experiencing a dramatic structural shift as the industry attempts to normalize and transition to the newly legalized recreational Cannabis regime. Many industry participants are vying for a position in an ever-crowded marketplace resulting in underutilized capacity and oversupply; insolvencies are on the rise. The Government of Canada and the various provincial and local governments highly tax and regulate the industry while creating a myriad of bottlenecks in the licensing, distribution, and marketing of Cannabis products. However, Health Canada is not limiting the number of industry licenses it issues and therefore by default is allowing the market to rationalize itself through traditional supply and demand market forces.

With a high current user rate and a growing market of would-be users, industry revenues are growing, including the proliferation of derivative Cannabis products under the new Cannabis 2.0 regulations. Based on market indicators for current and planned production there is a large oversupply situation in Canada driving prices down at the wholesale level leaving producers with projected revenue shortfalls as their production increases.

Regulatory compliance and various levels of taxation are adding a large number of costs to operators accustomed to a more profitable environment in the legacy and medical markets. The market is not concentrated but continues to become more crowded as new entrants are licensed each quarter. The path to profitability for many is still uncertain as companies keep investing in facilities and capacity as they become accustomed to the costs of compliance and levels of taxation.

Barriers to entry are high due to large capital outlays and mired with red-tape and government processing delays. Facilities must be fully built and ready to operate before the application for licensing can commence. Therefore, capital and investments are at risk without any indications or assurances a license application will ultimately be successful. A similar process is in place through Health Canada for product approvals that can take in excess of 60 days.

The Merger & Acquisition activity in this sector has been setting records in both 2018 and 2019 on both private and public fronts, as companies try to gain market share and economies of scale. Much of this activity has been completed using equity capital, which has seen very large market erosions especially in the latter part of 2019. The M&A trend is expected to continue through the balance of 2020 and into 2021.

The major threat for many will be running out of capital while trying to find a path to profitability and navigating the regulatory restrictions ranging from production and distribution to pricing and the way products are packaged. The Cannabis Act imposes very strict restrictions on product branding and marketing which leaves few opportunities for producers to differentiate their products from that of the competition in an increasingly commoditized and homogenous market.

Overall industry-specific risk factors are: **high**.

Company Specific Risk Factors (RPu)

Company-specific risk factors are internal in nature and are not accounted for in the industry risk mentioned above. An adjustment may be required to the cost of equity, where the business faces more or less risk than does the industry in general, and where the cash-flow projections do not adequately reflect the specific risk or opportunities. Major factors that need to be considered include brand, patents or copyright protection, product, geographic, and customer diversification, competitive advantages, management depth, experience and tenure, access to the labor force, supplier dependence, the company size relative to competitors, and cost structure.

BCBC is a pre-revenue startup company that is in the process of capitalizing on the industry experience of its founders and a brand that is synonymous with BC Cannabis culture affectionately known as “BC Bud”. This strategy provides the *Company* with pre-market brand awareness and serves as the *Company's* (The BC Bud Co.) point of difference in a crowded retail marketplace.

While many industry participants are vertically integrated from seed to shelf, the *Company's* business model is centered around joint-venture agreements with established growers, processors, and product manufacturers, allowing **BCBC** to leverage established growers/processors and focus on product branding, sales, and distribution rather than production. This strategy allows the *Company* to avoid the risk, capital expenditures, and lengthy licensing requirements associated with owning its own cultivation infrastructure.

The founders have a long history in the Cannabis industry both in Canada and the US, management depth, industry contacts, and canna-business experience are among the *Company's* top strengths and a source of competitive advantage.

Supplier dependence is low as the *Company* can utilize various suppliers, processors, and cultivators due to an abundance of capacity and an oversupply situation in Canada. The *Company's* intellectual property and brand names are trademark protected and awaiting final approvals. **BCBC** has three signed agreements or agreements of understanding with its initial partners to begin production, sourcing, and distribution of its four product categories in early 2021.

While **BCBC** is developing an innovative business model, leveraging off others' capital investments, infrastructure, and assembled workforce; it is yet to prove its business model, demonstrate sales and consumer demand. Its first product line, CannaBeans, is in the process of submission for Health Canada approval that can take 30-60 days according to management.

