LOBE SCIENCES LTD.

Management Discussion & Analysis

For the three and nine months ended May 31, 2021 and 2020

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Lobe Sciences Ltd. and its subsidiaries ("Lobe" or the "Company"), prepared as at July 26, 2021, is for the three and nine months ended May 31, 2021 and 2020. This MD&A is a supplement to and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended May 31, 2021 and 2020. The Company's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements including International Accounting Standard 34 - *Interim Financial Reporting*. All amounts presented herein are stated in Canadian dollars unless otherwise indicated. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended August 31, 2020 and 2019, are also referred to as "fiscal 2020" and "fiscal 2019", respectively.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators. Additional information regarding Lobe is available through the SEDAR website at www.sedar.com

Forward Looking Information

This MD&A contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. This MD&A may contain forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Such statements reflect management's current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and known or unknown risks and contingencies. Many factors could cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Please see the risk factors discussed under the heading "Risk Factors" in this MD&A.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

1. LOBE SCIENCES LTD.

Lobe (formerly GreenStar Biosciences Corp.) was incorporated under the Business Corporations Act (British Columbia) on May 13, 2010. The head office, principal address and registered office of the Company are located at 1400 – 1199 West Hasting Street, Vancouver, B.C. V6E 3T5.

On May 30, 2019, the Company completed a reverse takeover with Green Star Biosciences Inc. The transaction was accounted for as a reverse acquisition. On May 30, 2019, the Company changed its name to GreenStar Biosciences Corp. and on November 16, 2020 the Company changed its name to Lobe Sciences Ltd. The Company's common shares are listed under the symbol "LOBE" on the Canadian Securities Exchange and under the symbol "GTSIF" on the OTCQX. In connection with the name change, the Company has new CUSIP and ISIN numbers 53946V107 and CA53946V1076 respectively.

The Company is working to develop psychedelic compounds as therapeutics. Initially the company will develop psilocybin-based therapeutics in combination with N-acetylcysteine ("NAC") for the treatment of mild traumatic brain injuries ("mTBI") and post-traumatic stress disorder ("PTSD") and devices for the efficient application of these medications. The Company also owned acquired brands, intellectual property and leases office and production premises to a cannabis processor and retailer which disposed of on March 5, 2021.

2. HIGHLIGHTS

Q3 2021 CONSOLIDATED FINANCIAL HIGHLIGHTS

- Net loss from continuing operations of $6,585,685 or $0.03 per share, compared to net loss from continuing operations of $391,462 or $0.01 per share for Q3 2020. The increase in net loss is related to non-cash fair value changes on the consideration received from the sale of Cowlitz County Cannabis Cultivation, Inc. ("Cowlitz").
- Net income from discontinued operations of $17,788,170 of $0.05 per share, compared to net income from discontinued operations of $73,461 or $0.00 per share. The increase is net income is the result of the gain on sale of cannabis assets related to Cowlitz.

MARCH 31, 2021 COMPARED TO AUGUST 31, 2020 CONSOLIDATED BALANCE SHEET HIGHLIGHTS

- Cash was $2,325,204, compared to $172,107 at August 31, 2020, an increase of 1,050%.
- Total assets were $28,831,510, compared to $12,971,092 at August 31, 2020, an increase of 124%.
- Working capital was $12,006,922, compared to $393,553 at August 31, 2020, an increase of 2,875%.

3. 2021 BUSINESS DEVELOPMENT AND OVERVIEW

Lobe is working to develop effective psychedelic-based therapeutics for the treatment of mTBI and PTSD and devices for the efficient application of medications. The Company owned acquired brands, owns intellectual property, and leases office and production premises to a cannabis processor and retailer and had explored various other cannabis ventures. As at May 31, 2021, the Company has divested all cannabis related investments and will focus exclusively on psychedelic-based therapeutics.

Psychedelic-based therapeutics

Psychedelic-based therapeutics under development by the Company include the following:

Eleusian Biosciences Corp.

On July 27, 2020, the Company acquired a 100% interest in Eleusian Biosciences Corp. (“Eleusian”) (the “Transaction”). The Transaction provides the following to the Company:

- Brings seasoned pharmaceutical leader and executive Maghsoud Dariani, Eleusian’s Chief Science Officer to the Company to join the Company’s executive team as Chief Science Officer.
- Expands the Company’s portfolio of brands in the life sciences space, opening access to the emerging psychedelic medicine sector.
- Provides development opportunities with brain health and mental wellness – pre-clinical studies in progress to lead to IND submission.
- Expands intellectual property portfolio with five provisional patent applications filed by Eleusian in the United States.

Other than medicines that mask individual symptoms related to either condition, there are currently no effective drugs for mTBi and PTSD. Eleusian, in collaboration with the University of Miami Miller School of Medicine under the guidance of Michael E. Hoffer, M.D, intends to prove that clinical and physiological effectiveness in mTBi and PTSD are enhanced by timely measured dosages of psilocybin and NAC with superior clinical results as measured by objective outcomes. The Company expects this combination to elicit clinical outcomes that are superior to psilocybin or NAC alone and will alleviate one or more symptoms of mTBI and PTSD.

By alleviating one or more symptoms of mTBI with PTSD, it is meant to decrease severity of one or more of intrusive memories, nightmares, a sense of reliving the trauma, or psychological or physiological distress when reminded of the trauma, active avoidance of thoughts, feelings, or reminders of the trauma, inability to recall some aspect of the trauma, withdrawal from others, or emotional numbing, insomnia, irritability, difficulty concentrating, hypervigilance, or heightened startle response.

On September 1, 2020, Eleusian added another provisional patent application to the overall existing intellectual property portfolio of the Company. The provisional patent application entitled "Facial Worn Device for Administration of Pharmaceutical Agents in Combination with Virtual and Augmented Reality Simulations" was filed with the United States Patent and Trademark Office for a facial worn device combining virtual reality ("VR") glasses for delivery of programmed virtual and augmented reality simulations. This device includes a nasal delivery system for administration of pharmaceutical agents and/or fragrances at preselected dosages and times. Uses include methods and kits for alleviating unwanted memories and emotions lined with PTSD or mTBI with PTSD.

