

Canbud Distribution Enters into Definitive Agreement to Acquire Molecular Science Corp.

Toronto, Ontario--(Newsfile Corp. - June 18, 2021) - Canbud Distribution Corp. (CSE: CBDX) ("**Canbud**" or the "**Corporation**") is pleased to announce that, further to its news release of May 27, 2021, it has entered into a definitive acquisition agreement (the "**Acquisition Agreement**") with Molecular Science Corp. ("**MSC**") and 2847719 Ontario Inc. ("**Subco**"), a wholly-owned subsidiary of Canbud, pursuant to which it agreed to acquire all of the outstanding securities of MSC by way of a three-cornered amalgamation (the "**Transaction**"). The Transaction is subject to receipt of all necessary regulatory approvals, including, as applicable, approval of the Canadian Securities Exchange ("**CSE**"), and certain other conditions as described below.

About MSC

MSC is a privately held analytical science and services company, carrying on the business of testing cannabis and related pharmaceutical products. The business operations of MSC are conducted primarily through Molecular Science Labs Corp, MSC's wholly-owned subsidiary at its laboratory facilities in Scarborough, Ontario and pursuant to an analytical testing license issued by Health Canada under the *Cannabis Act*.

The Transaction

Under the terms of the Acquisition Agreement, the parties agreed to complete the Transaction, pursuant to which Subco will amalgamate with MSC under the *Business Corporations Act* (Ontario) and continue as a new corporation, wholly-owned by Canbud, and the holders of common shares of MSC (the "**MSC Shares**") immediately prior to the amalgamation will receive 3.313 common shares of Canbud ("**Canbud Shares**") for each MSC Share, or an aggregate of approximately 68,941,595 Canbud Shares, in exchange for their MSC Shares. All outstanding common share purchase warrants of MSC will also be replaced for common share purchase warrants of Canbud, entitling the holders thereof to purchase an aggregate of up to up to 3,975,707 Canbud Shares for a purchase price of \$0.30 per Canbud Share until the date that is three years following the date of the completion of the Transaction. In addition, upon closing of the Transaction, the Corporation will issue up to 1,765,000 Canbud Shares as an advisory fee (the "**Advisory Fee Shares**").

Upon closing of the Transaction, the holders of MSC Shares prior thereto are expected to own approximately 44.7% of the outstanding Canbud Shares on a non-diluted basis and before giving effect to the issuance of any Advisory Fee Shares. The Canbud Shares issued in exchange for MSC Shares will be subject to resale restrictions, such that the holders thereof will be permitted to trade 25% of such Canbud Shares on the date that is four months from the closing date of the Transaction, and a further 25% of such Canbud Shares on the dates that are seven, 10 and 13 months after the closing date.

In accordance with the terms of the Acquisition Agreement, Canbud advanced to MSC a bridge loan (the "**Bridge Loan**") of \$500,000, to be used by MSC for the repayment of certain debt and for working capital purposes. The Bridge Loan bears interest at 5% per annum, matures sixty days from the date of the Bridge Loan, and is secured against the shares and assets of each of MSC and its main operating subsidiary. In the event that MSC breaches its obligations under the Acquisition Agreement or otherwise is in default of its obligations under the loan and security documents with respect to the Bridge Loan, then the principal amount advanced under the Bridge Loan and all accrued interest owing thereon will immediately become due and payable after any applicable notice or cure periods.

All of the existing directors and management of the Corporation are expected to remain following any

completion of the Transaction. Upon closing, all directors and officers of MSC are expected to resign other than Mauro Aiello and Sherry Farsami, who are expected to continue as the Interim CEO and Director of Quality Assurance, respectively, of the amalgamated entity carrying on the business of MSC.

Completion of the Transaction is subject to a number of conditions, including, without limitation, the following:

- receipt of the required approval for the Transaction from the shareholders of MSC within 30 days of the signing of the Acquisition Agreement;
- receipt of all applicable regulatory approvals;
- there having been no acquisitions or disposals (other than in the ordinary course of business), no debt or equity capital raisings (excepting for the Corporation), no new material contracts (excepting for the Corporation) or related party transactions and no loss of any material license;
- if shareholders of MSC holding 5% or more of the MSC Shares have exercised dissent rights with respect to the amalgamation of MSC and Subco;
- no material adverse change affecting MSC or the Corporation;
- satisfaction of Canbud and MSC of its respective due diligence investigation of the other part; and
- other customary closing conditions.