Based on the information available for this analysis, the overall company-specific risk factors are **high**.

10.4 Discount Rate Summary and Conclusion

In summary, there are several **positive** factors that would suggest a lower risk is attached to **BCBC** cash flow, these include:

- Leveraged business model;
- Three joint-venture, manufacturing agreements in place;
- Brand alignment with BC Bud culture;
- Focus on branding, sales, and distribution;
- Innovative product pipeline with a focus on Cannabis 2.0;
- Trademark protection of IP assets;
- Management depth, experience, and industry contacts;
- Proven success in the cannabis industry;
- Low supplier dependence;
- The abundance of cannabis products for processing;
- High barriers to entry for production and cultivation;
- The rapid expansion of cannabis derivative product use in Canada;
- Branding becoming more important in a commoditized marketplace; and,
- Highly dynamic M&A market activity.

On the **negative** side, acknowledging risk in the cash flow projections that would suggest a higher risk, these include:

- Pre-revenue company;
- No proven sales record or brand demand;
- None of the products have received Health Canada approvals;
- No secured listing agreements or retail purchase orders;
- Highly regulated market and inefficient government distributions scheme;
- High levels of taxation at all levels of government;
- Regulatory and distribution bottlenecks;
- The market is in an oversupply situation in Canada;
- The industry still seeking a path to profitability;
- Market and branding opportunities are limited by legislation; and,
- Cannabis equity markets and valuations experiencing high volatility.

10.5 Discount Rate Conclusion

The WACC has two primary components; the cost of equity and the cost of debt, each weighted relative to the size of the *Company's* overall capital structure. The *Company's* marginal tax rate is also considered in calculating the *Company's* cost of debt. We estimate the marginal tax rate is 11% (blended federal and provincial tax rate). The formula used to calculate WACC is the following:

$$\text{WACC} = (\text{Ke} * \text{We}) + [\text{Kd} *(1-t)*\text{Wd}]$$

Where:

WACC	=	Weighted average cost of capital
Ke	=	Company's cost of common equity capital
Kd	=	Company's cost of debt capital
We	=	Percentage of equity capital in the capital structure
Wd	=	Percentage of debt capital in the capital structure
t	=	company's effective tax rate

Based on the *Company's* lack of underlying tangible assets that can be securitized, the levels of maintainable cash flows, and the existing capital structure on the Balance Sheet at the Valuation Date, the optimal capital structure of the *Company*, being the mix of debt and equity, it is assumed to be 100% equity and 0% debt.

Considering all of these factors, we have estimated the weighted Cost of Equity to be in the range of **49% to 52%** and the weighted after-tax Cost of Debt to be **0%** resulting in an average weighted cost of capital (WACC) return of **49% to 52%**.

This after-tax rate of return is adjusted for the *Entity's* revenue growth rate less inflation resulting in a net capitalization rate of **46% to 49%**.

Weighted Average Cost of Capital - WACC		
	Low	High
Cost of Equity	49.0%	52.0%
Weight of equity	100.0%	100.0%
Weighted Cost of Equity	49.0%	52.0%
Cost of Debt		
Prime + 6% (Dec 10, 2020)	8.45%	8.45%
After tax cost of debt	7.52%	7.52%
Weight of debt	0.00%	0.00%
Weighted Cost of Debt	0.00%	0.00%
Nominal Discount Rate	49.0%	52.0%
less: growth rate	3.00%	3.00%
Capitalization Rate	46.0%	49.0%