The Company, through a pre-clinical study conducted by the University of Miami, intends to demonstrate that the outcomes and clinical symptoms of the post-concussion syndrome (“PTSD”) are improved in animal models. It is believed that the timely administration of psilocybin plus NAC may provide superior clinical results as measured by objective outcomes. We expect this combination to elicit clinical outcomes that are superior to Psilocybin or NAC alone. The study commenced in January 2021 and is ongoing.

On December 3, 2020, the Company announced that it has engaged VisionWorks Engineering of San Diego, CA to commence engineering work to complete and test a proof-of-concept prototype of its nasal mist device. This is a major milestone towards the ultimate goal for development of effective delivery methods and commercialization. The Company holds several provisional patent applications including for a nasal mist device entitled "Device and Method for the Treatment of Traumatic Brain Injuries and Post-Traumatic Stress Disorder". This device includes a nasal delivery system for administration of pharmaceutical agents such as a psilocybin-derived agent and/or NAC at preselected dosages and times. The device design allows for the precise control and delivery of medicines through the nasal cavity for faster and more efficient uptake of psychedelics and other medicines that target the brain. The protype was completed on February 18, 2021.

Krysalis

On April 26, 2021, the Company entered into an agreement with Virtual Psychedelics Incorporated ("VPI") certain industry-leading pioneers, including Hollywood director Brett Leonard and researcher and USC professor Dr. Skip Rizzo, with respect to the joint design, development and commercialization of a new psychedelic/virtual experience ("VX") pod (the "KrysalisTM Pod"). The KrysalisTM Pod will be designed to be powered by a custom tech stack incorporating advanced display technology and state-of-the-art bio-monitoring with the goal of improving psychedelic therapy by optimizing set, setting and the overall experience for clinical and other uses. The KrysalisTM Pod will be designed as a headset-free, virtual experience that uses multi-sensory stimulation to create an application that can offer treatment options for cognitive, psychological, motor and functional impairments across a wide range of clinical health conditions.

The joint venture will be operated under a company to be owned 50% by Lobe and 50% by VPI called Krysalis VX Corp. ("Krysalis VX"). Lobe will contribute US$250,000 in cash as well as issue 5,000,000 common shares of the Company. The Lobe shares will be sold (subject to applicable hold periods and certain agreed restrictions on sale) in order to generate cash to fund Krysalis VX' initial business expenditures. Lobe has also committed to providing US$1,500,000 to Krysalis VX pursuant to a secured line of credit, which will only be drawn when the initial funding contributions are expended and after Krysalis VX has detailed plans to file provisional patents relating to the business.

In connection with the agreement, each of the VPI Principals will be granted 150,000 non-transferable common share purchase warrants of Lobe, exercisable for a period of two years from the date of issuance at a price of $0.20 per share. Lobe also issued 500,000 common shares to certain finders in connection with the transaction, at a deemed price of $0.20 per share. All Lobe securities issued or issuable will be subject to a statutory hold period of four months and a day from the date of issuance and, as applicable, resale restrictions required under U.S. securities laws.

Vitamind

The Company, through Eleusian, acquired the consumer goods product line, "Vitamind", pursuant to an asset purchase agreement (the "Purchase Agreement") dated April 30, 2021 between Eleusian and a holding corporation which holds the rights to Vitamind (the "Vendor") (the "Transaction"). Vitamind is a brand of non-psychedelic functional mushroom products that includes three product lines which are specifically focused on boosting immune response and increasing mental clarity.

The Vitamind line of products are adaptogenic functional mushroom extract blends, which are specifically designed to promote wellness, including supporting immune response, and mental clarity, including improving memory function and reducing anxiety. The products include a blend of reishi, cordyceps, lion's mane, turkey tail, mesima, maitake, bacopa and/or shitake mushrooms. The Vitamind line currently consists of three product lines: 911 IMMUNITY, 911 IMMUNITEA, and LIFE HACK. The products include multiple delivery forms, including capsules, tea bags and powder, allowing for ease of consumption and convenience, catering to consumer preferences.

Pursuant to the terms of the Purchase Agreement, Eleusian acquired all of the Assets (as defined below) of the Vendor for aggregate consideration of $3.6 million. The consideration includes a cash payment of $100,000 and the issuance of 17,500,000 common shares of the Company (the "Consideration Shares") at a deemed price of $0.20 per Consideration Share for an aggregate deemed value of $3,500,000. On the closing date, the Company paid $100,000 in cash and released 25% of the Consideration Shares, the remainder of which are subject to release conditions, such that the remaining 13,125,000 Consideration Shares will be released in further 25% increments of 4,375,000 common shares upon the Company achieving certain performance milestones with the Vendor's cooperation. Assets being acquired include: the Vitamind brand and line of products and all intellectual property rights therein, including the exclusive use of the Vitamind tradename and trademark, and all associated branding and marketing materials; access to the Vendor's supply and distribution network and ongoing commercial assistance with such relationships (the "Assets").

Lobe also issued 1,400,000 common shares to a finder in connection with the Transaction, at a deemed price of $0.20 per common share. All Lobe securities issued pursuant to the Transaction will be subject to a statutory hold period under Canadian securities laws of four months and a day from the date of issuance.

On May 14, 2021 the Company entered into a production and supply agreement (the "Agreement") with HAVN Life Sciences Inc. (CSE: HAVN) ("HAVN"), a biotechnology company pursuing standardized extraction of psychoactive compounds and the development of natural healthcare products. Pursuant to the Agreement, HAVN will produce and supply Lobe's recently acquired Vitamind line of natural health products, including plant-based compounds and non-psychoactive mushrooms.

