

Canbud To Enter U.S. Analytical Testing Services Market - Signs LOI To Acquire Steep Hill Inc.

Toronto, Ontario--(Newsfile Corp. - August 9, 2021) - Canbud Distribution Corp. (CSE: CBDX) (FSE: CD0) (the "**Corporation**" or "**Canbud**") is pleased to announce that, on August 7, 2021, it entered into a non-binding Letter of Intent (the "**Letter of Intent**") with Steep Hill Inc. ("**SH**") in respect of a proposed transaction (the "**Proposed Transaction**"), whereby the Corporation would acquire all of the issued and outstanding common shares of SH.

SH, the first commercial cannabis laboratory founded in 2008, is one of the premier privately-held analytical testing services companies in United States. SH's primary business is the licensing of its brand, trademark, licensed lab testing procedures and software to its licensees conducting analytical testing of cannabis and hemp products under the name "Steep Hill". The company's flagship laboratory is based in Berkeley, California. SH has license agreements in 12 territories the United States. and Mexico, whereby the company provides its analytical testing expertise.

The Proposed Transaction is expected to allow Canbud to build on its recently concluded acquisition of Canadian lab testing company Molecular Science Corp. ("**MSC**"), as Canbud expands its presence to the United States in a critical area within the cannabis sector and the emerging psychedelics sector.

The Proposed Transaction

The Proposed Transaction is expected to be structured as by way of a statutory merger, share purchase or other similar form of transaction and the holders of common shares of SH immediately prior to the acquisition would receive an aggregate of 82,000,000 common shares of the Corporation in exchange for their common shares of SH. Upon closing of the Proposed Transaction, the Corporation may also issue up to 2,870,000 common shares of the Corporation as a finder's fee (the "**Finder's Fee Shares**"). The Proposed 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.

Upon closing of the Proposed Transaction, the outstanding capitalization of the Corporation is expected to consist of approximately 238,061,493 common shares and, options and warrants to purchase 14,526,000 and 49,630,491 common shares of the Corporation, respectively, excluding any Finder's Fee Shares issued. Current SH shareholders are expected to own approximately 34% of the Corporation's common shares on a non-diluted basis, and 27.1% on a fully-diluted basis, before giving effect to the issuance of any Finder's Fee Shares. Prior to closing, all outstanding debt of SH will be converted into equity.

The Corporation and SH agreed to negotiate in good faith the terms of a definitive agreement, to be finalized and approved by September 15, 2021, with respect to the Proposed Transaction following the date of the Letter of Intent. As per agreed terms, following execution of the Letter of Intent, the Corporation has made available to SH a loan (the "**Loan**") of US\$250,000, to be used by SH for working capital purposes. In the event that the definitive agreement is terminated (other than as a result of any breach of its terms by the Corporation), then the principal amount advanced under the Loan would become due and payable within 90 days.

The common shares of the Corporation issued in exchange for SH common shares would be subject to resale restrictions, such that the holders would be permitted to trade 25% of such shares only after three months from closing and a further 25% of such shares after each successive three-month period thereafter until the date that is 15 months from the closing date.

Completion of the Proposed Transaction would be subject to a number of conditions, including, without limitation, the following:

- receipt of the required approval for the Proposed Transaction from the shareholders of SH by September 15, 2021;
- receipt of all regulatory approvals (including applicable CSE approvals for the listing of the common shares of the Corporation issuable to the security holders of SH);
- confirmation that 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;
- no material adverse change affecting SH or the Corporation; and
- such other conditions as the parties decide are reasonable in the context of the Proposed Transaction.

The Proposed Transaction would be an arms-length transaction for the Corporation and would not constitute a fundamental change or result in a change of control of the Corporation, within the meaning of the policies of the CSE.

Steve Singh, CEO, Canbud, notes: "We are extremely pleased to announce the Letter of Intent to acquire Steep Hill, a leading U.S. analytical services company. This builds upon the July 2021 acquisition of Molecular Science Corp. ("**MSC**") and, combined with the recently received Dealer's License from Health Canada by MSC, provides the Canbud platform with a strong footing to become a key cross-border service provider in the cannabis and emerging psychedelics sectors. Entry into the United States was one of the key growth strategies identified by management, and the proposed SH acquisition would represent the execution on this goal. The Proposed Transaction expands the Corporation's geographic footprint into the United States ahead of expected federal deregulation, and creates a premier, mission-critical ancillary services provider to Canadian licensed producers and U.S. Multi-State Operators ("**MSOs**")."

Nigel Stobart, CEO, Steep Hill Inc. stated: "We are excited to be partnering with Canbud to help accelerate Steep Hill's geographic expansion into new markets, serve its existing and future licensees with stronger resources, and continue its pursuit to be the global leader in plant-based science. As part of Canbud, we believe that the growth trajectory of Steep Hill will only be accelerated. We currently serve 12 territories in the U.S. and Mexico, and we look forward to expanding that footprint dramatically upon completion of the Proposed Transaction. In addition, our ability to serve our current licensees will be significantly enhanced with addition of the scientific expertise of MSC. Canbud recognizes the value of the Steep Hill brand name in the U.S. marketplace, and we are pleased that it will continue on after the Proposed Transaction."

Canbud approves issuance of stock options

The Company announces the grant of stock options (each an "Option") pursuant to the Company's stock option plan. The Company has granted an aggregate of 7,000,000 Options to certain directors, officers, employees and consultants of the Company, including to executives and employees at its wholly owned subsidiary, Molecular Science Corp. The Options are exercisable at a price of \$0.10 per Option. The Options granted vest in four months and expire on August 05, 2026. Each Option is exercisable to purchase one common share in the capital of the Company.

About Steep Hill Inc.

Steep Hill Inc. (SH) is a leading cannabis science company with significant footprints in lab testing and research and development. Steep Hill's foundation was built on testing and analyzing medical and recreational cannabis to ensure compliance with current safety standards. In 2008, Steep Hill opened the first commercial cannabis lab in the United States. Steep Hill is currently expanding throughout the United States, and globally. With the goal of helping the rest of the world adopt "best practices" in cannabis testing, the company also provides expert consulting services to many regions around the

world. Steep Hill: "Globally Driven. Locally Focused."

About Canbud Distribution Corp.

Canbud 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.

www.steephill.com

www.canbudcorp.com

<https://twitter.com/canbudcorp>

<https://www.linkedin.com/company/canbud-distribution-corp/?viewAsMember=true>

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. These statements are based upon assumptions that are subject to significant risks and uncertainties, including assumptions that all conditions to the closing of the Proposed Transaction will be satisfied and that the Proposed Transaction will be completed on the terms set forth in the Letter of Intent. 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 are not obtained in connection with the Proposed Transaction, the risk that the Proposed Transaction is not approved or completed on the terms set out in the Letter of Intent or that a definitive agreement will be entered into in connection therewith. 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.

For further information please contact:

Robert Tjandra, President,

(416) 847-7312

Email: ir@canbudcorp.com

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