10.6 FAIR MARKET VALUE CALCULATIONS - Discounted Cash Flow

Discounted Cash Flow						
	2021	2022	2023	2024	2025	Terminal
After Tax Cash Flow	194,702	1,910,195	5,232,948	6,329,737	7,310,649	7,554,298
Terminal Multiple	3%					2.17 (1)
Discount period (mid-year)	0.5	1.5	2.5	3.5	4.5	4.5 (2)
Discount factor (low)	49.0%	0.82	0.55	0.37	0.25	0.17 (3)
Terminal Cash Flow						16,422,388 (4)
Present Value of Cash Flows	159,506	1,050,263	1,930,993	1,567,594	1,215,116	2,729,594
Terminal Multiple	3%					2.04 (5)
Discount period (mid-year)	0.5	1.5	2.5	3.5	4.5	4.5 (6)
Discount factor (high)	52.0%	0.81	0.53	0.35	0.23	0.15 (7)
Terminal Cash Flow						15,416,935 (8)
Present Value of Cash Flow s	157,924	1,019,324	1,837,120	1,461,952	1,110,861	2,342,620
		Low	High			
Sum of Cash Flow		7,929,801	8,653,067	(9)		
add: PV of UCC		-	-	(10)		
Enterprise Value (Business Value)		7,929,801	8,653,067			
add: redundant asset				(11)		
less: debts				(12)		
En Block FMV of Equity	\$	7,929,801	\$ 8,653,067			

Note the following:

Terminal Value captures the value of a business beyond the projection period and is the present value of all subsequent cash flows after the terminal value multiple is applied and then discounted to the present value.

Capitalization Rate / Terminal Multiple		
	Low	High
Nominal Discount Rate	49.0%	52.0%
less: growth rate	3.0%	3.0%
Capitalization Rate	46.0%	49.0%
Terminal Multiple	2.17	2.04

The capitalization multiple is the inverse of the capitalization rate:

$$1/\text{Capitalization Rate} = \text{Capitalization Multiple}$$

1. The Terminal Value multiple of 2.17x based on 46% (49% less 3% growth rate).
2. We have used a mid-year discounting period in each year of the forecast.
3. A discount value factor of 49% was applied to the forecasted cash flow.

The discount factor is calculated using the following present value formula:

$$1/(1+\text{rate})^t = \text{Discount Rate Factor}$$

4. Terminal cash flow
5. The Terminal Value multiple of 2.04x based on 49% (52% less 3% growth rate).

6. We have used a mid-year discounting period in each year of the forecast.
7. A discount value factor of 52% is applied to the forecasted cash flow.

The discount factor is calculated using the following present value formula:

$$1/(1+rate)^t = \text{Discount Rate Factor}$$

8. Terminal cash flow.
9. The sum of the present value of the forecasted cash flows.
10. A purchaser will enjoy tax savings from the future CCA to be claimed on capital assets at the date of the valuation, the present value of these savings are added to the Capitalized Cash Flow to arrive at the Enterprise Value of the business.

At the Valuation Date, the *Company* does not own any fixed assets that carry future CCA balances.

11. Redundant assets are those assets that are not required for the ongoing operations of the *Company* and accordingly can be liquidated without any financial risk to the business. The FMV of redundant assets ultimately increases the FMV of the *Company* shares. Redundant assets are added to Enterprise Value to arrive at the Total Enterprise Value.

BCBC has no redundant assets on its balance sheet at the Valuation Date.

12. Because the rate of return adopted in our analysis includes a blend of debt and equity rates of return, the *Company* value derived reflects a total value of the *Company* (Enterprise Value), including its interest-bearing debt. To determine the fair market value of equity, the value of interest-bearing debt is deducted from the Enterprise Value to arrive at En Bloc Value of Equity.

BCBC has no debts at the Valuation Date.

10.7 Implied EV/EBITDA Multiple

The Enterprise Value (EV) to EBITDA multiple compares the value of the business with the amount it earns on an annual basis. This multiple can be used to compare the *Company* to the value of other, similar businesses trading multiples.

Implied Enterprise Value to EBITDA Multiple		
	Low	High
Business Enterprise Value	7,929,801	8,653,067
EBITDA Year 1	341,402	341,402
Implied Multiple	23.23	25.35
EBITDA (5 Yr average)	6,554,705	6,554,705
Implied Multiple	1.21	1.32

11.0 VALUE CONCLUSION

The concluded fair market value of 100% of the issued and outstanding shares of **The BC Bud Corporation** to be in the range of:

\$7,900,000 to \$8,700,000

The analyses, opinions, calculations, and conclusions were developed in this Report has been prepared in accordance with the standards set forth by the Canadian Instituted of Chartered Business Valuators.