Cannabis

The Company has divested its cannabis business consisting of Cowlitz, Progressive Herbs, Inc. and Delta One Consultants LLC. The Company will continue to passively maintain its interest in its cannabis business through its equity investment in Ionic which will be divested as trading restrictions are lifted; however, management's primary focus going forward is on its psychedelic therapy business.

Cowlitz County Cannabis Cultivation, Inc.

Between April and October 2018, Green Star BioSciences, Inc. acquired certain intellectual property, a property lease and an option to purchase all of the issued and outstanding capital stock (collectively, the "Cowlitz Assets") in of Cowlitz, a licensed cannabis producer and processor located in the state of Washington.

On February 23, 2021, the Company entered into an Asset Purchase Agreement (the "APA") with Ionic for the sale of the Cowlitz Assets for an aggregate purchase price of $26,000,000. Pursuant to the terms of the APA, the Company will receive: (i) $1.75M in cash; (ii) 100,406,701 Series E non-voting preferred shares of Ionic (each, a "Preferred Share"); (iii) Common share purchase warrants to purchase up to 4,000,000 Ionic common shares exercisable into one common share of Ionic (each, an "Ionic Share") at a price of $0.30 for a period of 5 years from the date of issuance; and (v) a secured promissory note in the amount of US$50,000, maturing two years from the date of issuance and carrying an annual interest rate of 7%, secured against the Cowlitz Assets.

Each Ionic Preferred Share is exchangeable into one Ionic Share on a one-for-one basis at any time at the Conversion Rate (as defined in the APA), and carries an annual, cumulative, preferential dividend on the issue price per share equal to 13% for a period of two years from the date of issuance. The Ionic Preferred Shares are retractable, such that any outstanding Ionic Preferred Shares will automatically be converted into to Ionic Shares four years from the issuance date at the Conversion Rate, and any accrued and unpaid dividends will be converted into Ionic Shares at the closing market price of the of the Ionic Shares on the CSE on the trading day preceding such conversion. If there is a change of control prior to the automatic conversion date, Ionic may elect to convert the Ionic Preferred Shares into Ionic Shares by providing notice to the Company via news release.

All Ionic Preferred Shares and Ionic Shares issued will be subject to contractual restrictions on transfer, pursuant to which 20% of the shares issued will be restricted from trading for a period of seven months from the closing date, and further 20% releases will occur on the date that is 10, 13, 15 and 18 months from the closing date. Pursuant to the APA, the Company may not convert any Ionic Preferred Shares or exercise any warrants if such conversion or exercise, as the case may be, would result in the Company holding more than 9.99% of the issued and outstanding Ionic Shares at the time of such exercise or conversion. In connection with the APA, the Company dissolved its wholly-owned subsidiary, Green Star Biosciences Packing LLC and GreenStar Washington LLC. The transaction closed effective March 5, 2021 and the Company has no continuing involvement with Cowlitz.

Progressive Herbs, Inc.

On February 1, 2019, the Company executed a joint venture agreement with Progressive Herbs, Inc. ("Progressive") an Illinois-based agricultural technology company (the "Progressive JV Agreement"). Progressive and its affiliate, Aggressively Organic, Inc., are the owners of a proprietary technology for a sustainable, easy-to-use, inexpensive, productive growing system known as Micro Dendritic Pods™ (the "Progressive IP"). Pursuant to the Progressive JV

Agreement, Progressive and the Company have formed a limited liability joint venture corporation, Capri PHGS, LLC ("Capri"), for the purposes of producing, processing, marketing and distributing cannabis, hemp, medicinal and bio pharmaceutical products for consumption worldwide utilizing the Progressive IP.

Management no longer anticipates involvement with the Progressive JV Agreement and has dissolved Capri. Discussions regarding the repayment of the promissory note are ongoing. While management intends to exhaust every effort to collect the outstanding principal and accrued interest, including but not limited to litigation, uncertainty exists surrounding ultimate collection. The Company provided an allowance for credit losses of $725,220 with respect to the promissory note during the year ended August 31, 2020.

Delta One Consultants LLC

On February 26, 2019, prior to the RTO, Green Star Biosciences Inc. entered into a non-binding letter of intent ("LOI") for a Partnership Agreement with Delta One Consultants LLC ("Delta1") whereby the Company is seeking to secure a 51% ownership interest in the Inkster, Michigan ("Inkster") indoor grow facility. Inkster consists of a 20,800 square foot facility, with access/ownership to up to five (5) class C grow licenses, each license representing the ability to grow in perpetuity 1,500 individual cannabis plants.

In connection with the LOI, the Company paid $205,140 (USD$150,000) to Delta1. The Company no longer anticipates completion of the acquisition of a 51% interest in the Inkster Michigan facility and has determined that there is significant doubt regarding the ability of the Company to collect the $205,140 (USD$1500,000) deposit which is refundable per the LOI. As such, management has recorded an allowance of credit loss of $205,140 (USD$150,000).

4. SUMMARY OF QUARTERLY RESULTS

	Q3 2021	**Q2 2021**	**Q1 2021**	**Q4 2020**
Net income (loss) from continuing operations	**$(6,585,685)**	$(2,573,243)	$(1,276,718)	$(1,446,349)
Net income (loss) from discontinued operations	**$17,788,170**	$(1,889)	$31,526	$24,253
Comprehensive income (loss)	**$11,083,403**	$(2,674,216)	$(1,271,767)	$(1,723,048)
Basic and diluted net income (loss) per share	**$0.05**	$(0.02)	$(0.01)	$(0.02)
Number of weighted average shares - Basic	**206,306,810**	169,459,942	143,114,425	96,496,378

	Q3 2020	**Q2 2020**	**Q1 2020**	**Q4 2019**
Net loss from continuing operations	**$(391,462)**	$(1,140,557)	$(703,971)	$(971,537)
Net income from discontinued operations	**$73,461**	$141,355	$20,697	$28,286
Comprehensive loss	**$(167,473)**	$(943,591)	$(700,772)	$(1,056,864)
Basic and diluted loss per share	**$(0.00)**	$(0.01)	$(0.01)	$(0.02)
Number of weighted average shares - Basic	**66,651,210**	69,311,359	68,556,287	47,809,947

The Company reported net loss from continuing operations in Q3 2021 primarily related to a $6,882,596 loss from fair value changes on Preferred Shares received as consideration for the sale of the Cowlitz Assets. The Company reported net income from discontinued operations which was the result of a gain on sale of Cowlitz Assets of $17,788,170.