Steve Singh, CEO of the Corporation stated: "We are pleased to have entered into a definitive agreement to acquire an attractive business with high client loyalty and that we expect will generate revenue and growth potential for Canbud. MSC provides exceptional and critical services to the cannabis sector and also has an opportunity to expand its current business into the emerging psychedelics sector. Canbud intends to work to complete the Transaction and, at the same time, continue to evaluate other potential acquisitions that could advance management's goal of entrenching Canbud in key facets of the cannabis and psychedelics sector."

The Transaction is an arms-length transaction for the Corporation and, if completed, will not constitute a fundamental change or result in a change of control of the Corporation, within the meaning of the policies of the CSE.

Selected Financial Information of MSC

The following table sets out selected financial information with respect to MSC as at the dates noted. The selected financial information is derived from MSC's audited consolidated financial statements for the year ended December 31, 2019 and its unaudited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board.

Balance Sheet Information	As at December 31, 2019 (\$)	As at December 31, 2020 (Unaudited) (\$)
Current Assets	1,047,184	727,896
Investment	138,000	43,590
Property and equipment	3,542,941	2,476,815
Right-of-use assets	613,270	130,472
Intangible assets	24,184	8,518
Total Assets	5,365,579	3,387,291
Current Liabilities	1,340,814	1,051,116
Total Liabilities	1,790,521	1,108,861
Total Shareholder's Equity	3,575,058	2,278,430

Income Statement information	Year Ending, December 31, 2019 (\$)	Year Ending December 31, 2020 (Unaudited) (\$)
Service Revenue	1,175,890	2,742,208
Operating expenses	5,418,154	4,890,802
Total Operating Loss	(4,242,264)	(2,148,594)
Net Loss	(4,272,761)	(1,572,457)
Total comprehensive loss	(4,991,903)	(1,674,367)
Adjusted EBITDA ⁽¹⁾	(1,982,469)	(216,294)

Note:

(1) In this news release, reference is made to Adjusted EBITDA which is not a measure of financial performance under International Financial Reporting Standards (IFRS). This metric and measure is not a recognized measure under IFRS, does not have meaning prescribed under IFRS and is, as a result unlikely to be comparable to similar measures presented by other companies. This measure should not be considered in isolation or in lieu of a review of our financial information reported under IFRS. Adjusted EBITA includes adjustments to net income for non-recurring items, concluded research and development, depreciation, interest and stock compensation expenses.

Completion of the Transaction is subject to a number of conditions, including the approval of the amalgamation by MSC's shareholders by special resolution. There can be no assurance that the transaction will be completed as proposed or at all.

About Canbud Distribution Corp.

Canbud Distribution Corporation is a science and technology health and wellness company carrying on business in the plant based, psychedelic pharmaceutical and non-psychedelic nutraceutical, and hemp cannabinoid (CBD) vertical markets.

Notice Regarding Forward Looking Information

The information in this news release includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward looking statements. Forward looking statements in this news release include, but are not limited to, management's expectations with respect to the potential of the Transaction to contribute to the Corporation's growth potential and its ability to generate revenue, management's goal of evaluating and pursuing other potential acquisitions and the completion of the Transaction. These statements are based upon assumptions that are subject to significant risks and uncertainties, including assumptions that all conditions to closing of the Transaction will be satisfied, that the Transaction will be completed and assumptions about the operations, financial condition and future performance of MSC and the Corporation. Although the Corporation considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect, and the forward looking statements in this news release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors may include, among others, the risk that required approvals and the satisfaction of material conditions have not been obtained in connection with the Transaction, and the risk that the Transaction is not approved or completed on the terms set out in the definitive agreement between the parties. Although the Corporation's management believes that the

expectations reflected in forward looking statements are reasonable, the Corporation can give no assurances that the expectations of any forward looking statements will prove to be correct. Except as required by law, the Corporation disclaims any intention and assume no obligation to update or revise any forward looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward looking statements or otherwise.

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