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Appendix A – BCBC Forecast Product Unit Sales by Category per Store

Product Category	Units/Store	Units/Store	Selling unit
	Yr 1 & 2	Year 3+	Description
Flower	10	20	3.5g jar
Flower pre-roll	24	48	1.5g - 2.0g pre-roll selling unit
Vape Cartridge	10	20	Individual cartridge
Beverages	48	48	Individual cans/bottles
Coffee Bean (Recreational)	40	40	Individual package
Coffee Bean (Medical Patients)	Patient	Patient	Individual package
Hash	20	40	1g jar
Rosin	20	40	1g jar

Appendix B – Monthly Retail Store Penetration Rate Estimate

Flower products (The BC Bud Co Brand)

Year 1

		Year 1												Total	
		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21		
Number of stores (available)		1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015		
Penetration Rate		0%	0%	0%	5%	10%	15%	15%	20%	20%	25%	25%	30%		
Number of stores (forecasted)		-	-	-	51	102	152	152	203	203	254	254	305		
Year 1 & 2 Units/store															
The BC Bud Co															
Flower 3.5g		10	-	-	-	508	1,015	1,523	1,523	2,030	2,030	2,538	2,538	3,045	16,748
Flower PR 1.5g		24	-	-	-	1,218	2,436	3,654	3,654	4,872	4,872	6,090	6,090	7,308	40,194
Vape Cart		10	-	-	-	508	1,015	1,523	1,523	2,030	2,030	2,538	2,538	3,045	16,748

Year 2

		Year 2												Total	
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22		
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108		
Penetration Rate		30%	30%	30%	30%	30%	35%	35%	35%	40%	40%	40%	40%		
Number of stores (forecasted)		332	332	332	332	332	388	388	388	443	443	443	443		
Year 1 & 2 Units/store															
The BC Bud Co															
Flower 3.5g		10	3324	3324	3324	3324	3324	3878	3878	3878	4432	4432	4432	4432	45,982
Flower PR 1.5g		24	7977.6	7977.6	7977.6	7977.6	7977.6	9307.2	9307.2	9307.2	10636.8	10636.8	10636.8	10636.8	110,357
Vape Cart		10	3324	3324	3324	3324	3324	3878	3878	3878	4432	4432	4432	4432	45,982

Year 3

		Year 3												Total	
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23		
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108		
Penetration Rate		40%	45%	45%	45%	45%	45%	50%	50%	50%	50%	50%	50%		
Number of stores (forecasted)		443	499	499	499	499	499	554	554	554	554	554	554		
Year 3-5 Units/Store															
The BC Bud Co															
Flower 3.5g		20	8,864	9,972	9,972	9,972	9,972	9,972	11,080	11,080	11,080	11,080	11,080	11,080	125,204
Flower PR 1.5g		48	21,274	23,933	23,933	23,933	23,933	23,933	26,592	26,592	26,592	26,592	26,592	26,592	300,490
Vape Cart		20	8,864	9,972	9,972	9,972	9,972	9,972	11,080	11,080	11,080	11,080	11,080	11,080	125,204

Year 4

		Year 4												Total	
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23		
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108		
Penetration Rate		50%	50%	52%	52%	54%	54%	56%	56%	58%	58%	60%	60%		
Number of stores (forecasted)		554	554	576	576	598	598	620	620	643	643	665	665		
Year 3-5 Units/Store															
The BC Bud Co															
Flower 3.5g		20	11,080	11,080	11,523	11,523	11,966	11,966	12,410	12,410	12,853	12,853	13,296	13,296	146,256
Flower PR 1.5g		48	26,592	26,592	27,656	27,656	28,719	28,719	29,783	29,783	30,847	30,847	31,910	31,910	351,014
Vape Cart		20	11,080	11,080	11,523	11,523	11,966	11,966	12,410	12,410	12,853	12,853	13,296	13,296	146,256