Number of weighted average shares decreased in Q3 2020 as compared to Q2 2020 as a result of the Company cancelling 4,568,524 common shares pursuant to a share cancellation agreement with prior management.

5. COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED MAY 31, 2021 AND 2020

For the three months ended		**Q3 2021**		Q3 2020
General and administrative	**$**	**55,460**		11,800
Insurance		**21,607**		6,246
Advertising		**215,838**		-
Rent expense		**-**		4,500
Research		**320,843**		-
Bad debt expense		**62,040**		139,930
Professional fees		**148,264**		16,703
Consulting fees		**217,684**		59,421
Management fees		**138,514**		52,819
Share-based compensation		**95,693**		89,968
Foreign exchange		**(5,213)**		10,075
Dividend income		**(684,211)**		-
Other income		**(1,035)**		-
Change in fair value of Preferred Shares		**6,882,596**		-
Change in fair value of Warrants		**257,222**		-
Change in fair value of dividends receivable		**32,981**		-
Loss on equity investment		**30,617**		-
Deferred income tax recovery		**(1,203,215)**		-
Net income (loss) from continuing operations	**$**	**(6,585,685)**	$	(391,462)
Net gain from discontinued operations	**$**	**17,788,170**	$	73,461

General and administration

During Q3 2021, the Company incurred general and administration expenses of $55,460, compared to $11,800 during Q3 2020. The increase is consequence of higher filing fees and shareholder communication expenses.

Insurance

During Q3 2021, the Company incurred insurance expenses of $21,607, compared to $6,246 during Q3 2020. The expense relates to a director and officers insurance policy.

Advertising

During Q3 2021, the Company incurred advertising expenses of $215,838, compared to $nil during Q3 2020. The increase is due to expenses related to the rebranding of the Company.

Rent

During Q3 2021, the Company incurred rent expense of $nil, compared to $4,500 during Q3 2020. The expense relates to office space which was vacated during Q2 2021. The Company has no further obligation with respect to the premises.

Research

During Q3 2021, the Company incurred research expense of $320,843, compared to $nil during Q3 2020. The increase relates to a preclinical study in collaboration with the University of Miami Miller School of Medicine.

Bad debt expense

During Q3 2021, the Company incurred bad debt expense of $62,040, compared to $139,930 during Q3 2020. The expense relates to an allowance for credit losses on the initial advance from the non-binding LOI for a Partnership Agreement with Delta1.

Professional fees

During Q3 2021, the Company incurred professional fees of $148,264, compared to $16,703 during Q3 2020. The increase is attributable to legal fees incurred in relation to general corporate matters and rebranding of the Company.

Consulting fees

During Q3 2021, the Company incurred consulting fees of $217,684, compared to $59,421 during Q3 2020. The increase is attributable to a consulting agreement with the Executive Chairman, and monthly consulting fee for the new CEO.

Management fees

During Q3 2021, the Company incurred management fees of $138,517 compared to $52,819 during Q3 2020. The expense relates to advisory fees incurred in the period.

Share-based compensation

During Q3 2021, the Company incurred share-based compensation of $95,693, compared to share-based compensation of $89,968 during Q3 2020. The Company uses the Black-Scholes valuation model for options granted at fair value of shares issued to officers, management, and consultants. The increase is the result of stock options being granted to key management personnel during the quarter.

Foreign exchange

During Q3 2021, the Company incurred foreign exchange gain of $5,213, compared to foreign exchange loss of $10,075 during Q3 2020. The amount will fluctuate from period to period with movements in the CAD to USD foreign exchange rates. The loss is due to variances in the value of the CAD relative to the USD in Q2 2021 as compared to Q3 2020.

Dividend income

During Q3 2021, the Company earned dividend income of $684,211, compared to $nil during Q3 2020. The amount represents the 13% dividend on the preferential shares received as part of the proceeds from the sale of the Cowlitz Disposal Group.

Other income

During Q3 2021, the Company earned other income of $1,035, compared to $nil during Q3 2020. The amount recorded in Q3 2021 represents interest income on the promissory note receivable with Ionic received as part of the proceeds from the sale of the Cowlitz Disposal Group.

Change in fair value of Preferred Shares

During Q3 2021, the Company incurred a loss from change in fair value of shares of $6,882,596, compared to $nil during Q3 2020. The loss is the result of a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Change in fair value of Warrants

During Q3 2021, the Company incurred a loss from change in fair value of warrants of $257,222, compared to $nil during Q3 2020. The loss is the result of a lower Black-Scholes valuation resulting from a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Change in fair value of dividends receivable

During Q3 2021, the Company incurred a loss from change in fair value of dividends receivable of $32,981, compared to $nil during Q3 2020. The loss is the result of a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Loss on equity investment

During Q3 2021, the Company incurred a loss on its Krysalis VX joint venture representing 50% of the total expenses incurred of $30,617, compared to $nil during Q3 2020. The spend is related to initial development of the Krysalis Pod.

Deferred income tax expense

During Q3 2021, the Company incurred in deferred income tax recovery of $1,203,215, compared to $nil during Q3 2020. The recovery is related to deferred income tax on the Ionic preferred shares.

