LOBE SCIENCES LTD.

Management Discussion & Analysis

For the years ended August 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 December 23, 2021, is for the years ended August 31, 2021 and 2020. This MD&A is a supplement to and should be read in conjunction with the Company's audited consolidated financial statements for the years ended August 31, 2021 and 2020. The Company's 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"). 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, 2021 and 2020, are also referred to as "fiscal 2021" and "fiscal 2020", 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 "LOBEF" on the OTCQB.

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 leased office and production premises to a cannabis processor and retailer which disposed of on March 5, 2021.

2. **HIGHLIGHTS**

AUGUST 31, 2021 CONSOLIDATED FINANCIAL HIGHLIGHTS

- Net loss from continuing operations of $22,820,792 or $0.12 per share, compared to net loss from continuing operations of $3,682,339 or $0.05 per share for fiscal 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") and impairment loss on Eleusian Biosciences Corp ("Eleusian"), due to subjectivity and inherent limitations in valuation methodology used to determine the recoverable amount of the Company's intellectual property.
- Net income from discontinued operations of $13,162,380 or $0.07 per share, compared to net income from discontinued operations of $246,266 or $0.05 per share. The increase is net income is the result of the gain on sale of cannabis assets related to Cowlitz.

AUGUST 31, 2021 CONSOLIDATED BALANCE SHEET HIGHLIGHTS

- Cash was $1,141,839, compared to $172,107 at August 31, 2020, an increase of 563%.
- Total assets were $12,097,948, compared to $12,971,092 at August 31, 2020, a decrease of 7%.
- Working capital was $8,864,185, compared to $393,553 at August 31, 2020, an increase of 2,152%.

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 leased office and production premises to a cannabis processor and retailer and had explored various other cannabis ventures. As at August 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, which 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.

The Company, through a pre-clinical study conducted by the University of Miami, intends to demonstrate that the outcomes and clinical symptoms of 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 September 28, 2021, the Company announced interim data from its pre-clinical research study conducted by the University of Miami. The rodents treated with the combination of psilocybin and NAC performed statistically significantly better ($P < 0.000005$) than the rodents treated with monotherapy with psilocybin, NAC or placebo. Rodent models have been essential for revealing the normal and pathological processes that influence learning and memory. The University of Miami team has extensive experience and expertise in running these and other important models. In a standard model of normal behavior that assess the amount of time that rodents exhibit exploratory activity, rodents who underwent trauma and treated with the combination agents spent significantly more time exploring than they did with single agents or vehicle alone. The rodents treated with the combination of psilocybin and NAC performed statistically significantly better ($P < 0.000005$) than the rodents treated with monotherapy with psilocybin, NAC or placebo. The interim data from our preclinical studies validates our therapeutic hypothesis that NAC plus psilocybin would provide superior efficacy over either agent used alone. NAC remains the only compound that has successfully completed a human phase 1 equivalent trial in a population of individuals who had acute mTBI.

Dr. Hoffer's team has made significant in-roads studying psychedelic medicine and NAC specifically as it relates to mTBI and PTSD. Given there are currently no approved medicinal treatments for mTBI and PTSD, we feel this data is supportive of our plans to advance into future human clinical trials which we hope will eventually lead to approved therapeutics for these unmet needs.

The study was delayed due to a significant shortage of psilocybin in North America. Despite the shortages, the University of Miami team was able to deliver this interim data; however, the shortage has impacted the timing of the next planned studies. We have responded to this supply shortage by working to identify a manufacturing company who will supply high purity cGMP psilocybin to the University of Miami so that the remaining studies can be completed.

Despite the results of the preclinical study, uncertainty in the timing and amount of future cash flows from operations and unobservable market values for comparable intellectual property, the Company has written down its licenses to the estimated replacement value of $40,000. During the year ended August 31, 2021, the Company recorded impairment of intangible assets in the amount of $7,345,387 (2020 – $nil).

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.

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 USD$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

USD$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 four 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.

On October 6, 2021, the Company announced that Krysalis VX appointed an advisory team. This advisory team will assist Krysalis VX through its first iteration of the Krysalis Pod. This advisory team will be pivotal in defining aesthetic and pragmatic attributes of Krysalis VX's treatment-oriented technology.