Year 5

		Year 5												Total	
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23		
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108		
Penetration Rate		60%	62%	62%	65%	65%	67%	67%	70%	70%	72%	72%	75%		
Number of stores (forecasted)		665	687	687	720	720	742	742	776	776	798	798	831		
Year 3-5 Units/Store															
The BC Bud Co															
Flower 3.5g		20	13,296	13,739	13,739	14,404	14,404	14,847	14,847	15,512	15,512	15,955	15,955	16,620	178,831
Flower PR 1.5g		48	31,910	32,974	32,974	34,570	34,570	35,633	35,633	37,229	37,229	38,292	38,292	39,888	429,195
Vape Cart		20	13,296	13,739	13,739	14,404	14,404	14,847	14,847	15,512	15,512	15,955	15,955	16,620	178,831

Beverage Products (Buds Brand)

Year 1

		Year 1											Total
		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21		Dec-21
Number of stores (available)		1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015
Penetration Rate		0%	0%	3%	5%	10%	10%	10%	15%	20%	20%	20%	20%
Number of stores (forecasted)		-	-	30	51	102	102	102	152	203	203	203	203
Buds	Year 1 & 2 Units/store												
Beverage	48	-	-	1,440	2,436	4,872	4,872	4,872	7,308	9,744	9,744	9,744	9,744
													64,776

Year 2

		Year 2											Total
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22		Dec-22
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
Penetration Rate		25%	25%	25%	30%	30%	35%	38%	42%	45%	45%	45%	45%
Number of stores (forecasted)		277	277	277	332	332	388	421	465	499	499	499	499
Buds	Year 1 & 2 Units/store												
Beverage	48	13,296	13,296	13,296	15,955	15,955	18,614	20,210	22,337	23,933	23,933	23,933	23,933
													228,691

Year 3

		Year 3											Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23		Dec-23
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
Penetration Rate		45%	45%	48%	48%	48%	50%	55%	55%	58%	58%	58%	60%
Number of stores (forecasted)		499	499	532	532	532	554	609	609	643	643	643	665
Buds	Year 3-5 Units/Store												
Beverage	48	23,933	23,933	25,528	25,528	25,528	26,592	29,251	29,251	30,847	30,847	30,847	31,910
													333,996

Year 4

		Year 4											Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23		Dec-23
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
Penetration Rate		60%	60%	62%	62%	62%	62%	64%	64%	64%	64%	65%	65%
Number of stores (forecasted)		665	665	687	687	687	687	709	709	709	709	720	720
Buds	Year 3-5 Units/Store												
Beverage	48	31,910	31,910	32,974	32,974	32,974	32,974	34,038	34,038	34,038	34,038	34,570	
													366,438

Year 5

		Year 5											Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108
Penetration Rate		65%	67%	67%	67%	67%	68%	68%	68%	70%	70%	70%	70%
Number of stores (forecasted)		720	742	742	742	742	753	753	753	776	776	776	776
Buds	Year 3-5 Units/Store												
Beverage	48	34,570	35,633	35,633	35,633	35,633	36,165	36,165	36,165	37,229	37,229	37,229	37,229
													434,513

Chocolate Products (CannaBeans Brand)

Year 1

		Year 1												Total
		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	
Number of stores (available)		1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	
Penetration Rate		0%	0%	3%	5%	10%	10%	15%	15%	20%	20%	20%	25%	
Number of stores (forecasted)		-	-	30	51	102	102	152	152	203	203	203	254	
Canna Beans	Year 1 & 2 Units/store													
Coffee Bean (Recreational)	40	-	-	1,218	2,030	4,060	4,060	6,090	6,090	8,120	8,120	8,120	10,150	58,058
Coffee Bean (Med Patients)	Patient			500	750	1,500	2,500	3,000	4,000	5,500	6,000	7,500	8,500	39,750

Year 2

		Year 2												Total
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		25%	28%	28%	30%	33%	35%	37%	40%	40%	42%	42%		
Number of stores (forecasted)		277	310	310	332	366	388	410	410	443	443	465	465	
Canna Beans	Year 1 & 2 Units/store													
Coffee Bean (Recreational)	40	11,080	12,410	12,410	13,296	14,626	15,512	16,398	16,398	17,728	17,728	18,614	18,614	184,814
Coffee Bean (Med Patients)	Patient	9,000	10,000	10,500	11,000	12,000	12,500	13,000	13,000	14,000	14,500	14,500	15,000	149,000