Net income from discontinued operations

During Q3 2021, the Company recorded income from discontinued operations of $17,788,170, compared to income from discontinued operations of $73,461 during Q3 2020. The balance relates to the gain on sale of the Cowlitz Disposal Group and rental and license revenues from Cowlitz which was partially offset by rent expense, amortization and depreciation. The balance increased as compared to Q3 2020 due to the sale of the Cowlitz Disposal Group.

COMPARISON OF RESULTS FOR THE NINE MONTHS ENDED MAY 31, 2021 AND 2020

For the nine months ended		**YTD 2021**		YTD 2020
General and administrative	**$**	**110,353**	$	52,248
Insurance		**67,316**		73,113
Advertising		**1,668,602**		695,250
Rent expense		**8,024**		13,500
Research		**1,052,685**		-
Bad debt expense		**62,040**		139,930
Professional fees		**409,845**		187,684
Consulting fees		**787,796**		114,723
Management fees		**235,315**		181,423
Share-based compensation		**666,731**		772,286
Foreign exchange		**67,359**		28,550
Dividend income		**(684,211)**		-
Other income		**(1,035)**		(22,717)
Change in fair value of Preferred Shares		**6,882,596**		-
Change in fair value of Warrants		**257,222**		-
Change in fair value of dividends receivable		**32,981**		-
Loss on equity investment		**30,617**		-
Gain/Loss on debt settlement		**(15,375)**		-
Deferred income tax recovery		**(1,203,215)**		
Net income (loss) from continuing operations		**(10,435,646)**		(2,235,990)
Net gain from discontinued operations	**$**	**17,817,807**	$	235,513

General and administration

During YTD 2021, the Company incurred general and administration expenses of $110,353, compared to $52,248 during YTD 2020. The increase is consequence of higher filing fees and shareholder communication expenses.

Insurance

During YTD 2021, the Company incurred insurance expenses of $67,316, compared to $73,113 during YTD 2020. The expense relates to a director and officers insurance policy.

Advertising
During YTD 2021, the Company incurred advertising expenses of $1,668,602, compared to $695,250 during YTD 2020. The increase is due to expenses related to the rebranding of the Company.

Rent
During YTD 2021, the Company incurred rent expense of $8,024, compared to $13,500 during YTD 2020. The expense relates to office space which was vacated during Q2 2021. The Company has no further obligation with respect to the premises.

Research
During YTD 2021, the Company incurred research expense of $1,052,685, compared to $nil during YTD 2020. The increase relates to a preclinical study in collaboration with the University of Miami Miller School of Medicine.

Bad debt expense
During YTD 2021, the Company incurred bad debt expense of $62,040, compared to $139,930 during Q3 2020. The expense relates to an allowance for credit losses on the initial advance from the non-binding LOI for a Partnership Agreement with Delta1.

Professional fees
During YTD 2021, the Company incurred professional fees of $409,845, compared to $187,684 during YTD 2020. The increase is attributable to legal fees incurred in relation to general corporate matters and rebranding of the Company.

Consulting fees
During YTD 2021, the Company incurred consulting fees of $787,796, compared to $114,723 during YTD 2020. The increase is attributable to a consulting agreement with the Executive Chairman, severance payment to the former CEO and monthly consulting fee for the new CEO.

Management fees
During YTD 2021, the Company incurred management fees of $235,315 compared to $181,423 during YTD 2020. The expense relates to advisory fees incurred in the period.

Share-based compensation
During YTD 2021, the Company incurred share-based compensation of $666,731, compared to share-based compensation of $772,286 during YTD 2020. The Company uses the Black-Scholes valuation model for options granted at fair value of shares issued to officers, management, and consultants. The decrease is the result of less stock options being granted to key management personnel during YTD 2021 as compared to YTD 2020.

Foreign exchange
During YTD 2021, the Company incurred foreign exchange loss of $67,359, compared to foreign exchange loss of $28,550 during YTD 2020. The amount will fluctuate from period to period with movements in the CAD to USD foreign exchange rates. The loss is due to variances in the value of the CAD relative to the USD in YTD 2021 as compared to YTD 2020.

Dividend income
During YTD 2021, the Company earned dividend income of $684,211, compared to $nil during YTD 2020. The amount represents the 13% dividend on the Preferred Shares received as part of the proceeds from the sale of the Cowlitz Disposal Group.

Other income
During YTD 2021, the Company earned other income of $1,035, compared to $22,717 during YTD 2020. The amount recorded in YTD 2021 represents interest income on the promissory note receivable with Ionic received as part of the proceeds from the sale of the Cowlitz Disposal Group. The amount recorded in YTD 2020 represents $22,717 in interest income on the promissory note receivable with Progressive which was advanced on February 4, 2019. The Company provided an allowance for credit losses with respect to the promissory note during the year ended August 31, 2020 and discussions regarding the repayment of the promissory note are ongoing. The Company is no longer accruing interest income on the promissory note.

Change in fair value of Preferred Shares
During YTD 2021, the Company incurred a loss from change in fair value of shares of $6,882,596, compared to $nil during YTD 2020. The loss is the result of a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Change in fair value of Warrants
During YTD 2021, the Company incurred an expense from change in fair value of warrants of $257,222, compared to $nil during YTD 2020. The loss is the result of a lower Black-Scholes valuation resulting from a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Change in fair value of dividends receivable
During YTD 2021, the Company incurred an expense from change in fair value of dividends receivable of $32,981, compared to $nil during YTD 2020. The loss is the result of a decrease in the Ionic share price from $0.235 per common share on March 5, 2021 to $0.16 per common share on May 31, 2021.

Loss on equity investment
During YTD 2021, the Company incurred a loss on its Krysalis VX joint venture representing 50% of the total expenses incurred of $30,617, compared to $nil during YTD 2020. The spend related to initial development of the Krysalis Pod.