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 $2.6 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"). 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. Management has expensed the consideration in excess of the net assets acquired equal to $2,594,023. 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 fair value of $0.13 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, the Company 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 Cowlitz, a licensed cannabis producer and processor located in the state of Washington.

On February 22, 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) $1.75 million in cash; (ii) 100,406,705 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 USD$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) but cannot be converted for a period of four years if that results in the Company holding 10% or more of the common shares of Ionic, 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 settled in cash or Ionic common shares at the option of Ionic 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 they will be released as follows: 20% on October 5, 2021, January 5, 2022, April 5, 2022, June 5, 2022, and September 5, 2022.. Each Preferred Share carries an annual, cumulative, preferential dividend equal to 13% of the Preferred Shares on the issue price per share of $0.30, accrued daily and with the first payment due January 1, 2022, for a period of two years from the date of issuance. The dividend may be settled in cash or Ionic common shares at the option of Ionic. 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$150,000) 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

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net loss from continuing operations	**$(12,418,127)**	$(6,585,685)	$(2,573,243)	$(1,276,718)
Net income (loss) from discontinued operations	**$(4,655,427)**	$17,788,170	$(1,889)	$31,526
Comprehensive income (loss)	**$(17,072,942)**	$11,083,403	$(2,674,216)	$(1,271,767)
Basic and diluted net income (loss) per share	**$(0.07)**	$0.05	$(0.02)	$(0.01)
Number of weighted average shares - Basic	**230,608,984**	206,306,810	169,459,942	143,114,425

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net loss from continuing operations	$(1,446,349)	$(391,462)	$(1,140,557)	$(703,971)
Net income from discontinued operations	$10,753	$73,461	$141,355	$20,697
Comprehensive loss	$(1,723,048)	$(167,473)	$(943,591)	$(700,772)
Basic and diluted loss per share	$(0.02)	$(0.00)	$(0.01)	$(0.01)
Number of weighted average shares - Basic	96,496,378	66,651,210	69,311,359	68,556,287

The Company reported net loss from continuing operations in Q4 2021 primarily related to a $518,417 loss from fair value changes on Preferred Shares and a $1,045,315 loss from fair value changes on common shares received as consideration for the sale of the Cowlitz Assets and an $7,345,337 impairment loss on Eleusian’s intangible assets.

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 AUGUST 31, 2021 AND 2020

		Q4 2021		Q4 2020
General and administrative	**$**	**12,656**	$	25,683
Insurance		**81,231**		30,232
Advertising		**35,427**		241,448
Rent expense		**-**		4,500
Research		**319,111**		-
Bad debt expense		**-**		773,105
Professional fees		**193,288**		147,825
Consulting fees		**322,710**		102,115
Management fees		**90,242**		94,268
Share-based compensation		**254,867**		(28,146)
Foreign exchange loss (gain)		**40,254**		(9,412)
Dividend income		**(879,099)**		-
Other income		**(1,258)**		-
Change in fair value of short-term investments		**1,045,315**		-
Change in fair value of Preferred Shares		**518,417**		-
Change in fair value of Warrants		**204,593**		-
Equity loss on joint venture		**61,436**		-
Consideration in excess of net assets acquired		**2,594,023**		-
Impairment of intangible assets		**7,345,387**		-
Loss on debt settlement		**-**		64,731
Current income tax expense		**179,527**		-
Net loss from continuing operations	**$**	**(12,418,127)**	$	(1,446,349)
Net income (loss) from discontinued operations	**$**	**(4,655,427)**	$	10,753

General and administration
During Q4 2021, the Company incurred general and administration expenses of $12,656, compared to $25,683 during Q4 2020. The decrease is consequence of lower filing fees and shareholder communication expenses.

Insurance
During Q4 2021, the Company incurred insurance expenses of $81,231, compared to $30,232 during Q4 2020. The expense relates to a director and officers insurance policy that was put in place during the fiscal 2021.

Advertising
During Q4 2021, the Company incurred advertising expenses of $35,427, compared to $241,448 during Q4 2020. The decrease is due to lower spend since the prior year as Q4 2020 included expenses related to the rebranding of the Company.