Year 3

		Year 3												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		42%	45%	48%	48%	50%	50%	52%	55%	55%	57%	57%	60%	
Number of stores (forecasted)		465	499	532	532	554	554	576	609	609	632	632	665	
Canna Beans	Year 3-5 Units/Store													
Coffee Bean (Recreational)	40	18,614	19,944	21,274	21,274	22,160	22,160	23,046	24,376	24,376	25,262	25,262	26,592	274,341
Coffee Bean (Med Patients)	Patient	15,000	15,500	16,000	16,000	16,500	16,500	17,000	17,000	17,000	17,500	17,500	18,000	199,500

Year 4

		Year 4												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		60%	60%	62%	62%	64%	64%	64%	64%	67%	67%	67%	70%	
Number of stores (forecasted)		665	665	687	687	709	709	709	709	742	742	742	776	
Canna Beans	Year 3-5 Units/Store													
Coffee Bean (Recreational)	40	26,592	26,592	27,478	27,478	28,365	28,365	28,365	28,365	29,694	29,694	29,694	31,024	341,707
Coffee Bean (Med Patients)	Patient	18,000	18,000	19,000	19,000	19,500	20,000	20,000	20,500	20,500	21,000	21,000	21,500	238,000

Year 5

		Year 5												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		70%	70%	70%	72%	72%	74%	74%	74%	74%	76%	76%	76%	
Number of stores (forecasted)		776	776	776	798	798	820	820	820	820	842	842	842	
Canna Beans	Year 3-5 Units/Store													
Coffee Bean (Recreational)	40	31,024	31,024	31,024	31,910	31,910	32,797	32,797	32,797	32,797	33,683	33,683	33,683	389,130
Coffee Bean (Med Patients)	Patient	21,500	22,000	22,000	22,500	22,500	23,000	23,000	23,500	23,500	24,000	24,000	25,000	276,500

Hash & Rosin Products (Solventless Brand)

Year 1

		Year 1												Total
		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	
Number of stores (available)		1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	
Penetration Rate		0%	0%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Number of stores (forecasted)		-	-	51	51	51	51	51	51	51	51	51	51	
	Year 1 & 2 Units/store													
Solventless		-	-	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	
Hash	20	-	-	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	
Rosin	20	-	-	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	1,015	
													10,150	
													10,150	

Year 2

		Year 2												Total
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Number of stores (forecasted)		111	111	111	111	111	111	111	111	111	111	111	111	
	Year 1 & 2 Units/store													
Solventless		2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	
Hash	20	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	
Rosin	20	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	2216	
													26,592	
													26,592	

Year 3

		Year 3												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		15%	15%	15%	15%	15%	15%	15%	15%	20%	20%	20%	20%	
Number of stores (forecasted)		166	166	166	166	166	166	166	166	222	222	222	222	
	Year 3-5 Units/Store													
Solventless		6,648	6,648	6,648	6,648	6,648	6,648	6,648	6,648	8,864	8,864	8,864	8,864	
Hash	40	6,648	6,648	6,648	6,648	6,648	6,648	6,648	6,648	8,864	8,864	8,864	8,864	
Rosin	40	6,648	6,648	6,648	6,648	6,648	6,648	6,648	6,648	8,864	8,864	8,864	8,864	
													88,640	
													88,640	

Year 4

		Year 4												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		20%	20%	25%	25%	25%	25%	25%	25%	25%	25%	25%	30%	
Number of stores (forecasted)		222	222	277	277	277	277	277	277	277	277	277	332	
	Year 3-5 Units/Store													
Solventless		8,864	8,864	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	13,296	
Hash	40	8,864	8,864	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	13,296	
Rosin	40	8,864	8,864	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	13,296	
													130,744	
													130,744	

Year 5

		Year 5												Total
		Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	
Number of stores (available)		1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	1,108	
Penetration Rate		30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Number of stores (forecasted)		332	332	332	332	332	332	332	332	332	332	332	332	
	Year 3-5 Units/Store													
Solventless		13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	
Hash	40	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	
Rosin	40	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	13,296	
													159,552	
													159,552	

Appendix C – Brand Collateral

Appendix D – Trademark Registrations

Appendix E – Joint-Venture Agreements