Gain on debt settlement
During YTD 2021, the Company recorded a gain on debt of $15,375, compared to $nil during YTD 2020. The amount resulted from the issuance of 562,500 units as settlement of trade payables in the amount of $45,000 resulting in a gain on debt settlement of $12,375. In addition, the Company recorded a $3,000 gain as a result of the renegotiation of an invoice with a vendor.

Deferred income tax expense
During Q3 2021, the Company incurred in deferred income tax recovery of $1,203,215, compared to $nil during Q3 2020. The recovery is related to deferred income tax on the Ionic preferred shares.

Net income from discontinued operations
During YTD 2021, the Company recorded income from discontinued operations of $17,817,807, compared to $235,513 during YTD 2020. The balance relates to the gain on sale of the Cowlitz Disposal Group and rental and license revenues from Cowlitz which was partially offset by rent expense, amortization and depreciation. The balance decreased as compared to YTD 2020 due to the sale of the Cowlitz Disposal Group.

6. LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

6.1 Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company's strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements.

Factors that may affect the Company's liquidity are continuously monitored. These factors include fair value of the Preferred Shares and dividend receivable, patent application costs, research and development costs to develop the Company's patents, operating costs, capital costs, income tax refunds, foreign currency fluctuations, seasonality, market immaturity and a highly fluid environment related to state and federal law passage and regulations.

In the event that the Company is adversely affected by any of these factors and, as a result, the operating cash flows are not sufficient to meet the Company's working capital requirements there is no guarantee that the Company would be able to raise additional capital on acceptable terms to fund a potential cash shortfall. Consequently, the Company is subject to liquidity risk.

The Company will need to procure additional financing in order to fund its ongoing operation. The Company intends to obtain such financing through equity financing, and there can be no assurance that the Company can raise the required capital it needs to build and expand as expected, nor that the capital markets will fund the business of the Company. Without this additional financing, the Company may be unable to achieve positive cash flow and earnings as quickly as anticipated, these uncertainties cast a significant doubt about the Company's ability to continue as a going concern.

At May 31, 2021, the Company had working capital of $11,946,562, as follows:

As at		**May 31, 2021**		August 31, 2020
Cash	**$**	**2,325,204**	$	**172,107**
Receivables		**183,988**		**621,206**
Prepaid expenses and deposits		**178,246**		**377,123**
Preferred Shares		**8,809,723**		**-**
Warrants		**405,519**		**-**
Dividends receivable		**651,230**		**-**
Total current assets		**12,553,910**		**1,170,436**
Accounts payable and accrued liabilities		**546,988**		595,066
Current lease liability		**-**		181,817
Total current liabilities		**546,988**		776,883
Working capital	**$**	**12,006,922**	$	393,553

6.2. Cash Flows

Review of cash flow for the three months ended Q3 2021 compared to Q3 2020:

Net cash provided by (used in)		**Q3 2021**		Q3 2020
Operating activities of continuing operations	**$**	**(955,289)**	$	(52,087)
Operating activities of discontinued operations		**4,245**		13,432
Investing activities		**1,434,571**		-
Financing activities		**33,150**		(41,901)
Effect of exchange rate changes on cash		**(4,984)**		(34,028)
Cash, beginning of period		**1,813,511**		158,878
Cash, end of period	**$**	**2,325,204**	$	44,294

Cash used in operating activities of continuing operations during Q3 2021 was $955,289, compared to cash used in operating activities of continuing operations of $52,087 during Q3 2020. The decrease in cash used in operating activities is attributable to the following:

- Net loss from continuing operations of $6,585,685 compared to net loss from continuing operations of $391,462 due primarily to non-cash changes in fair value of Preferred Shares, Warrants and dividends receivable, increase in advertising, research and consulting expenses which was decrease in share-based compensation. Included in net loss are non-cash items of $5,347,613 for the three months ended May 31, 2021 as compared to $239,115 for the three months ended May 31, 2020.
- Movements in receivables decreased cash by $30,754 compared to increasing cash by $50,189 for the three months ended May 31, 2020.
- Movements in prepaid expenses increased cash by $28,757 compared to increasing cash by $13,083 for the three months ended May 31, 2020.
- Movements in accounts payable and accrued liabilities increased cash by $284,780 compared to increasing cash by $36,988 for the three months ended May 31, 2020.

Cash provided by operating activities of discontinued operations for the three months ended May 31, 2021 was $4,245 as compared to $13,432 during the three months ended May 31, 2020. The balance relates to collection of rental and license revenues from Cowlitz which was partially offset by rent expense.

Cash provided by investing activities for the three months ended May 31, 2021 was $1,434,571 as compared to f $nil during the three months ended May 31, 2020. Cash provided by investing activities during the three months ended May 31, 2021 was the result of cash acquired on the sale of the Cowlitz Disposal Group which was partially offset by the investment in Krysalis VX and Vitamind.

Cash provided in financing activities for the three months ended May 31, 2021 was $33,150 as compared to cash used in financing activities of $41,901 during the three months ended May 31, 2020. Cash provided by financing activities during the three months ended May 31, 2021 was the result of funds raised through private placements and exercise of stock options. Cash used in financing activities during the three months ended May 31, 2020 was the result repayment of the lease liability.

Review of cash flow for the nine months ended May 31, 2021 compared to May 31, 2020:

Net cash provided by (used in)		**YTD 2021**		YTD 2020
Operating activities of continuing operations	**$**	**(4,488,295)**	$	(911,985)
Operating activities of discontinued operations		**293,434**		304,284
Investing activities		**1,434,571**		-
Financing activities		**4,892,450**		174,944
Effect of exchange rate changes on cash		**20,937**		(35,726)
Cash, beginning		**172,107**		512,777
Cash, end	**$**	**2,325,204**	$	158,878

Cash used in operating activities of continuing operations during YTD 2021 was $4,488,295, compared to cash used in operating activities of continuing operations of $911,985 during YTD 2020. The decrease in cash used in operating activities is attributable to the following:

- Net loss from continuing operations of $10,435,646 compared to net loss from continuing operations of $2,235,990 due non-cash changes in fair value of Preferred Shares, Warrants and dividends receivable, increase in advertising, research and consulting expenses which was decrease in share-based compensation. Included in net loss are non-cash items of $5,901,765 for the nine months ended May 31, 2021 as compared to $891,244 for the nine months ended May 31, 2020.
- Movements in receivables decreased cash by $131,473 compared to increasing cash by $85,441 for the nine months ended May 31, 2020.
- Movements in prepaid expenses increased cash by $193,199 compared to increasing cash by $372,187 for the nine months ended May 31, 2020.
- Movements in accounts payables and accrued liabilities decreased cash by $16,140 compared to decreasing cash by $24,867 for the nine months ended May 31, 2020.