Rent expense
During Q4 2021, the Company incurred rent expense of $nil, compared to $4,500 during Q4 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 Q4 2021, the Company incurred research expense of $319,111, compared to $nil during Q4 2021. The increase relates to a preclinical study in collaboration with the University of Miami Miller School of Medicine.

Bad debt expense
During Q4 2021, the Company incurred bad debt expense of $nil, compared to $773,105 during Q4 2020. The expense related to an allowance for credit losses on the initial advance from the non-binding LOI for a Partnership Agreement with Delta1 and Progressive.

Professional fees
During Q4 2021, the Company incurred professional fees of $193,334, compared to $147,825 during Q4 2020. The increase is attributable to legal fees incurred in relation to general corporate matters.

Consulting fees
During Q4 2021, the Company incurred consulting fees of $322,710, compared to $102,115 during Q4 2020. The increase is attributable to a consulting agreement with the Executive Chairman, monthly consulting fee for the new CEO and consulting agreements with various advisors for corporate communications and business development.

Management fees
During Q4 2021, the Company incurred management fees of $90,242, compared to $94,268 during Q4 2020. The expense relates to advisory fees incurred in the period.

Share-based compensation
During Q4 2021, the Company incurred share-based compensation of $254,867, compared to share-based compensation recovery of $28,146 during Q4 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 during the quarter.

Foreign exchange loss (gain)
During Q4 2021, the Company incurred foreign exchange loss of $40,254, compared to foreign exchange gain of $9,412 during Q4 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 Q4 2021 as compared to Q4 2020.

Dividend income
During Q4 2021, the Company earned dividend income of $879,099, compared to $nil during Q4 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 Q4 2021, the Company earned other income of $1,258, compared to $nil during Q4 2020. The amount recorded in Q4 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 Common Shares

During Q4 2021, the Company incurred a loss from change in fair value of common shares of $1,045,315, compared to $nil during Q4 2020. The loss is the result of a decrease in the Ionic share price from $0.235 on the date of conversion to $0.095 at August 31, 2021.

Change in fair value of Preferred Shares

During Q4 2021, the Company incurred a loss from change in fair value of shares of $518,417, compared to $nil during Q4 2020. The loss is the result of a decrease in the Ionic share price from $0.16 per common share on May 31, 2021 to $0.10 per common share on August 31, 2021.

Change in fair value of Warrants

During Q4 2021, the Company incurred a loss from change in fair value of warrants of $204,593, compared to $nil during Q4 2020. The loss is the result of a lower Black-Scholes valuation resulting from a decrease in the Ionic share price from $0.16 per common share on May 31, 2021 to $0.10 per common share on August 31, 2021.

Equity loss on Krysalis

During Q4 2021, the Company incurred a loss on its Krysalis representing 50% of the total expenses incurred of $61,436, compared to $nil during Q4 2020. The expenses included by Krysalis is related to initial development of the Krysalis Pod.

Consideration in excess of net assets acquired

During Q4 2021, the Company expensed consideration in excess of net assets of $2,594,023, compared to $nil during Q4 2020. The expense is related to the Vitamind brand acquisition, which did not constitute a business or measurable assets at the time of acquisition, As a result, the purchase consideration in excess of the net assets acquired is expensed in accordance with IFRS.

Impairment of intangible assets

During Q4 2021, the Company recorded an impairment loss of $7,345,387, compared to $nil during Q4 2020. The loss is related to inherent limitations in valuation methodology used to determine the recoverable amount of Eleusian's intellectual property.

Loss on debt settlement

During Q4 2021, the Company recorded a loss on debt settlement of $nil, compared to $64,731 during Q4 2020. The amount resulted from the issuance of 2,007,692 common shares at fair values between $0.095 and $0.12 per common share for total fair value consideration of $228,231 as settlement of accounts payable in the amount of $141,000.

Deferred income tax expense

During Q4 2021, the Company incurred in deferred income tax expense of $179,527, compared to $nil during Q4 2020. The expense is related to movements in the deferred income tax related to the Ionic Preferred Shares.

Net income from discontinued operations

During Q4 2021, the Company recorded income from discontinued operations of $4,655,427, compared to income from discontinued operations of $10,753 during Q4 2020. The change over the prior year is due to the sale of the Cowlitz Disposal Group.