Cash provided by operating activities of discontinued operations for the nine months ended May 31, 2021 was $293,434 as compared to $304,284 during the nine months ended May 31, 2020. The balance relates to collection of rental and license revenues from Cowlitz which was partially offset by rent expense and has remained consistent year over year.

Cash provided in investing activities for the nine months ended May 31, 2021 was $1,434,571 as compared to cash provided of $nil during the nine months ended May 31, 2020. Cash provided by investing activities during the three months ended May 31, 2021 was the result of cash acquired on the sale of the Cowlitz Disposal Group which was partially offset by the investment in Krysalis VX and Vitamind.

Cash provided in financing activities for the nine months ended May 31, 2021 was $4,892,450 as compared to cash provided by financing activities of $174,944 during the nine months ended May 31, 2020. Cash provided by financing activities during the nine months ended May 31, 2021 was the result of funds raised through private placements and exercise of stock options which was partially offset by the repayment of lease liability and share issuance costs. Cash provided by financing activities during the nine months ended May 31, 2020 was the result of funds raised through the exercise of warrants which was partially offset by the repayment of the lease liability.

6.3 Capital Resources

The capital of the Company consists of consolidated equity, net of cash.

As at		**May 31, 2021**		August 31, 2020
Equity	**$**	**27,646,683**	$	12,074,006
Less: cash		**(2,325,204)**		(172,107)
	$	**25,321,479**	$	11,901,899

The board of directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The Company's board of directors identifies and evaluates the Company's financial risks and is charged with the responsibility of establishing controls and procedures to ensure financial risks are mitigated.

The Company's objectives when managing capital are to pursue and complete the identification and evaluation of assets, properties, or businesses with a view to acquisition. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new common shares or adjust the amount of cash.

The Company's investment policy is to invest excess cash in investment instruments at high credit, quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

7. OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or arrangements with respect to any obligations under a variable interest equity arrangement.

8. RELATED PARTY DISCLOSURES

Key management personnel compensation for the three and nine months ended May 31, 2021 and 2020 were as follows:

				Three months ended				Nine months ended
		May 31, 2021		May 31, 2020		**May 31, 2021**		May 31, 2020
Management fees	**$**	**-**	$	86,368	**$**	**-**	$	222,689
Consulting fees		**353,464**		-		**823,562**		16,500
Share-based payments		**39,518**		2,359		**396,524**		310,089
	$	**392,982**	$	88,727	**$**	**1,220,086**	$	549,278

During the three and nine months ended May 31, 2021, the Company incurred $nil and $207,353, respectively (three and nine months ended May 31, 2020 - $43,882 and $61,308, respectively) in consulting fees to a Company owned by the former Chief Executive Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and nine months ended May 31, 2021, the Company incurred $96,641 and $133,716, respectively (2020 - $nil and $nil, respectively) in consulting fees to a firm owned by the Chief Executive Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and nine months ended May 31, 2021, the Company incurred $149,846 and $335,493, respectively (2020 - $nil and $nil, respectively) in consulting fees to a firm owned by a Director. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and nine months ended May 31, 2021, the Company incurred $5,500 and $16,500, respectively (2020 - $nil and $nil, respectively) in consulting fees to the Chief Science Officer. The consulting fees are included in consulting fees in the consolidated statement of comprehensive loss.

During the three and nine months ended May 31, 2021, the Company incurred $nil and $nil, respectively (2019 - $76,849 and $136,321, respectively) in management fees to a firm owned by the former president. The management fees are included in management fees in the consolidated statement of comprehensive loss.

Share-based payments are the fair value of options granted to key management personnel as at the grant date.

Other related party transactions for the three and nine months ended May 31, 2021 and 2020 were as follows:

		Three months ended				Nine months ended
		May 31, 2021		May 31, 2020		**May 31, 2021**		May 31, 2020
Professional fees	**$**	**25,881**	$	16,091	**$**	**90,694**	$	69,249
	$	**25,881**	$	16,091	**$**	**90,694**	$	69,249

During the three and nine months ended May 31, 2021, the Company incurred $25,881 and $90.694, respectively (three and nine months ended May 31, 2020 - $16,091 and $30,596, respectively) in accounting costs to a firm related to the Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

During the three and nine months ended May 31, 2021, the Company incurred $nil and $nil, respectively (2019 - $36,229 and $43,877, respectively) in accounting costs to a firm owned by the former Chief Financial Officer. The accounting costs are included in professional fees in the consolidated statement of comprehensive loss.

Due to related parties as at May 31, 2021 and August 31, 2020 were as follows:

		May 31, 2021		August 31, 2020
Trade payables and other liabilities	**$**	**39,218**	$	218,268
	$	**39,218**	$	218,268

As at May 31, 2021, included in trade payables and other liabilities is $30,608 (August 31, 2020 - $nil) payable to a Company owned by the Chief Executive Officer of the Company for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at May 31, 2021, included in trade payables and other liabilities is $8,610 (August 31, 2020 - $5,381) payable to a Company related to the Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

As at May 31, 2021, included in trade payables and other liabilities is $nil (August 31, 2020 - $14,453) payable to a Company owned by the former Chief Executive Officer of the Company for management fees. The amount is unsecured, non-interest bearing and due on demand.