COMPARISON OF RESULTS FOR THE YEARS ENDED AUGUST 31, 2021 AND 2020

		Fiscal 2021		Fiscal 2020
General and administrative	$	**123,009**		77,931
Insurance		**148,547**		103,345
Advertising		**1,704,029**		936,698
Rent expense		**8,024**		18,000
Research		**1,371,796**		-
Bad debt expense		**62,040**		913,035
Professional fees		**603,133**		335,509
Consulting fees		**1,110,506**		216,838
Management fees		**325,557**		275,691
Share-based compensation		**921,598**		744,140
Foreign exchange loss		**107,613**		19,138
Dividend income		**(1,563,310)**		-
Other income		**(2,293)**		(22,717)
Change in fair value of short-term investments		**1,045,315**		-
Change in fair value of Preferred Shares		**7,401,013**		-
Change in fair value of Warrants		**461,815**		-
Equity loss on joint venture		**92,053**		-
Consideration in excess of net assets acquired		**2,594,023**		-
Impairment of intangible assets		**7,345,387**		-
(Gain) loss on debt settlement		**(15,375)**		64,731
Current income tax recovery		**(1,023,688)**		-
Net loss from continuing operations		**(22,820,792)**	$	(3,682,339)
Net gain from discontinued operations	$	**13,162,380**	$	246,266

General and administration

During fiscal 2021, the Company incurred general and administration expenses of $123,009, compared to $77,931 during fiscal 2020. The increase is due to the attendance at various conferences and patent maintenance costs.

Insurance

During fiscal 2021, the Company incurred insurance expenses of $148,547, compared to $103,345 during fiscal 2020. The expense relates to a director and officers insurance policy that was put in place during the fiscal 2021.

Advertising

During fiscal 2021, the Company incurred advertising expenses of $1,704,029, compared to $936,698 during fiscal 2020. The increase is due to expenses related to the rebranding of the Company.

Rent expense

During fiscal 2021, the Company incurred rent expense of $8,024, compared to $18,000 during fiscal 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 fiscal 2021, the Company incurred research expense of $1,371,796, compared to $nil during fiscal 2020. The increase relates to a preclinical study in collaboration with the University of Miami Miller School of Medicine.

Bad debt expense
During fiscal 2021, the Company incurred bad debt expense of $62,040, compared to $913,035 during fiscal 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 fiscal 2021, the Company incurred professional fees of $603,133, compared to $335,509 during fiscal 2020. The increase is attributable to legal fees incurred in relation to general corporate matters and rebranding of the Company.

Consulting fees
During fiscal 2021, the Company incurred consulting fees of $1,110,506, compared to $216,838 during fiscal 2020. The increase is attributable to a consulting agreement with the Executive Chairman, severance payment to the former CEO, monthly consulting fee for the new CEO and consulting agreements with various advisors for corporate communications and business development.

Management fees
During fiscal 2021, the Company incurred management fees of $325,557, compared to $275,691 during fiscal 2020. The expense relates to advisory fees incurred in the period.

Share-based compensation
During fiscal 2021, the Company incurred share-based compensation of $921,598, compared to share-based compensation of $744,140 during fiscal 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 fewer stock options being granted to key management personnel during fiscal 2021 as compared to fiscal 2020.

Foreign exchange loss
During fiscal 2021, the Company incurred foreign exchange loss of $107,613, compared to $19,138 during fiscal 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 fiscal 2021 as compared to fiscal 2020.

Dividend income
During fiscal 2021, the Company earned dividend income of $1,563,310, compared to $nil during fiscal 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 fiscal 2021, the Company earned other income of $2,293, compared to $22,717 during fiscal 2020. The amount recorded in fiscal 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 fiscal 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 common shares
During fiscal 2021, the Company incurred a loss from change in fair value of short-term investment of $1,045,315, compared to $nil during fiscal 2020. The loss is the result of a decrease in the Ionic share price from $0.235 on the date of conversion to $0.095 at August 31, 2021.

Change in fair value of Preferred Shares
During fiscal 2021, the Company incurred a loss from change in fair value of shares of $7,401,013, compared to $nil during fiscal 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 $0.095 per common share on August 31, 2021.

Change in fair value of Warrants
During fiscal 2021, the Company incurred an expense from change in fair value of warrants of $461,815, compared to $nil during fiscal 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 $0.095 per common share on August 31, 2021.

Share of loss on Krysalis
During fiscal 2021, the Company incurred a loss on its Krysalis VX joint venture representing 50% of the total expenses incurred of $92,053, compared to $nil during fiscal 2020. The spend related to initial development of the Krysalis Pod.

Consideration in excess of net assets acquired
During fiscal 2021, the Company expensed consideration in excess of net assets of $2,594,023, compared to $nil during fiscal 2020. The expense is related to the Vitamind brand acquisition, which did not constitute a business or measurable assets at the time of acquisition, As a result, the purchase consideration in excess of the net assets acquired is expensed in accordance with IFRS.

Impairment of intangible assets
During fiscal 2021, the Company recorded impairment of $7,345,387, compared to $nil during fiscal 2020. The loss is related to inherent limitations in valuation methodology used to determine the recoverable amount of Eleusian's intellectual property.

(Gain) loss on debt settlement
During fiscal 2021, the Company recorded a gain on debt of $15,375, compared to $nil during fiscal 2020. The amount resulted from the issuance of 562,500 units (each consisting of one common share and one-half of one common share purchase warrant) 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.

Current income tax recovery

During fiscal 2021, the Company incurred in current income tax recovery of $1,023,688, compared to $nil during fiscal 2020. The recovery is related to movements in the deferred income tax related to the Ionic Preferred Shares.

Net income from discontinued operations

During fiscal 2021, the Company recorded income from discontinued operations of $13,162,380, compared to $246,266 during fiscal 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 change over the prior year is 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 the sale of Preferred Shares and dividend receivable, accessing capital markets through equity financing and 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, 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.

At August 31, 2021, the Company had working capital of $8,864,185, as follows:

As at		**August 31, 2021**		August 31, 2020
Cash	**$**	**1,141,839**	$	172,107
Receivables		**195,707**		621,206
Prepaid expenses and deposits		**282,902**		377,123
Common shares		**952,910**		-
Preferred Shares		**5,331,292**		-
Warrants		**200,926**		-
Dividend receivable		**1,563,310**		-
Total current assets		**9,668,886**		1,170,436
Accounts payable and accrued liabilities		**804,701**		595,066
Current lease liability		**-**		181,817
Total current liabilities		**804,701**		776,883
Working capital	**$**	**8,864,185**	$	393,553

Despite the current working capital surplus of $8,864,185 as at August 31, 2021, the Company incurred a net loss of $9,658,412 during the year ended August 31, 2021. As at August 31, 2021, the Company has an accumulated deficit of $18,474,175. These factors form a material uncertainty that may raise significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon the Company's ability to raise sufficient financing to acquire or develop a profitable business. The Company intends on financing its future development activities and operations from the sale of equity securities. Management will continue to monitor and assess its capital resources to ensure that operating requirements are met over the next twelve months.

6.2. Cash Flows

Review of cash flow for the three months ended Q4 2021 compared to Q4 2020:

Net cash provided by (used in)		**Q4 2021**		Q4 2020
Operating activities of continuing operations	**$**	**(842,497)**	$	(772,941)
Operating activities of discontinued operations		**-**		158,225
Investing activities		**(367,751)**		198,740
Financing activities		**25,139**		543,789
Effect of exchange rate changes on cash		**1,744**		-
Cash, beginning of period		**2,325,204**		44,294
Cash, end of period	**$**	**1,141,839**	$	172,107

Cash used in operating activities of continuing operations during Q4 2021 was $842,497, compared to cash used in operating activities of continuing operations of $772,941 during Q4 2020. The decrease in cash used in operating activities is attributable to the following:

- Net loss from continuing operations of $12,385,146, compared to net loss from continuing operations of $1,446,349 due primarily to non-cash changes in fair value of Preferred Shares, Consideration in excess of net assets acquired, Impairment of intangible assets, increase in advertising, research and consulting expenses which was decrease in share-based compensation. Included in net loss are non-cash items of $10,232,821 for the three months ended August 31, 2021, compared to $779,925 for the three months ended August 31, 2020.
- Movements in receivables decreased cash by $11,719, compared to increasing cash by $22,192 for the three months ended August 31, 2020.
- Movements in prepaid expenses decreased cash by $106,404, compared to decreasing cash by $358,053 for the three months ended August 31, 2020.
- Movements in accounts payable and accrued liabilities increased cash by $257,717, compared to $229,344 for the three months ended August 31, 2020.