As at May 31, 2021, included in trade payables and other liabilities is $nil (August 31, 2020 - $7,489) payable to a company owned by the former Chief Financial Officer for professional fees. The amount is unsecured, non-interest bearing and due on demand.

As at May 31, 2021, included in trade payables and other liabilities is $nil (August 31, 2020 - $14,883) payable to a consulting firm owned by the former Chief Operations Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

As at May 31, 2021, included in trade payables and other liabilities is $nil (August 31, 2020 - $176,062) payable to a company owned by the former Chief Executive Officer for consulting fees. The amount is unsecured, non-interest bearing and due on demand.

9. OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company's authorized share capital consists of an unlimited number of common shares without par value. The Company had the following securities outstanding as at July 26, 2021.

Type of Security	Number Outstanding
Common Shares	224,633,984
Share Purchase Options (1)	17,623,836
Performance Warrants	4,655,902
Share Purchase Warrants	47,759,515
Restricted Share Units (1)	4,500,000
Deferred Share Units (1)	200,000
Fully Diluted	**299,673,237**

(1) On May 28, 2021, the Company adopted a Restricted Share Unit plan (the "RSU Plan") and a Deferred Share Unit plan (the "DSU Plan"). In addition, the Company increased the cumulative available incentive awards to be issued under the share purchase plan, the RSU Plan and the DSU Plan to 15% of the aggregate issued and outstanding common shares of the Company.

On June 15, 2021, the Company issued 4,500,000 Restricted Share Units ("RSUs") with a market price of $0.115. The RSUs vest annually in four equal tranches commencing June 15, 2022. The RSUs expire on June 15, 2025.

On June 15, 2021, the Company issued 200,000 Deferred Share Units ("DSUs") with a market price of $0.115. The DSUs vest annually in four equal tranches commencing June 15, 2022. The DSUs expire on June 15, 2025.

10. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in notes 2 and 3 to the annual financial statements except as noted below.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured as the lower of their carrying amount and fair value less costs to sell.

Investment in joint venture

A joint venture is a joint arrangement whereby the parties having joint control of the arrangement and have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investment in joint venture is initially recognized at cost. The carrying amount of the investment is increased or decreased by the Company's share of the joint ventures net profit or loss after the acquisition date. Dividends distributed to the Company decreases the carrying amount of the investment.

Discontinued operations

A discontinued operation is a component of the Company that either has been abandoned, disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operation; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or (iii) is a subsidiary acquired exclusively with a view to resell. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Although management uses historical experience and its best knowledge of the amount, events, or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. These financial statements do not include any accounts that require significant estimates as the basis for determining the stated amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as the follows:

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law in the relevant jurisdiction. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision.

Management believes they have adequately provided for the probable outcome of these matters; however, the outcome may result in a materially different outcome than the amount included in the tax liabilities. In addition, the Company recognizes deferred tax assets relating to tax losses carried forward only to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Useful lives of property, plant and equipment and intangibles

Property, plant, and equipment and intangible assets are amortized or depreciated over their useful lives. Useful lives are based on management's estimate of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the statement of loss and other comprehensive loss in specific periods.

Impairment

Long-lived assets, including intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). Judgments and estimates are required in defining a CGU and determining the indicators of impairment and the estimates required to measure an impairment, if any.

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Functional currency

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Foreign currency gains and losses on transactions or settlements are recognized in the statement of loss and comprehensive loss. The functional currency of Green Star Biosciences Inc., Green Star Washington LLC, and Green Star Biosciences Packing LLC is the United States dollar. Assets and liabilities are translated at the period end foreign exchange rate and revenue and expenses are translated at the average rate for the period.

The consolidated financial statements are translated into Canadian dollars with assets and liabilities translated at the current rate on the consolidated financial statements date and revenue and expense items translated at the average rates for the period. Translation adjustments are recorded as accumulated other comprehensive income (loss) in shareholders 'equity.

Trade receivables

The Company accounts for impairment of trade receivables by recording allowances for doubtful accounts on an individual basis, as its sole customer is Cowlitz. The assessment of whether a receivable is collectible involves the use of judgment and requires the use of assumptions about customer defaults that could change significantly. Judgment is required when we evaluate available information about a particular customer's financial situation to determine whether it is probable that a credit loss will occur, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

Promissory note receivable

The Company accounts for impairment of note receivables by recording allowances. The assessment of whether a note receivable is collectible involves the use of judgment and requires the use of assumptions about the financial situation of who the note was issued. Judgment is required when we evaluate available information about a particular customer's financial situation to determine whether it is probable that a credit loss will occur on the note receivable, and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Changes in our estimates about the allowance for doubtful accounts could materially impact reported assets and expenses, and our profit could be adversely affected if actual credit losses exceed our estimates.

Deferred acquisition cost

On February 26, 2019, Green Star Biosciences Inc. entered into a non-binding LOI for a Partnership Agreement with Delta1. The Company planned to partner with Delta1 to purchase an interest in an indoor cannabis grow operation. In connection with the Letter of Intent, the Company paid $205,140 (USD $150,000) to Delta1. Management had used judgement and determined that the amount paid to Delta1 met the definition of an asset and it was reasonably expected to complete the acquisition of a 51% interest in the Inkster, Michigan facility.

The Company continually reassesses its capital allocation and has determined that proceeding with Delta1 at the current time is not in the best interest of the Company. During the nine months ended May 31, 2021, the Company recorded a bad debt expense of $62,040 (USD50,000) (year ended August 31, 2020, the Company recorded a bad debt expense of $139,930 (USD$100,000)) representing an allowance for credit losses on the initial advance.

Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, does the Company obtain substantially all of the economic benefits and who has the right to direct the use of that asset.

Incremental borrowing rate

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statement of loss and comprehensive loss.

Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

12. RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the year ended August 31, 2020.