Cash provided by operating activities of discontinued operations for the three months ended August 31, 2021 was $nil as compared to $158,225 during the three months ended August 31, 2020. The movements during Q4 2021 were due to the sale of the Cowlitz Disposal Group. The movements during Q4 2020 relates to collection of rental and license revenues from Cowlitz which was partially offset by rent expense.

Cash used in investing activities for the three months ended August 31, 2021 was $367,751 as compared to cash provided of $198,740 during the three months ended August 31, 2020. Cash used in investing activities during the three months ended August 31, 2021 was the result of the investment in Krysalis VX and Vitamind.

Cash provided by financing activities for the three months ended August 31, 2021 was $25,139 as compared to $543,789 during the three months ended August 31, 2020. Movements in Q4 2021 relate to a reduction in share issuance costs. Movements during Q4 2020 were the result of funds raised through private placements, partially offset by the repayment of the lease liability.

Review of cash flow for the year ended August 31, 2021 compared to August 31, 2020:

Net cash provided by (used in)		**2021**		2020
Operating activities of continuing operations	**$**	**(5,330,792)**	$	(1,684,926)
Operating activities of discontinued operations		**293,434**		462,509
Investing activities		**1,066,820**		198,740
Financing activities		**4,917,589**		718,733
Effect of exchange rate changes on cash		**22,681**		(35,726)
Cash, beginning		**172,107**		512,777
Cash, end	**$**	**1,141,839**	$	172,107

Cash used in operating activities of continuing operations for fiscal 2021 was $5,330,792, compared to cash used in operating activities of continuing operations of $1,684,926 for fiscal 2020. The decrease in cash used in operating activities is attributable to the following:

- Net loss from continuing operations of $22,820,792, compared to net loss from continuing operations of $3,682,339 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 $17,304,820 for fiscal 2021 as compared to $1,671,169 for fiscal 2020.
- Movements in receivables decreased cash by $143,192, compared to increasing cash by $107,633 during fiscal 2020.
- Movements in prepaid expenses increased cash by $86,795, compared to increasing cash by $14,134 during fiscal 2020.
- Movements in accounts payables and accrued liabilities increased cash by $241,577, compared to $204,477 during fiscal 2020.

Cash provided by operating activities of discontinued operations during fiscal 2021 was $293,434 as compared to $462,509 during fiscal 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 by investing activities during fiscal 2021 was $1,066,820 as compared to $198,740 during fiscal 2020. Movements during the fiscal 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 by financing activities during fiscal 2021 was $4,917,589 as compared to $718,733 during fiscal 2020. Movements during fiscal 2021 were 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 fiscal 2020 was the result of funds raised through private placements, 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.

		August 31, 2021		August 31, 2020
Cash	**$**	**1,141,839**	$	172,107
Receivables		**195,707**		621,206
Less:				
Trade payables and other liabilities		**(804,701)**		(595,066)
Net capital		**532,845**		198,247
Add:				
Equity		**11,293,247**		12,074,006
Net capital and equity	**$**	**11,826,092**	$	12,272,253

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 maintain adequate capital resources to fund development of the Company's patents, operating costs and capital costs. 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 years ended August 31, 2021 and 2020 were as follows:

		Year ended August 31,		
		2021		2020
Management fees	**$**	**-**	$	384,674
Consulting fees		**939,882**		5,500
Share-based payments		**347,914**		291,477
	$	**1,287,796**	$	681,651

Included in consulting fees is $115,000 related to 1,000,000 common shares with a fair value of $0.115, which are to be issued to the CSO as per a consulting agreement dated June 1, 2021.

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 years ended August 31, 2021 and 2020 were as follows:

		Year ended August 31,		
		2021		2020
Professional fees	**$**	**116,319**	$	84,624
	$	**116,319**	$	84,624

During the year ended August 31, 2021, the Company incurred $116,319 (2020 - $45,971) 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 year ended August 31, 2021, the Company incurred $nil (2020 - $38,653) 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 August 31, 2021 and 2020 were as follows:

		August 31, 2021		August 31, 2020
Trade payables and other liabilities	**$**	**59,300**	$	218,268
	$	**59,300**	$	218,268

As at August 31, 2021, included in trade payables and other liabilities is $24,919 (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 August 31, 2021, included in trade payables and other liabilities is $11,625 (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 August 31, 2021, included in trade payables and other liabilities is $22,756 (August 31, 2020 - $nil) payable to Directors for director fees. The amounts are unsecured, non-interest bearing and due on demand.

As at August 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 August 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 August 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 August 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 December 23, 2021.

Type of Security	Number Outstanding
Common Shares	224,633,984
Share Purchase Options	18,653,836
Performance Warrants	4,655,992
Share Purchase Warrants	47,759,515
Restricted Share Units	4,500,000
Deferred Share Units	1,800,000
Fully Diluted	**302,003,327**

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of August 31, 2021. The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in note 3 to the annual financial statements.

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.

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.

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.

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.

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. This significant estimate could impact the recognition of intangible assets and goodwill.

12. RISKS AND UNCERTAINTIES

Any investment in the securities of the Company is speculative, due to the nature of its business and its general stage of development. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward looking statements relating to the Company. In addition to the usual risks associated with investment in a business, investors should carefully consider the following risk factors as well as the risk factors set out in the Company's other public disclosure.

The Company's business and results of operations are subject to a number of risks and uncertainties, including but not limited to the following:

Limited operating history

The Company is subject to many risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, history of losses and lack of substantial revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its relatively early stage of operations. Because the Company has a relatively limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

Historically the Company has financed its operations through equity financing. While the Company generates revenues, these revenues may not be sufficient to support future operations or plans for business development. There is no assurance that the Company will be able to maintain the current level of revenue or access further equity. Due to the fact the Company operates a cannabis-related business certain financing options may not be available to the Company. If the Company is unable to sustain or grow its revenue and not be able to attract further equity financing, the Company may not be able to pay liabilities as they become due and thereby would suffer significant financial damage.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

There is no assurance that the Company will turn a profit

There is no assurance as to whether the Company will be profitable or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends. In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

If the Company implements it business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time.

The management of this growth will require, among other things, continued development of financial and management controls, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Company's common shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

(1) the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;

(2) patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

(3) issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

(4) The Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops;

(5) another party may assert a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or

(6) the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Issuer's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the business. The existence and/or outcome of any such litigation could harm the business.

Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including its Chief Executive Officer. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees could have a material adverse effect on its business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company and results of operations of the business. The loss of any of the Company's senior management could materially adversely affect its ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all.

Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the business strategy, may result in the Company's inability to realize any benefit from such acquisition

The Company expects to grow by acquiring businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

Future offerings and dilution

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional common shares will be issued on the exercise of options under the Option Plan and upon the exercise of outstanding Warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

The Company could be liable for fraudulent or illegal activity by its contractors and consultants resulting in significant financial losses to claims against the Company

The Company is exposed to the risk that its independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its contractors and consultants and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on its business, financial condition and results of operations.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

Although certain officers and board members of the Company are bound by anti-circumvention agreements limiting their ability to enter into competing and/or conflicting ventures or businesses, the Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The Company's contracts may not be legally enforceable in the U.S.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

The market price for the Company's common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control.

The market price for the Company's common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

(1) actual or anticipated fluctuations in the Company's quarterly results of operations;
(2) recommendations by securities research analysts;
(3) changes in the economic performance or market valuations of companies in the industry in which the Company operates;
(4) addition or departure of the Company's executive officers and other key personnel;
(5) release or expiration of lock-up or other transfer restrictions on outstanding Company common shares;
(6) sales or perceived sales of additional Company common shares;
(7) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
(8) operating and share price performance of other companies that investors deem comparable to the Company; fluctuations to the costs of vital production materials and services;
(9) changes in global financial markets and global economies and general market conditions, such as interest rates;
(10) operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
(11) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and
(12) regulatory changes in the cannabis industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's common shares may decline even if the Company's operating results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses.

There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely affected and the trading price of the Company's common shares might be materially adversely affected.

Currency fluctuations

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.